Dechra
Pharmaceuticals PLC

DELIVERING OUR GLOBAL GROWTH STRATEGY

Annual Report and Accounts
for the year ended 30 June 2015

Company Number: 3369634

Welcome to Dechra Pharmaceuticals PLC

Dechra is an international specialist veterinary pharmaceuticals and related products business. Our expertise is in the development, manufacture, and sales and marketing of high quality products exclusively for veterinarians worldwide.

Investor Website
We maintain a corporate website at **www.dechra.com** containing a wide range of information of interest to both institutional and private investors including:

- Latest news and press releases
- Annual reports and investor presentations

Online Report
Visit our online annual report at:
dechra.annualreport2015.com

Glossary
Terms used within this section

Forward-Looking Statements: This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company during 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 and thereby involve a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

Financial Highlights

Total Revenue
£203.5m
2014: £193.6m
CER*: Up 10.0% £: Up 5.1%

EU Pharma Revenue
£168.6m
2014: £172.4m
CER*: Up 3.9% £: Down 2.2%

NA Pharma Revenue
£34.9m
2014: £21.2m
CER*: Up 59.9% £: Up 64.6%

Underlying Operating Profit
£44.4m
2014: £42.2m
CER*: Up 11.6% £: Up 5.2%

Underlying Diluted Earnings per Share
39.90p
2014: 36.32p
CER*: Up 16.9% £: Up 9.9%

Dividend per Share
16.94p
2014: 15.40p
CER*: Up 10.0% £: Up 10.0%

* CER is defined as Constant Exchange Rate against prior year, whilst £ is at reported, Actual Exchange Rate (AER). A reconciliation of underlying to reported measures can be found on page 43.

Operational Highlights

- Strong financial performance with double digit revenue and underlying profit growth (at CER).
- Good progress made on delivering our global growth strategy.
- EU Pharmaceuticals revenue grew by 3.9% (at CER) with a strong performance in Companion Animal Products (CAP) partly offset by a decline in Food producing Animal Products (FAP).
- Excellent performance in North America Pharmaceuticals with a revenue increase of 59.9% (at CER), driven by the growth of our core brands, new product launches and the acquired product, *Phycox®*.
- Continued geographical expansion with trading commencing in two new subsidiaries in Canada and Poland.
- Advances in the short term pipeline with approval of *TAF Spray®* and *Osphos®* in EU, and filing of *Zycortal®*.
- Investment made in sales resources, infrastructure and manufacturing to support our future growth.
- Conditional offer of €51.4 million made for Genera d.d. announced on 3 August 2015 to enable us to enter the poultry vaccines market.
- Cash conversion of 107.1% and a net cash position of £13.4 million.

Navigating This Report

Our Values

D edication
E njoyment
C ourage
H onesty
R elationships
A mbition

Read our **Corporate Social Responsibility Report** on pages 50 to 57.

Our Strategy

To continue to develop our position as an international, high margin, cash generative, specialist veterinary pharmaceuticals and related products business with a clear focus on key therapeutic areas: dermatology, ophthalmology, equine medicine, anaesthesia and analgesia, endocrinology, cardiovascular disease, food producing animal antimicrobials and pet diets through:

Pipeline Delivery

Portfolio Focus

Geographical Expansion

Acquisition

Read **Delivering Our Strategy** on page 14.

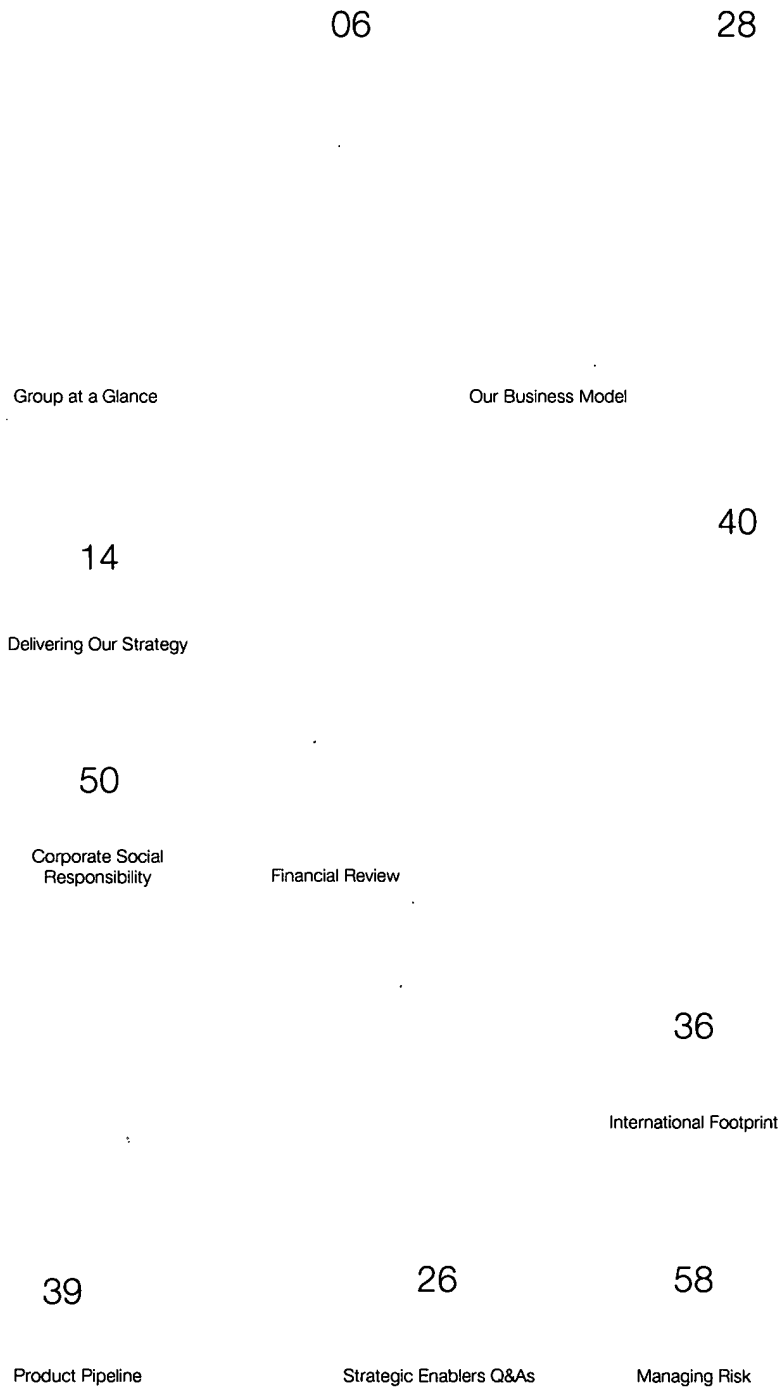
Maximising returns for shareholders

Outcomes

- Create long term value by
  - innovating and generating sustainable profit growth through pipeline delivery
  - maintaining market leadership in defined therapeutic areas and improving returns through portfolio focus
  - seizing growth opportunities in new markets through geographical expansion
  - delivering incremental sales and earnings growth through value enhancing strategic acquisitions
- Maintain strong cash generation

See our **Financial History** on page 159.

How Our Business Operates



11.6%

In 2015, the Group focused on the execution of our four strategic pillars **delivering underlying profit** growth of 11.6% at CER (5.2% at AER)

See our Strategy in Action case studies on pages 18 to 25.

View further content on our website: www.dechra.com

Strategic Report

Group at a Glance

EU Pharmaceuticals

Dechra Veterinary Products EU (DVP EU)

364
Employees

14
Countries

DVP EU markets and sells Dechra's products throughout Europe and exports to over 40 countries. The business has an operating board of eight senior managers, and is managed from Den Bosch, the Netherlands, Sansaw, UK, and Uldum, Denmark. In total, DVP EU employs 364 people and maintains an outsourced sales force of 20 people located in different territories. Inventory is managed through a central distribution centre in Uldum, Denmark.

DVP EU has sales operations in 14 countries: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the UK, each run by a Country Manager. DVP EU also exports to other European countries as well as other territories including Australia, Brazil, the Middle East and the Far East.

The key products in the DVP EU portfolio are predominantly Companion Animal and Equine Products; however, with the acquisition of *Eurovet*® in 2012, the range expanded into the food producing animal market.

DVP EU also markets a range of specialist, therapeutic and maintenance pet diets, branded *Specific*™.

Revenue for the EU Pharmaceuticals Segment

£168.6m

Equine **8%**
FAP **16%**
Diets **15%**
Third Party Manufacturing **12%**

Dechra Pharmaceuticals Manufacturing (DPM)

374
Employees

3
Manufacturing Sites

DPM produces the majority of Dechra's pharmaceuticals and also manufactures for third parties on a contract basis. The objectives of manufacturing are to produce Dechra's veterinary pharmaceutical product range efficiently and economically to the highest quality standards, maintain a robust and reliable supply chain for the Group and to contribute revenue and profit to the business through third party manufacturing.

Skipton
The site at Skipton, UK, employs 239 people, and offers a comprehensive range of pharmaceutical manufacturing and packing services, principally for Companion Animal Products (CAP). The site is dual-licensed to produce both veterinary and human products. The site includes Pharmaceutical Development, Quality Control (QC) and Stability Testing and Validation Laboratories.

Bladel
The site at Bladel, the Netherlands, employs 122 people. The operation complements the Skipton site, manufacturing products for food producing animals in large-scale batches. This site also has an aseptic manufacturing facility to produce sterile injections, an important competence in DPM's manufacturing portfolio. As in Skipton, the site includes QC and Development Laboratories.

Melbourne
The site at Melbourne, Florida, employs 13 people. It manufactures *Phycox* and *Levocrine*®.

Manufacturing Volumes

Internal **58%**
Third Party Manufacturing **42%**

All figures are at AER.

North America Pharmaceuticals

Dechra Veterinary Products North America (DVP NA)

69
Employees

2
Locations

DVP NA markets and sells Dechra's veterinary products across Canada (DVP Canada) and the US (DVP US), the latter being the world's largest animal health market.

The US business is strategically located in Kansas City, at the heart of the 'Animal Health Corridor', an area recognised globally for its concentration of animal health businesses. Led by an operating board of four senior managers, DVP US has 61 employees at year end, 47 of whom are field-based sales representatives responsible for around 1,000 clinics each. The rest of the team consists of marketing professionals, in-house veterinarians, field veterinarians, technical support staff and a customer service team.

DVP US currently markets Companion Animal and Equine Products.

DVP Canada was established in January 2015 and currently employs eight people. The office is located in Montreal. DVP Canada markets CAP and Equine products.

Revenue for DVP NA

£34.9m

CAP **92%**
Equine **8%**

Product Development and Regulatory Affairs

62
Employees

4
Locations

The Product Development team develops Dechra's own branded veterinary product portfolio of novel and generic pharmaceuticals. The Regulatory Affairs team obtains licences for our products, manages post approval adverse event reporting, periodic product renewals and other activities required to maintain the product licenses.

A total of 62 people at 30 June 2015 work across European Regulatory Affairs, US Regulatory Affairs, Pharmaceutical Development and Product Development. They work at four locations in Overland Park, USA, Sansaw, England, Skipton, England, and Bladel, the Netherlands. The team includes highly qualified academics, veterinarians, formulation chemists, pharmacists, analysts, clinical trial managers and product development managers.

Development Spend

All figures are at AER.

Chairman's and Chief Executive Officer's Statement

"It has been a successful year which clearly demonstrates that we are delivering our global growth strategy."

3.9%

Our EU business has delivered solid growth of 3.9% at CER ((2.2%) at AER)

Read the **Financial Review** on pages 40 to 45.

Read **Delivering Our Strategy** on pages 14 to 17.

View further content on our website: **www.dechra.com**

We are pleased to report that the Group has delivered a strong performance in the year, with good revenue growth in the majority of our EU markets and excellent growth within North America. This performance has been realised through new product launches, the resolution of a number of supply issues, improved penetration of our core products into our major markets and new territory launches. Overall it has been a successful year which clearly demonstrates that we are delivering our global growth strategy.

Portfolio Focus

DVP EU

Our EU business has delivered solid growth of 3.9% at CER, driven by a strong performance across our Companion Animal Products (CAP) portfolio offsetting a decline in Food producing Animal Products (FAP). Most markets grew in the year but the most significant double digit sales increases were seen in the UK, France, Spain and Belgium. Our key therapeutic focus areas of endocrinology, dermatology and anaesthetics and analgesics all performed strongly. Additionally, we have strengthened two of our therapeutic areas:

- our dermatology portfolio was expanded with the successful launch of an in-licensed product, *Sporimune*® in seven European markets.
- the launch of *Osphos* in the UK improves our position in the equine market. Preparations are now being made for the launch of the product across the rest of Europe in the new financial year.

FAP continues to decline as we have a strong presence in the antibiotics market in Western Europe where there is continued focus on prudent prescribing due to concerns over antibiotic resistance. This remains an ongoing headwind against our overall performance, especially in Germany and also in Denmark, where there has been competitive pressure. However, it is pleasing to note that the rate of decline has slowed in the Netherlands, a market in which antibiotic use has reduced sharply over the last four years.

Our therapeutic and life stage pet diets, branded *Specific*, have now fully recovered from the stock-outs created by the complex transfer of the products to a new manufacturer. The supply issues were well managed given the logistical challenges involved in the transfer process. Overall sales declined slightly compared to the previous year. The range has now been repositioned and a new marketing campaign is being rolled out across Europe focusing on three key drivers:

- the high inclusion of fish protein and the associated benefits of Omega 3;
- the ethos of deriving the nutrients of the products from sustainable sources; and
- the *Specific* brand being dedicated to the veterinary market.

DVP North America
We have seen an excellent performance in North America with sales growth of 59.9% at CER. All our major therapeutic areas grew, in particular endocrinology and dermatology sales increased by 24.0%. The sales increase in endocrinology was driven by *Vetoryl*®, our lead product in this category, which continued to deliver double digit growth and by the new product launch of *Levocrine* Chewable Tablets, which has outperformed our expectations.

Our performance in North America benefited from the full year trading of *Phycox*, the re-launch of ophthalmics, the launch of *Osphos* and the opening of our Canadian subsidiary. *Phycox*, which came into the Group through the acquisition of the assets of PSPC Inc. in May 2014, has performed well throughout the year and we have increased the number of customers purchasing the product by over 50%. The ophthalmics products, which were re-launched following long term supply issues, achieved expected sales targets despite strong competition from human generic equivalents. We have successfully launched *Osphos*, our unique product for equine lameness and, whilst the uptake has been a little slower than expected, we have to date penetrated approximately one-third of the equine and mixed animal practices. Adjusting for these items, sales of our existing core products grew by 21.7% at CER.

Our agility enables us to respond rapidly to market changes or opportunities. Following a serious shortage of critical care intravenous fluids in the US market, we obtained FDA approval for the emergency importation of our European critical care intravenous fluid *Vetivex*® 11 (Hartmans solution) to supply the equine market. We are currently working with the FDA to achieve long term approval for a US labelled version of this product to add to our equine portfolio.

To support our growth in the US, we have continued our investment in the infrastructure with 16 new appointments, predominantly across sales and technical support.

Pipeline Delivery
Team Restructuring
Given the varied range of projects in development and the increasing demands of regulatory authorities, the Product Development and Regulatory Department has been restructured. Dr Joseph Rosentel has been appointed to lead the Product Development Project Teams and Dr Susan Longhofer will now head up Regulatory Affairs and will dedicate more time to business development, a critical function as we assess numerous in-licensing opportunities.

59.9%

We have seen an excellent performance in North America with sales growth at 59.9% at CER (64.6% at AER)

Glossary
Terms used within this section:

CAP
Companion Animal Products

FAP
Food producing Animal Products

CER
Constant Exchange Rate

FDA
US Food and Drug Administration

Chairman's and Chief Executive Officer's Statement
continued

TAF Spray® was approved for launch by all our European trading subsidiaries in the year

A new low dose 5mg *Vetoryl*® has been approved for the US

8

We established our Canadian subsidiary and successfully recruited a team of eight

Read the **Strategy in Action: Geographical Expansion** on pages 22 and 23.

View further content on our website: **www.dechra.com**

This restructuring has been implemented to provide the necessary expertise and focus with a view to ensuring we deliver the increasingly complex product portfolio in a timely and efficient manner.

Successful Approvals
Following the launch of *Osphos* in the UK and US in the first half of our financial year, we have subsequently received approval in 17 additional EU territories and have also received marketing approval in Canada. EU approvals were achieved following the completion of mandatory studies demonstrating food safety as the horse is classed as a food producing animal in the majority of EU territories.

TAF Spray was also approved in 14 European countries in the year. This is a differentiated generic antibiotic aerosol containing thiamphenicol which is used to treat superficial wound infections in several species.

A new low dose 5mg *Vetoryl* has been approved for the US. This enhances the range of dosing options available to veterinarians and provides a new marketing message as we continue to deliver growth from the Group's leading product.

To support our geographic expansion goals, minor approvals were received for *Octacillin*® and *Soludox*® in the Philippines and *Sedaxylan*® in South Africa.

Development Update
Complete dossiers have been filed in both the EU and US for a canine endocrine product, to be branded *Zycortal*. Initial questions have been received and it is hoped that the first approval will be received during our new financial year.

We have three FAP project dossiers for poultry and swine under review in Europe and are preparing a further dossier for a decentralised application which will be submitted before the end of the 2015 calendar year.

Owing to the nature of the development process, some projects in the Feasibility phase have taken longer than projected before reaching the Development phase. However, we are mitigating the potential impact of delays by increasing the overall number of projects in development.

Refilling the Pipeline
We continue to identify new opportunities internally and externally to improve and expand our product portfolio. We have reached a preliminary agreement with Jaguar Animal Health Inc. to secure marketing and joint development rights for their leading companion animal product. We have also acquired a partially completed dossier for an additional canine endocrinology product; further development work will be required to gain full approval, which will be conducted at our manufacturing facility in Skipton, UK.

Geographical Expansion
In the first half of our financial year we opened our Canadian subsidiary and successfully recruited a team of eight, the majority of whom focus on sales. We commenced trading in January 2015 and have begun to establish a strong presence in this territory. The Canadian subsidiary achieved sales targets for *Vetoryl, Felimazole*® and the dermatology range. However, other products sales were impacted by surplus stock in the market from our previous distributor which had washed through the system by the end of the financial year. The new team is highly focused to deliver results in our new financial year.

We have also established a trading subsidiary in Poland. This came about as the distributor of our range of predominantly FAP products was acquired, thereby allowing us to take advantage of a change of ownership clause in the contract. We have appointed ten people, including the Country Manager and an experienced sales team, the majority of whom previously worked for our distributor, together with three contracted sales representatives. Trading commenced ahead of our expectations in May 2015.

We are currently at an advanced stage of planning the start-up in an additional new territory, Austria, which we anticipate will be trading prior to the end of the new financial year.

We also continue to invest in our Regulatory function to gain new licences in other countries identified as target markets. Whilst there are few locations where we have the relevant critical mass for a new start-up at this time, the registration process is important as we look to expand beyond our core markets.

The principal benefits of trading through our own subsidiaries are that we can capture the full margin from our own products and we can provide the relevant sales and marketing focus which is more difficult to achieve through marketing partners.

Acquisition

Throughout the year we have continued to identify and screen potential businesses and products for acquisition that could increase Dechra's value and improve returns to shareholders.

We were pleased to announce, post the year end, that we have made a conditional offer to acquire a 63.3% shareholding (equivalent to 69% of voting rights) in a Croatian based business, Genera d.d., which triggered a mandatory takeover for the remaining shares which would value the business at the equivalent of €51.4 million on a debt free, cash free basis. The sale and purchase agreement to acquire this stake is conditional on total aggregate shareholder acceptances reaching 75% of the voting share capital.

The mandatory offer is expected to be completed by November 2015 and is subject to approval by the Croatian Financial Services Agency (HANFA). The principal reason for the acquisition of this shareholding in Genera is that it represents a unique opportunity for Dechra to enter the poultry vaccines market, thereby expanding our FAP portfolio. This broader product offering will support our FAP sales in Western Europe and will enhance our ability to increase our presence in emerging markets. Additionally, the acquisition will bring three new sales territories in Croatia, Slovenia and Bosnia and Herzegovina and will enhance our manufacturing capabilities through access to a lower cost manufacturing base.

Although the veterinary market has undergone considerable consolidation over the past decade, we are still able to identify potential acquisition candidates due to our market knowledge and increasing international presence.

“Throughout the year we have continued to identify and screen potential businesses and products for acquisition that could increase Dechra's value and improve returns to shareholders.”

Chairman's and Chief Executive Officer's Statement
continued

11.7%

Within the year, third party manufacturing sales have increased by 11.7% at CER (9.4% at AER)

We have focused on talent management and development

Read the **Strategic Enablers Q&As** on pages 26 and 27.

Read more about **Corporate Social Responsibility** on pages 50 to 57.

View further content on our website: **www.dechra.com**

Strategic Enablers

Manufacturing

The key objective of Dechra Pharmaceuticals Manufacturing (DPM) is to produce Dechra's own pharmaceutical range in the most efficient and effective manner. In addition to manufacturing the Group's products, we also utilise spare capacity to provide a third party manufacturing service. Within the year these external sales, reported under our EU segment, have increased by 11.7%.

A number of projects were implemented across our sites throughout the year to increase capacity, improve yields and drive efficiencies to reduce the cost of goods. These include investments in:

- the Premix Department in Bladel to increase batch sizes for FAP products;
- a new faster encapsulating machine in Skipton which increases yield and doubles capacity;
- a blister packing line to increase capacity and flexibility through automation; and
- a larger creams and ointments vessel to facilitate a major third party contract and production of in-house creams, liquids and ointments in Skipton.

There have been a number of other developments within Manufacturing, the most significant of which is the successful pre-approval inspection of the Skipton facility by the FDA in preparation for the approval of our new canine endocrine product, *Zycortal,* to be manufactured at the site.

Our US site in Melbourne, Florida, which was acquired from PSPC Inc. in May 2014, has been fully integrated into Group Manufacturing. This year, we have focused on increasing quality systems and production capacity following the launch of a new product, *Levocrine*, which is manufactured at this site. A new Manufacturing Manager has been appointed to drive quality systems improvements and the necessary increase in production to meet the demand we have created for both *Levocrine* and *Phycox*.

Information Technology

The roll out of the Oracle Programme remains one of the primary objectives for the Group. Detailed plans are in place for the implementation to be completed by the end of 2017. Progress has been made in the year with the appointment of a new dedicated Project Manager to coordinate this complex project and ensure adherence to plan. Additionally, the implementation of the Group Finance Consolidation solution went live in June 2015.

We have continued to refresh our IT infrastructure and update our digital technologies with the following initiatives:

- a Group high-speed network has been implemented across all major Dechra locations;
- a web-based portal for staff training has been designed;
- a new DVP website has been launched in multiple languages and a new PLC website is at an advanced stage of development; and
- new hybrid PC tablets are being introduced for all sales staff to improve mobile working and presentation capabilities.

People

As reported last year, our focus has been on talent management and development. We have introduced a Talent Mapping programme to identify staff with high potential and we are implementing a professional development programme to strengthen and support individuals as required. Succession planning is also in place for all key managerial and technical roles across the Group and a rolling review programme has been established. Additionally, a Dechra careers website has been developed to provide up-to-date information on opportunities for all employees and to attract new talent to the Group.

The Senior Executive Team (SET) has been strengthened within the year with the appointment to the team of Dr Joseph Rosentel, Director of Product Development, and Giles Coley, Marketing Director DVP EU. Work has commenced on a Leadership Development programme for the team.

There has been significant recruitment throughout the year to support the Group's growth. In total, we have added over 100 employees, in new territories, in sales and technical support teams within DVP US and in recruitment to fill vacancies in DVP EU and DPM.

As we grow, internal communication to drive Group-wide alignment is increasingly important. With this in mind, a Dechra-wide newsletter has been introduced to improve internal communication across all our locations and all our employees.

Dividend
The Board is proposing a final dividend of 11.82 pence per share (2014: 10.65 pence per share). Added to the interim dividend of 5.12 pence per share, this brings the total dividend for the financial year ended 30 June 2015 to 16.94 pence per share, representing 10.0% growth over the previous year.

Subject to shareholder approval at the Annual General Meeting to be held on 23 October 2015, the final dividend will be paid on 20 November 2015 to shareholders on the Register at 30 October 2015. The shares will be become ex-dividend on 29 October 2015.

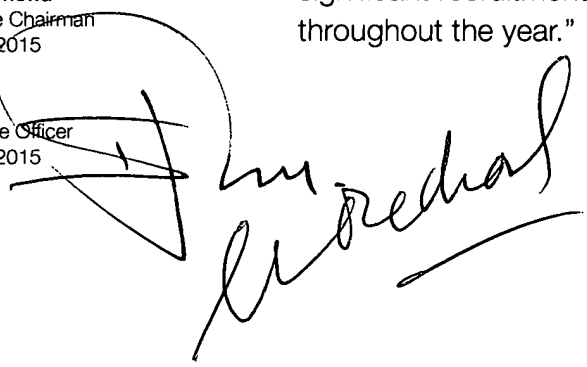
Outlook
The Board believes that our focus on our key therapy areas, the continued rate of adoption of *Osphos* and sales in our new territories will drive progress in the short term. Current trading is in line with management expectations; however, the business continues to be exposed to exchange rate volatility.

In the long term the delivery of further new products and the integration of potential acquisitions give the Board confidence in the Group's future prospects.

The Strategic Report has been approved by the Board and signed on its behalf by:

Michael Redmond
Non-Executive Chairman
7 September 2015

Ian Page
Chief Executive Officer
7 September 2015



Glossary
Terms used within this section:

IT
Information Technology

Oracle Programme
Enterprise Resources Planning (ERP) software

DVP
Dechra Veterinary Products

“To support the Group's growth, there has been significant recruitment throughout the year.”

Delivering Our Strategy

Generate long term value for shareholders

International specialist veterinary pharmaceuticals & related products business

Strategic Pillars

Strategic Enablers

Manufacturing and Supply Chain	Technology	People

Dechra Values

Dedication **Enjoyment** **Courage** **Honesty** **Relationships** **Ambition**

Strategic Progress

Last year we clarified our strategy around the four strategic pillars shown above. We believe that, through our clear strategic focus, we can drive sustainable long term shareholder value.

In this report we describe the progress we have made towards achieving our strategic milestones. Whilst we are addressing all aspects of our business plan, we were particularly pleased with the progress made in our portfolio focus and our short term priorities for geographical expansion in the year ended 30 June 2015.

Read the **Chairman's and Chief Executive Officer's Statement** on pages 8 to 13.

Read about **Our Marketplace** on pages 32 and 33.

See **Key Performance Indicators** on pages 46 and 47.

Read **How the Business Manages Risk** on pages 58 and 59.

Our strategic framework sets the direction and priorities for our business. Last year we defined the following strategic pillars:

Pipeline Delivery

We must deliver our pipeline on time, at the right costs and with the expected returns. It is also important that we refill the pipeline so that we get a constant flow of novel products in future years.

Our priorities are:

- Deliver existing pipeline projects to schedule.
- Work effectively with regulators.
- Continuously refill the pipeline by identifying and evaluating new ideas.

Portfolio Focus

We are a specialist veterinary pharmaceuticals business focused on CAP, Equine and FAP. Our portfolio is well positioned in our therapeutic focus sectors to assist in maximising returns. We have recognised that we are underweight in FAP which represents 13% of our revenue.

Our priorities are:

- Maximise revenue and profit from existing CAP portfolio by focusing on clearly defined therapeutic sectors.
- Develop and grow critical mass of FAP portfolio by extending our geographical reach.

Geographical Expansion

The animal health market in emerging countries is growing rapidly due to the demand for high quality protein and the increase in pet ownership. We have identified a number of markets that present both volume and profit opportunities in the medium to long term and we are evaluating various entry strategies. In the US, we will grow the business organically in the short term with the launch of new products, including *Osphos*.

Our priorities are:

- Grow the US business and invest steadily in the infrastructure as our pipeline delivers.
- Short term: establish subsidiaries in new territories with existing critical mass.
- Medium term: build critical mass or enter via acquisition.
- Long term: build a presence, where barriers to entry are high, through partnerships.

Acquisition

While our strategy aims to deliver organic growth, acquisitions can accelerate our expansion by providing entry into new geographies, enhancing our portfolio or giving access to new technologies. We have defined criteria through which potential acquisition targets can be screened.

- Our priority is to target strategic acquisitions that will expand our geographical footprint and/or enhance our product portfolio.

Strategic Enablers

Our strategic enablers are critical to support the execution of our strategy:

- Our manufacturing and supply chain organisation is focused on running our operations efficiently and to high quality standards to maintain or improve margins;
- We are implementing a strong IT platform to enable us to operate efficiently and are exploring how IT can provide a source of competitive advantage; and
- Our people strategy underpins everything we do in the business. We have a well-defined plan to build talent, develop people and strengthen the Dechra culture.

Delivering Our Strategy
continued

	Pipeline Delivery	Portfolio Focus	Geographical Expansion	Acquisition
Our 2015 Objectives	• Identify new development candidates • Achieve at least one new product approval • Launch *Osphos* successfully in the US and the UK	• Launch the new *Vetoryl* marketing campaign to grow sales • Promote the new Dechra Academy to support veterinarians • Increase market share in equine and dermatology sectors	• Commence trading in Canada • Plan further new territory launch • Strengthen distributor relationships in identified growth markets	• Continue to develop relationships with potential targets • Improve knowledge of animal health in emerging markets
Our Achievements in 2015	• 7 new projects started in Feasibility • 1 project for feline endocrinology stopped • Two product approvals: *Osphos* in EU (April 2015) and *TAF Spray* (December 2014) • *Osphos* launched in the US in August 2014 and in the UK in September 2014, with dedicated Equine sales representatives recruited to support the launch • *TAF Spray* launched in several EU countries	• *Vetoryl* grew by 24.0% globally • Dechra Academy was updated and launched successfully in 11 countries with 5,000 new users • All core therapeutic areas in CAP, including dermatology, as well as Equine growing at double digit in Europe	• Team recruited in Canada and sales in line with expectations • Poland trading earlier than expected • Strengthening of distributor relationships ongoing	• Successful integration of the assets of PSPC Inc. with sales exceeding expectations • Conditional offer for Genera d.d., a Croatian animal health company, announced post year end on 3 August 2015
Our Plan of Action for 2016 onwards	• Continue to identify new opportunities • Explore and negotiate in-licensing deals • Gain global approval for *Zycortal*, our next canine endocrine drug • Support registration of three FAP dossiers • Launch *Osphos* in remaining EU countries	• Continue to drive sales force effectiveness • Further roll out of digital technologies • Deliver CAP and FAP sales targets through technical expertise and marketing campaigns • Successful re-launch and re-branding of our *Specific* diets range	• Establish one additional subsidiary in Austria • Obtain regulatory product approvals in defined markets	• Continue to explore potential acquisitions to find those which align with our strategic goals • Integrate acquisitions in a seamless manner
Reported KPIs	• New Product Sales • Underlying diluted EPS Growth • Return on Capital Employed	• Sales Growth • Underlying diluted EPS Growth • Return on Capital Employed • Cash Conversion	• Sales Growth • Underlying diluted EPS Growth • Return on Capital Employed	• Underlying diluted EPS Growth • Return on Capital Employed • New Product Sales

	Manufacturing and Supply Chain	Technology	People
Our 2015 Objectives	• Improve supply chain effectiveness • Continue to drive quality and efficiency • Achieve FDA approval for new pipeline products	• Continue roll out of Oracle with Group Finance Consolidation and DVP EU implementation	• Develop the succession plans for the Senior Executive Team and the next tier of management • Continue roll out of Performance Development Review (PDR)
Our Achievements in 2015	• On time first order delivery to new country operations in Italy and Poland • Completed transition of dry diets manufacturing to new third party site • Completed investments in DPM to improve yield and capacity • Successful FDA pre-approval inspection at Skipton to manufacture our next canine endocrine product, *Zycortal*	• Completed implementation of Group Finance Oracle consolidation module • Developed web-based tools to improve communication	• Talent management and succession planning started • Recruitment of sales teams in North America and Poland • PDR rolled out to all Dechra employees
Our Plan of Action for 2016 onwards	• Gain further FDA approval as pipeline demands • Invest to improve our capabilities and drive efficiencies • Support new product launches • Implement a scalable global sales and operations planning (S&OP) process to drive improved customer service	• Roll out of Oracle in DVP EU and DVP US • Develop solutions to support the mobile workforce • Continue infrastructure refresh programme	• Develop leadership development programme • Implement rolling review of succession plans • Develop a Group-wide remuneration and reward strategy • Roll out HR system solution
Reported KPIs	• Lost Time Accident Frequency Rate (LTAFR) • New Product Sales	• Return on Capital Employed	• Lost Time Accident Frequency Rate (LTAFR) • Employee Turnover

See our **Key Performance Indicators** on pages 46 and 47.

Strategy in Action: Pipeline Delivery

Delivering new products

TAF Spray Launch

Within our key therapy areas we aim to build a strong and compelling product portfolio with animal health at its heart. We also want to help our customers by providing tools that will enable them to treat animals more effectively.

Exploring: Six years ago *Eurovet* searched for a new product in locomotion, one of the key therapy areas in bovine, to support *Cyclospray®* which was at the time the European market leader in antibiotic sprays licensed for digital dermatitis (Mortellaro's disease) in cattle. We used our existing knowledge and experience to bring a product to the market which would be completely new to the majority of customers. A small team worked on the business case and, after a number of brainstorm sessions, it was proposed to use an active in the chloramphenicol group.

Feasibility/Development: After a number of pilot tests thiamfenicol was chosen. This molecule had the same characteristics as chloramphenicol but with none of the negative side effects and could be used safely and legally in animals; additionally it is used rarely in humans. A multi-disciplinary team was formed consisting of pharmacists, veterinarians, and formulation and manufacturing experts. There was an existing thiamfenicol spray licensed, but in one EU Member State only. The team was tasked to develop a product with dramatically improved characteristics for EU registration. These demands for a differentiated superior product resulted in a number of technical requirements, namely:

- to change the colouring agent from blue to yellow to allow broader market acceptance;
- to determine the exact formulation of the licensed product, which required skilled laboratory analysis, and the excipients to be used to avoid having maximum residue level (MRL) issues;
- the spray characteristic needed to be superior; and
- the quantity of active delivered every second needed to be within strict specifications.

Registration: The authorities of the Reference Member State supported our application for seven target species. During the process, communications with the regulatory bodies were smooth and efficient.

Launch: *TAF Spray* is being launched to markets from June 2015 onwards throughout the EU. The product positioning is as superior to *Cyclospray* due to the active ingredient being new to antibiotic sprays in all but one market and the new colour being visible and more consumer friendly. With high quality spray characteristics, we have gained another brand that will strengthen our position in this key therapy area and support *Cyclospray* sales. Our sales force is introducing the product with the marketing materials supporting the 'GO FOR GOLD' campaign and the technical story. Initial feedback from the markets is positive as Dechra is bringing an innovative product to the marketplace.

With this strict set-up for product development: brainstorming, multi-disciplinary development team and project planning, we have a proven track record of success in overcoming challenges during the product development cycle, of which the approval of *TAF Spray* is a recent example.

Strategy in Action: Portfolio Focus

Focusing on key therapeutic areas

Equine Anaesthesia Campaign

One of the pillars of Dechra's strategy is focus on key therapy areas. This strategy enables us to broaden our portfolio, deepen knowledge and optimise customer support.

Dechra is recognised by specialists and equine veterinarians as a leading pharmaceutical company in equine anaesthesia. Sedation and anaesthesia are integral parts of equine veterinary practice and the availability of effective and safe veterinary anaesthetic drugs is of utmost importance.

Every anaesthetic procedure consists of four stages: sedation, induction, maintenance and recovery, each of them with specific characteristics and challenges. Dechra provides equine veterinarians with an extensive range of products covering each step of the anaesthetic procedure. Our equine anaesthetic range incorporates sedative drugs (*Domidine®*, *Sedaxylan*, Relaquine), opioids (Alvegesic, Morphasol, *Buprenodale®*) as well as induction and maintenance agents (Anesketin, *Myorelax®*, Iso-vet). The range is unique in its extent and, as well as being used during anaesthetic procedures, some of the products are also used for control of pain and therefore complement the strong position Dechra has with *Equipalazone®* in the field of equine pain management.

To support veterinarians further during anaesthetic procedures, an Equine Anaesthetic App has been developed in collaboration with a French key opinion leader in equine anaesthesia. The App is part of the equine anaesthesia campaign and has been built to help equine veterinarians choose the correct anaesthetic protocols and dosages. The App highlights Dechra's extensive range of products and dedication to equine anaesthesia. During the last year, sales teams across the EU have been specifically trained in equine anaesthesia and how our portfolio meets customers' demands.

With the equine anaesthesia product range, we want Dechra to be seen as the specialist and preferred partner in this therapy area, offering a wide range of high quality products as well as practical solutions and support for the veterinarian.

Strategy in Action: Geographical Expansion

Establishing ourselves in new territories

Canadian Launch

Through third party distribution Dechra built a solid foundation in Canada with its core CAP portfolio as well as an assortment of other CAP brands focused in the dermatology and ophthalmology segments.

As part of our geographic expansion, a decision was made to establish a Canadian subsidiary. After hiring a Country Manager in February 2014 the process began with the incorporation of the Canadian business with offices being established in Pointe-Claire, Quebec.

With approximately 3,400 clinics practicing companion animal medicine in Canada, it was clear that the team would need to be strategically positioned in order to maximize our return on investment. Focusing on hiring the best people with strong connections in the industry, five Territory Sales Managers began selling in January 2015. These field based representatives are supported by an office based Operations Manager and a recently hired Technical Services Veterinarian.

As of April 2015 we are selling exclusively the range of Dechra products. This transition from third party distribution did not happen without a few bumps in the road but we are now seeing very positive momentum. In the 2015 financial year the Canadian business achieved sales targets for *Vetoryl*, *Felimazole* and the dermatology range and saw strong momentum in the remainder of the portfolio as we came out of our distribution agreements.

While working to build on our established sales foundation, a great deal of emphasis has been put into creating a strong Dechra brand. Working with members of the global team, we have begun the ongoing process of developing and delivering materials that support our customers and their patients.

Looking forward we will be expanding our geographic reach across Canada by adding additional Territory Sales Managers to support our organic growth with a focus on our core brands. We have recently received approval for *Osphos* thereby expanding our portfolio into the Equine segment.

Integration of PSPC

In May 2014, Dechra acquired the assets of PSPC, Inc. whose principal product was *Phycox*, a patented nutraceutical prescribed by veterinary surgeons as a supplement for dogs and horses with osteoarthritis and poor joint health. In addition, a levothyroxine sodium product was in development but had not been commercialised. In just over a year, Dechra has been able to integrate successfully the existing *Phycox* brand into the portfolio, as well as bring *Levocrine* Chewable Tablets (levothyroxine sodium) to market.

Our initial marketing objective was to increase the adoption of *Phycox* by new veterinary practices. We felt this could be accomplished by including *Phycox* in our quarterly focus, leveraging our customer base and building on our existing Dechra portfolio. When we acquired PSPC Inc. *Phycox* had been sold to approximately 5,400 veterinary hospitals. After 14 months under Dechra's umbrella, the number of hospitals which have purchased *Phycox* has reached 8,400.

We will continue to target new clinics in the 2016 financial year; however, we will also incorporate marketing initiatives to drive more volume through the current 8,400 users. This dual strategy will rely on the sales organisation to secure a steady influx of new users and the marketing team to provide the programmes and incentives to increase usage among current users.

Initially the commercialisation of *Levocrine* was a lower priority. As happens so often in our industry, the market changed when the levothyroxine market-leader experienced severe out of stocks. This presented a window of opportunity and our ability to move quickly allowed us to establish *Levocrine* as a viable product in our portfolio.

The PSPC acquisition to date has achieved our financial objectives and has had a positive impact on the awareness of the Dechra brand in the US market. Additionally, it has strengthened our position in two key market segments, endocrinology and pain management. The addition of US manufacturing allows more direct control and provides a platform for future growth in the supplement market.

Strategic Enablers Q&As

SET members answer the following three important questions in relation to our strategic enablers:

Q&A with Allen Mellor, Group IT Director
Strategic Enabler: Technology

Q1 How do you support Dechra's strategy?

A1 Since joining Dechra in 2012, the objectives of Dechra and those of the IT functions within each business unit have changed considerably. The emphasis across the IT teams is now one of collaboration, with the sharing of knowledge, learnings and solutions which can be used to leverage benefits and efficiencies across Dechra. IT solutions are now always considered for Group deployment with the aim of standardisation, bringing efficiencies in support and cost whilst providing new technical solutions to the Dechra users and customers.

A2 The Oracle ERP roll out is a key programme for Dechra and the last financial year has seen a significant change

A1 The primary objective of our People Plan is to enable the Group to drive innovation, customer and shareholder value, accountability and success.

We recognise that, within a growing business, our culture is core to our success. The Dechra Values were developed in 2011 and, since then, have helped shape our culture as we have grown both organically and through acquisitions.

It is also important to drive a culture of performance and accountability to deliver our strategic ambitions. During the last year, we launched our PDR process to our office based staff around the globe, part of which encourages a formal discussion about the Dechra Values during the annual review meetings.

A2 Earlier this year we developed an approach for reviewing the performance and future potential of the talent within the organisation, evaluating where our future people and technical leaders are. Understanding our talent map helps drive development activity for individuals, manage succession more effectively and identify where we need to recruit new experience into the Group.

Succession plans are now documented across the Group and we will continue to review and monitor these on an annual basis.

In our drive to attract talented people we have developed and launched our first Group-wide careers website; all vacancies will be advertised on the site giving a view of the breadth of opportunities available across our global business.

A3 A key priority will be the implementation of the Human Capital Management system, automating many currently manual processes, creating an opportunity to align and improve standard processes and share HR resources more effectively across Dechra. Managers will have better access to employee data and employees will be able to control some of their own personal data. The expected reduction in the administrative burden for the HR team will free time to deliver our People Plan.

A1 DPM consists of two manufacturing facilities based in the EU and since May 2014 one in the US. The majority of Dechra's pharmaceutical products are produced by DPM, providing a much more reliable and flexible supply chain than has traditionally been provided by third parties.

This set-up provides additional margin opportunities for the Group and greater speed of response when addressing particular market difficulties or opportunities.

DPM and the Dechra Product Development team work closely together to bring development projects to fruition as early as possible. In-house scale-up, validation and stability studies can all be carried out faster and at less expense. Third parties and in-licensing partners for Dechra's pharmaceutical and care products are also managed by DPM to support the supply chain for such products.

A2 The facilities operate to regulatory standards and accreditations for Good Manufacturing Practice (GMP). We have significantly expanded our accreditations over recent years to supply product to most significant global markets, particularly the US. During this financial year, we obtained FDA approval for Skipton's injections department to produce both existing and new pipeline products for the US market. Additionally, MHRA granted approval of our refurbished Liquids, Creams and Ointments department in Skipton. Third party manufacturing revenue continues to grow, contributing to fixed costs absorption and improving our margins.

As we aim to reduce our production costs per unit, we continued to invest in equipment to reduce wastage, increase flexibility of speed and batch sizes. We have also introduced several new KPIs to improve measurement of our cost improvement initiatives.

Q2 What have the key highlights for the year been?

in both the management of the programme and our delivery approach. A dedicated Programme Manager has been assigned to drive the project steering and ensure traction is maintained. The consultancy team has expanded in line with the need for multiple delivery streams and the key users have been engaged with the analysis and design of business process changes required to implement the Oracle solution. In the last quarter, the Oracle Financial Consolidation solution for the Group was delivered, meeting successfully the first milestone of our roll out.

IT also supports the business and identifies opportunities for efficiency improvements. During the year the IT teams saw the final Windows XP machines decommissioned, the full deployment of the Private Cloud MPLS network and the emerging requirements for tablet devices for mobile users within the business.

Following a successful pilot of the Microsoft Surface Hybrid PC tablets, the IT Team commenced the replacement of laptops. The latest Microsoft devices enable the ongoing provision of existing legacy software, controlled security of data and network connectivity with more convenient, lightweight, touch based solutions perfect for presentation of digital content.

Q3 What are your priorities for next year and beyond?

A3 The one certainty within IT in any business is that solutions that are available today may be redundant and obsolete tomorrow. As such, identifying the right solutions which will have a critical impact on the Group will continue to be essential.

Over the forthcoming 12 to 24 months, the IT teams will continue with the ongoing deployment and roll out of Oracle hand in hand with key business users. The next major implementation is not scheduled to take place until late 2016, however, the testing prior to deployment will be a critical factor completed over the next year in preparation for this key date.

As the Hybrid tablet devices replace progressively all laptops, the opportunities to introduce new, touch friendly solutions to support the mobile workforce will also take shape. The team will also continue with the infrastructure refresh programme.

Q&A with Mike Annice, Managing Director, Manufacturing
Strategic Enabler: Manufacturing

Q2

A3 Our priorities and focus in the next few years will remain the same. We will continue to gain further FDA approvals, make strategic investments to increase our capabilities and ensure our Supply Chain is robust and efficient.

To assist in the delivery of our pipeline, DPM will also support the introduction of new products. A fully integrated Sales and Operations Planning process will ensure the business is ready to adapt to variability in demand.

Additionally, we will start the upgrade of our existing Oracle system as part of the Group-wide Oracle roll out.

Q3

The development of a Group-wide remuneration and reward strategy will aim to create equity in our approach to compensation and benefits across the Group. This should also ensure that we remain competitive and can attract the best talent to the organisation to meet our resourcing needs in the coming years.

We will assess the effectiveness of the Graduate Development programme and plan for its expansion for 2016 intake.

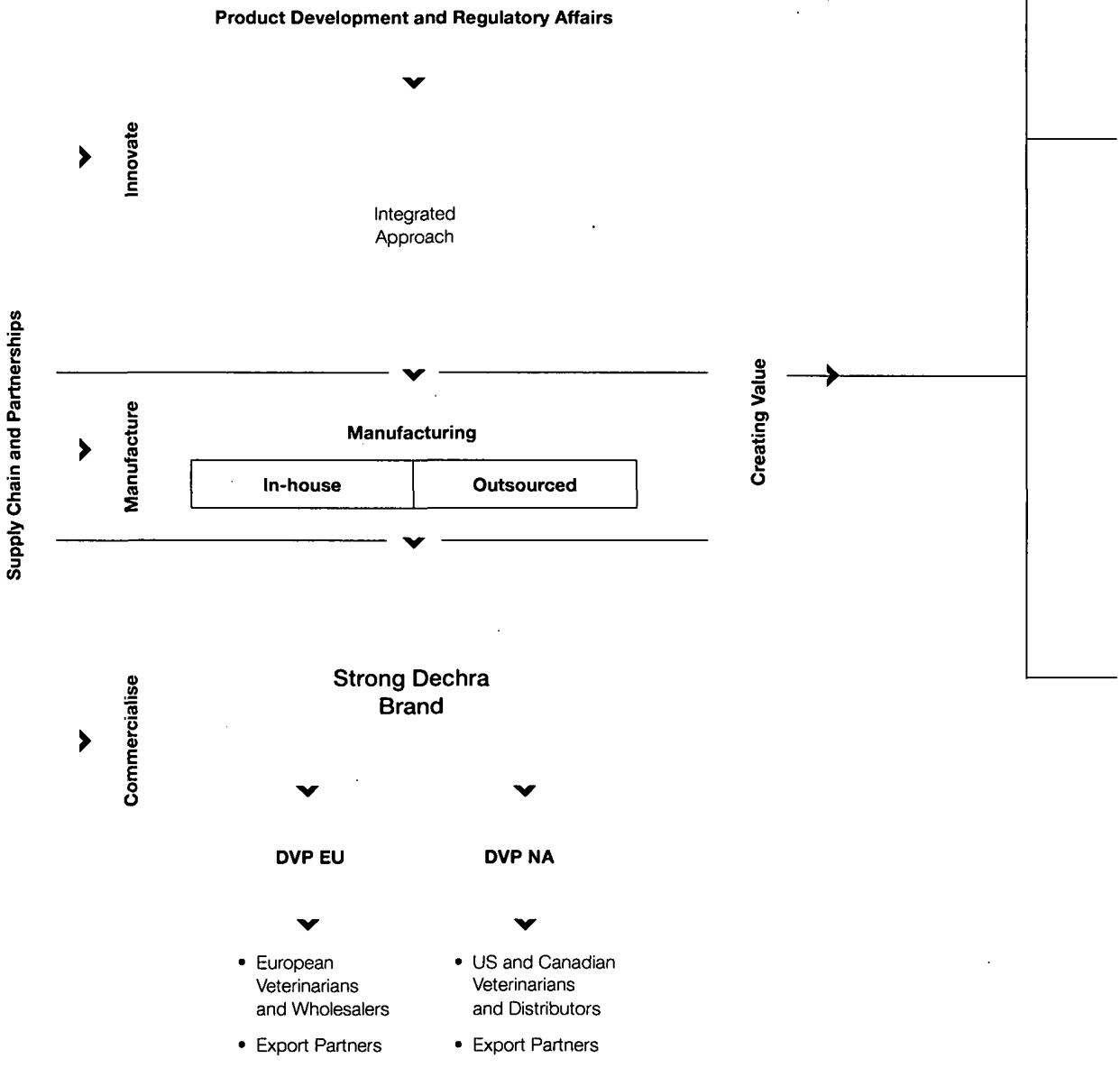
Finally, we will continue to focus on leadership development including the Senior Executive Team.

Q&A with Katy Clough, Group HR Director
Strategic Enabler: People

Our Business Model

Dechra has a clear business model for delivering value to all our stakeholders:

- Our market knowledge, regulatory expertise, strong reputation and management experience help us identify potential product development targets, in-licensing deals and acquisition opportunities.
- Our skilled Product Development and Regulatory teams develop new products to meet customers' needs and achieve international approvals and registrations.
- Manufacturing, which plays an integral part in the development of the formulation and dosage form, manufactures products as effectively and efficiently as possible to the highest standards of quality.
- Our Supply Chain aims to provide the best service possible to our customers through effective supplier partnerships and integrated planning between the Manufacturing and Commercial teams.
- Following registration and manufacture of our products, experienced sales and marketing teams in the EU and NA market our products directly to veterinary practices and indirectly through export partners.
- This integrated approach of development, manufacturing and supply chain, and sales and marketing creates value for the business and our stakeholders.



Our Business Model Explained

Product Development and Regulatory Affairs

Our integrated and entrepreneurial approach to product development aims to deliver new products successfully and efficiently in the shortest practical time frame.

Two Skilled Teams
The Product Development and Regulatory Affairs teams include skilled people with the expertise and experience to navigate the hurdles of the development process. Located across four locations, project teams manage the wide range of projects. Investment in state-of-the-art laboratories in Bladel and Skipton, each with their respective dosage form expertise, provides the resources required to develop novel and generic formulations cost-effectively.

Delivering the Pipeline
Our product pipeline is critical to our future success. Our novel and generics projects are very diverse, with the majority building on our key therapy areas. We invest when we can identify growth opportunities with a clear financial return and competitive advantage, focusing on novel therapies to treat unmet needs with intellectual property protection. Our approach aims to ensure we create sustainable growth throughout our targeted global markets.

See our **Product Pipeline** on page 39.

Manufacturing

Our manufacturing facilities provide a wide range of services which delivers the flexibility that the veterinary market requires. We also provide a complete range of products and services (i.e. a one-stop shop) for external customers.

One-Stop Shop
DPM offers an end-to-end service: formulation, method validation, stability testing, licensing support, flexibility in scale of production and packaging options to take products to market. The supply chain for the majority of products is short and we offer reliable high service levels. Our objective is to deliver exceptional quality control throughout.

Production Capabilities
DPM has a wide range of capabilities in terms of dosage form, packaging capabilities and production scale. We can produce low, medium and high volumes of almost all dosage forms to high quality and safety standards. We have great flexibility in producing to customer demand. Dosage forms include: tablets, capsules, creams, ointments, gels, sterile injectables, low and high volume powders and pre-medicated feeds. We can pack into sachets, tubs, bags, blister packs, tubes, bottles and jars. These capabilities are very important for the production of veterinary products where our licensed portfolio comes in many dosage formats and in various batch sizes. Relative to human pharmaceuticals, veterinary batch runs are often very small. A number of our licensed branded minor products are of such a small scale that it would be difficult to find a third party manufacturer to produce them at a competitive price if we were unable to perform the function in-house.

Product Development
The Pharmaceutical Development Laboratory is integrated with our production capabilities. The primary objective is to formulate and validate products for our in-house pipeline, which is a major benefit to the Group in order to shorten the time to get a product to market. Our technical expertise and development capabilities are also available to third party customers which helps to secure new business.

See our **Manufacturing Capabilities** at: www.dechra.com

Supply Chain and Partnerships

Dechra has grown significantly over the past few years, both through organic growth and acquisition, and has developed a number of different supply chain models to best serve our customers with pharmaceutical, care and diets products in worldwide markets.

In-house and outsourced manufacturing facilities deliver a range of different product types including solid dose, liquid and sterile injectables. Finished goods are stored and delivered to customers using modern warehousing facilities utilising the latest store, pick and pack technology and processes.

Effective internal ways of working and strong external partnerships are key to the successful operation of our supply chains and is supported by our Dechra Values.

Our ambition is to continue to develop and grow scalable supply chain business models to meet the needs of our dynamic business. Our priority in the short term is to implement a global Sales and Operations Planning process across Dechra to integrate our business and drive supply chain performance.

Regulatory Environment
Our Regulatory team understands the different regulatory environments in which we operate, specifically the US and Europe as well as other international regulators. As the regulatory hurdles are increasing, we aim to ensure that our staff are updated and have detailed knowledge of current legislation. We strive to anticipate regulatory requirements to avoid delays to product launches or disruption to production.

Third Party Manufacturing
In addition to manufacturing our own products, both Skipton and Bladel generate income through third party manufacturing. Although the clear focus is on Group manufacturing, third party manufacturing adds value by making full use of our unique capabilities and our installed capacity. Currently approximately 42% of output by volume is third party manufacturing.

The external offering includes product development, formulation, trial manufacturing, validation, production and packaging for both human and veterinary pharmaceuticals.

See our **Group at a Glance** on pages 6 and 7.

Read the **Strategic Enablers Q&As** on pages 26 and 27.

DVP EU

DVP EU is committed to marketing products that support the work of veterinarians in many species.

We are expanding the Dechra brand through newly established subsidiaries within the EU and we will continue to develop our international presence through strong relationships with key partners.

Our Expertise
We have identified eight core therapeutic sectors where we leverage our expertise: dermatology, ophthalmology, equine medicine, anaesthesia and analgesia, endocrinology, cardiovascular disease, food producing animal antimicrobials, and therapeutic and maintenance pet diets.

In order to forge relationships with customers, technical meetings and seminars are held to provide a face-to-face programme to educate veterinarians on our key therapeutic sectors. Key opinion leaders, at both local and international levels, are recruited for seminars and presentations; additionally, webinars and online interactive educational tools are available on the DVP EU website.

Routes to Market
Our customers are principally veterinarians; however, in most territories the route to market is through wholesalers and, in a small number of markets, also through pharmacies. Our products are distributed through a combination of channels including direct sales, wholesalers and national distributor channels.

DVP NA

DVP NA markets, in the US and Canada, Dechra products for the companion animal and equine sectors that solve clinical problems and help veterinarians treat medical conditions.

Our Expertise
Our Dechra brand has gained momentum in the US and in Canada, building on our strong reputation for customer service, the quality of an expanding product portfolio, further education programmes on our key areas of specialisation and high quality technical support. We currently focus on five core therapeutic sectors: dermatology, endocrinology, ophthalmology, equine pharmacy and pain management.

Routes to Market
Our customers are primarily small animal and equine veterinarians, of which there are approximately 90,000, working in 26,000 clinics across the US. In Canada, there are approximately 5,000 veterinarians and 3,400 clinics.

In the US and Canada, veterinarians and clinics are primarily supplied through distributors. Our sales representatives promote and sell products directly, but also network and visit clinics together with these distributors.

Creating Value by:

Clear Strategic Focus
We have a defined strategy focused on four main drivers: portfolio focus, geographical expansion, product pipeline delivery and targeted acquisition.

Development Pipeline
We have a strong pipeline of novel pharmaceuticals, generic pharmaceuticals and specialist pet diets and a track record of pipeline delivery. We are proactive in recognising and bringing new development opportunities into the portfolio.

Entrepreneurial and Innovative
Dechra encourages an entrepreneurial and innovative approach from its management team which is underpinned by appropriate internal controls and robust systems and procedures.

Manufacturing Flexibility
Our manufacturing sites offer a wide range of dosage forms and packaging capabilities which can be produced in small to large-scale production batches. This flexibility is a key requirement in producing our varied product portfolio.

Growing Animal Health Market
The global animal health market continues to demonstrate growth. This is driven in developed countries by increased medical and surgical capabilities for companion animals. In developing countries the increased demand for high quality meat protein drives the FAP market.

Focused Portfolio
We have a clear portfolio focus and hold strong market positions in a number of our key therapeutic sectors such as endocrinology, dermatology, anaesthesia and analgesics, and equine.

Recognised Brand
Dechra is recognised today as a global animal healthcare company with a strong and growing reputation as a provider of high quality, specialist veterinary medicines and related products.

Expanding International Focus
In line with our strategy we are focused on extending the Dechra brand into new countries. We are also increasing distribution of our products on a global basis with selected partners, currently into over 40 countries.

People and Expertise
We have attracted and retained a qualified and skilled workforce throughout the organisation. This stable and motivated team has many years' experience within the markets we serve. Our people strategy is underpinned by the Dechra Values.

Strong Balance Sheet
The Group maintains a prudent management of its balance sheet and achieves strong cash flows. This position provides flexibility to invest in drivers for long term growth.

Our Marketplace

"The global animal health market was valued at $23.4 billion in 2014, a growth of 4.7% over 2013 (at constant currency)."

Dechra's International Footprint
(sales by territory at AER)

Europe **78%**
US **16%**
Rest of World **6%**

Read about **Our Key Products** on pages 34 and 35.

Read about our **International Footprint** on pages 36 and 37.

The Global Market
The global animal health market was valued at $23.4 billion in 2014, a growth of 4.7% over 2013 (at constant currency).The market is made up of two distinct segments, Food producing Animal Products (FAP) (i.e. livestock) and Companion Animal Products (CAP) (i.e. pets), which have different financial profiles.

The FAP market is generally based on large volumes with pressure on margins due to high levels of competition, whereas the CAP market delivers higher added value especially with specialist or niche products. Animal health customers' needs vary across the world due to factors such as standards of living, disposable income, cultural differences (including dietary preferences for animal protein), pet ownership, pet care standards and veterinarians' capabilities.

Food Producing Animal Products Market
Market Size*
This segment covers products or services targeted at reducing the incidence and spread of disease in livestock. The global medicines and vaccines market for FAP grew by an estimated 4.8% to $13.8 billion in 2014, representing 59% of the overall market.

Growth Opportunities
The growth in this segment has been driven by the rising demand for animal protein due to the increase in the global population and the need for greater farming productivity to maximise the use of limited agricultural resources.

There is, however, downward pressure in this sector in recent years as regulators have increasingly focused on reducing the use of antibiotics due to the potential risk of cross-over resistance in humans. In particular, the EU has taken actions to reduce the intensive use of broad spectrum antibiotics in farm animals. The US also issued guidance in April 2012 to phase out the use of antibiotics as growth promoters. In the Rest of the World, the focus remains on increasing food safety, meat quality and improving farming efficiency.

Customers
The primary customers are veterinarians, farmers and other major livestock integrators. Products are sold either directly to large integrators or through veterinarians, wholesalers and distributors.

Dechra in the Marketplace
FAP represented 13% of our turnover with sales in EU and emerging markets. Our range of antimicrobial water soluble powders and injectables, targeted mainly at swine

and poultry, supports the prudent use of antibiotics.

Our key account managers have an in-depth knowledge of the market and our customers. Our existing business is small but represents a good base from which we can either increase market share or enter into new territories.

Companion Animal Products Market

Market Size*

The worldwide medicines and vaccines market for CAP was estimated at $9.7 billion in 2014, a growth of 4.5%. CAP represents 41% of the overall market. Product categories in this market are anti-parasiticides (i.e. products against ticks, fleas, worms), vaccines, anti-microbials and other pharmaceuticals.

Growth Opportunities

Spending on companion animals is growing globally and pet ownership is increasing in both developed and emerging markets. Advances in diagnostics, greater emphasis on prevention and wellness by veterinarians, improved nutrition and the increase in treatment of chronic diseases contribute to an ageing pet population which consumes more medication and veterinary services.

Customers

Veterinarians prescribe and generally dispense drugs themselves. In the US alone, approximately two-thirds of companion animal health prescriptions are fulfilled by veterinarians in their practices. Products are sold to veterinarians mainly through wholesalers and distributors.

Dechra in the Marketplace

We offer a broad range of specialised pharmaceutical products. We do not compete in the anti-parasiticides and vaccines markets for companion animals, as they are highly competitive. We continue to grow our established brands through frequent interaction with our customers, up-to-date marketing campaigns and technical support. We are also positioning ourselves to capture the growth opportunities in emerging markets where pet ownership is increasing.

Geographical Split

North America and Western Europe account for 60% of the global animal health market sales. However, other regions are growing rapidly, notably:

- growth in Eastern Europe is fuelled by the increase in demand for meat, in particular poultry; and
- sales in the Rest of the World continue to increase due to economic growth and the increased use of vaccines.

Dechra's International Footprint

Dechra competes in the two largest animal health markets: over 78% of our sales are in Europe, 16% in the US with 6% being in the Rest of the World. We aim to expand our geographical footprint either organically or through acquisitions.

$13.8bn

The global medicines and vaccines market for FAP grew by an estimated 4.8% to $13.8 billion in 2014*

$9.7bn

The global medicines and vaccines market for CAP was estimated at $9.7 billion in 2014*

* Source: Vetnosis, Company Reports

Our Key Products

Why we focus on this specialist area	Key products	Animal	Use
Endocrinology			
Endocrine disease stems from imbalance in hormone levels, affecting cats or dogs in many ways, often requiring lifetime medical attention. Many endocrine disorders are fatal if not diagnosed and treated. Veterinarians place a high importance on quality of life and often see endocrinology as a challenging and interesting discipline.	***Vetoryl®***	Dogs	For the treatment of pituitary-dependent and adrenal-dependent hyperadrenocorticism (Cushing's disease and syndrome).
	Forthyron®/ Thyforan® Levocrine®	Dogs	For the treatment of hypothyroidism.
	Felimazole®	Cats	For the stabilisation of hyperthyroidism in cats prior to surgical thyroidectomy and the long term treatment of feline hyperthyroidism.
Dermatology and Care			
Dermatology represents approximately 20% of veterinarians' clinical time and is a major focus area for the industry. Best practice techniques look to adopt more topical products as opposed to oral treatments, with the aim of utilising less antibiotics. Dechra's product portfolio is well positioned for this approach.	***Canaural®***	Cats Dogs	For the treatment of otitis externa including the ear mite, *Otodectes cynotis*.
	Isaderm	Dogs	For the topical treatment of surface pyoderma in the dog such as acute moist dermatitis (hot spots) and intertrigo (skin fold dermatitis).
	Malaseb	Cats Dogs	**Cats:** Medicated shampoo to aid the control and treatment of ringworm due to Microsporum canis in conjunction with griseofulvin. **Dogs:** Medicated shampoo for the treatment and control of seborrhoeic dermatitis associated with Malassezia pachydermatis and Staphylococcus intermedius.
	CleanAural®	Cats Dogs	A pH balanced routine ear cleaner. For the removal of moderate ear wax and debris where the ear drum is intact.
	DermaPet®*, Triz, MalAcetic, Malaket** and ***MiconaHex+Triz	Cats Dogs	For the treatment of numerous skin and ear conditions.
Anaesthesia and Analgesia			
Perioperative sedation and pain management are challenging but critical for all patients and form a fundamental part of animal welfare. A comprehensive range of analgesic and anaesthetic products allows veterinarians to adapt their protocols to the individual pet based on their level of discomfort, whilst providing flexible anaesthetic procedures.	***Vetivex®***	Cattle Cats Dogs Horses	This product is administered by intravenous infusion for the treatment of dehydration and metabolic acidosis. It may be used to correct volume depletion (hypovolaemia) resulting from gastrointestinal disease or shock.
	Sedator®	Cats Dogs	For restraint and sedation.
	Comfortan®	Cats Dogs	Analgesia. Premedication for general anaesthesia or neuroleptanalgesia in combination with a neuroleptic drug.
	Atipam®	Cats Dogs	Reverses the sedative effects of medetomidine and demedetomidine.
	Phycox®	Dogs Horses	Reduces joint discomfort and swelling.
Cardiovascular Disease			
As pets increasingly live longer, managing heart disease efficiently is critical. This is our only major product in this category.	***Cardisure®***	Dogs	For the treatment of congestive heart failure originating from valvular insufficiency (mitral and/or tricuspid regurgitation) or dilated cardiomyopathy.

Why we focus on this specialist area	Key products	Animal	Use
Ophthalmology			
Eye conditions are very common and can result in severe complications. Recent evidence suggests that 7% of kittens, 2% to 3% of adult cats and 2% to 4% of dogs are presented to veterinarians with ocular inflammation.	***Isathal®***	Cats Dogs Rabbits	For the topical treatment of conjunctivitis associated with staphylococcal infections.
	Lubrithal®	Cats Dogs	Soothes and moisturises the eye.
	Vetropolycin® and ***Vetroploycin® HC***	Cats Dogs	For the treatment of superficial bacterial infections of the eyelid and conjunctiva when due to organisms susceptible to the antibiotics contained in the ointment.
Equine Medicine			
This is a sector in which few animal health companies specialise. We target both performance horses and hobby horses and have developed a comprehensive range of medically necessary products that give us access to equine veterinarians.	***Equipalazone®***	Horses	For the treatment of musculoskeletal disorders in horses and ponies where the anti-inflammatory and analgesic properties of phenylbutazone can offer relief, such as lameness associated with osteoarthritic conditions, acute and chronic laminitis, bursitis and carpitis, and in the reduction of post-surgical soft tissue reaction.
	Osphos®	Horses	For the control of clinical signs associated with the bone resorptive processes of navicular syndrome.
	HY-50®	Horses	For intra-articular and intravenous treatment of lameness caused by joint dysfunction associated with non-infectious synovitis.
	Somulose®	Cats Cattle Dogs Horses	The product is indicated for euthanasia in dogs, cats, horses and cattle.
	Domidine®	Cattle Horses	For the sedation and slight analgesia of horses and cattle; to facilitate physical examinations and treatments, such as minor surgical interventions.
Food Producing Animal Products			
FAP is the largest segment of the global animal health market accounting for almost 60% of sales. While there is pressure on antibiotic prescribing in the EU and the US, the increased demand for high quality protein in the rest of the world continues to drive the demand for antibiotics.	***Soludox®***	Chickens Pigs Turkeys	For respiratory disease in pigs, chickens and turkeys.
	Octacillin®	Chickens Pigs	Treatment of infections caused by bacteria susceptible to amoxicillin.
	Methoxasol®	Broilers Pigs	**Broilers:** Treatment and prevention of respiratory infections caused by Escherichia coli susceptible to trimethoprim and sulfamethoxazole where the disease has been diagnosed in the flock. **Pigs:** Treatment and prevention of respiratory infections caused by Actinobacillus pleuropneumoniae susceptible to trimethoprim and sulfamethoxazole where the disease has been diagnosed in the herd.
	Cyclospray®	Cattle Pigs Sheep	Prevention of infections of superficial traumatic or surgical wounds caused by micro-organisms sensitive to chlortetracycline.The product can be used as part of a treatment for superficial claw/hoof infections, in particular interdigital dermatitis (foot rot) in sheep and digital dermatitis in cattle.
	Rapidexon®	Cats Cattle Dogs Horses Pigs	Dexamethasone may be used for the treatment of inflammatory or allergic conditions.
Pet Diets			
Quality nutrition leads to quality of life for pets and veterinarians are best placed to offer nutritional advice. With our range of nutritional products, along with licensed and non-licensed medicines, we are able to offer holistic solutions to veterinarians to manage their patients in the most appropriate manner.	***Specific™***	Cats Dogs	Balanced high quality pet diets for therapeutic use and life stage maintenance diets.

International Footprint

We currently have our own sales and marketing organisations in 14 European countries and in the US and Canada in North America. We also market products in over 40 countries worldwide through distributors and marketing partners. The map below shows the key products in our focus therapeutic areas in territories where we have sales and marketing organisations.

01. United Kingdom	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	●
Cardiovascular Disease	●
Anaesthesia and Analgesia	●
Food producing Animal Products	●
Pet Diets	●

02. Ireland	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	●
Cardiovascular Disease	●
Anaesthesia and Analgesia	○
Food producing Animal Products	●
Pet Diets	○

03. Portugal	Key Products
Endocrinology	○
Dermatology	●
Ophthalmology	●
Equine	○
Cardiovascular Disease	◌
Anaesthesia and Analgesia	○
Food producing Animal Products	○
Pet Diets	●

04. Norway	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	○
Cardiovascular	●
Anaesthesia and Analgesia	○
Food producing Animal Products	◌
Pet Diets	●

05. Sweden	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	●
Cardiovascular	●
Anaesthesia and Analgesia	●
Food producing Animal Products	◌
Pet Diets	●

06. Finland	Key Products
Endocrinology	○
Dermatology	●
Ophthalmology	●
Equine	○
Cardiovascular	○
Anaesthesia and Analgesia	○
Food producing Animal Products	○
Pet Diets	●

07. Denmark	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	○
Cardiovascular Disease	●
Anaesthesia and Analgesia	●
Food producing Animal Products	●
Pet Diets	●

08. Netherlands	Key Products
Endocrinology	●
Dermatology	○
Ophthalmology	●
Equine	●
Cardiovascular Disease	●
Anaesthesia and Analgesia	●
Food producing Animal Products	●
Pet Diets	●

09. Belgium	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	◌
Equine	○
Cardiovascular Disease	●
Anaesthesia and Analgesia	●
Food producing Animal Products	●
Pet Diets	●

10. Spain	Key Products
Endocrinology	○
Dermatology	●
Ophthalmology	●
Equine	○
Cardiovascular Disease	◌
Anaesthesia and Analgesia	○
Food producing Animal Products	●
Pet Diets	●

11. France	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	●
Cardiovascular Disease	●
Anaesthesia and Analgesia	●
Food producing Animal Products	○
Pet Diets	●

12. Germany	Key Products
Endocrinology	●
Dermatology	○
Ophthalmology	○
Equine	●
Cardiovascular Disease	●
Anaesthesia and Analgesia	●
Food producing Animal Products	●
Pet Diets	○

13. Italy	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	◌
Cardiovascular Disease	●
Anaesthesia and Analgesia	●
Food producing Animal Products	●
Pet Diets	◌

14. Poland	Key Products
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	◌
Cardiovascular Disease	●
Anaesthesia and Analgesia	●
Food producing Animal Products	●
Pet Diets	◌

15. Canada	Key Products
Endocrynology	○
Dermatology	○
Ophthalmology	●
Equine	○

16. United States	
Endocrinology	●
Dermatology	●
Ophthalmology	●
Equine	○
Pet Diets	◌

Product Key
- ● Complete product range
- ○ Some key products not registered
- ◌ Not yet active

Product Development

Although some products may have a slightly different path, most novel and generic products follow a fairly standard process containing five phases, defined as: Exploring, Feasibility, Development, Registration and Launch.

Dechra employs a structured process in its development pipeline while retaining an opportunistic and entrepreneurial approach. Focus is given to the Group's therapeutic sectors. New development opportunities and in-license opportunities are evaluated for strategic fit within these sectors; therapies outside of the key areas are considered for inclusion in the pipeline if they are novel and address medical needs in the veterinary market.

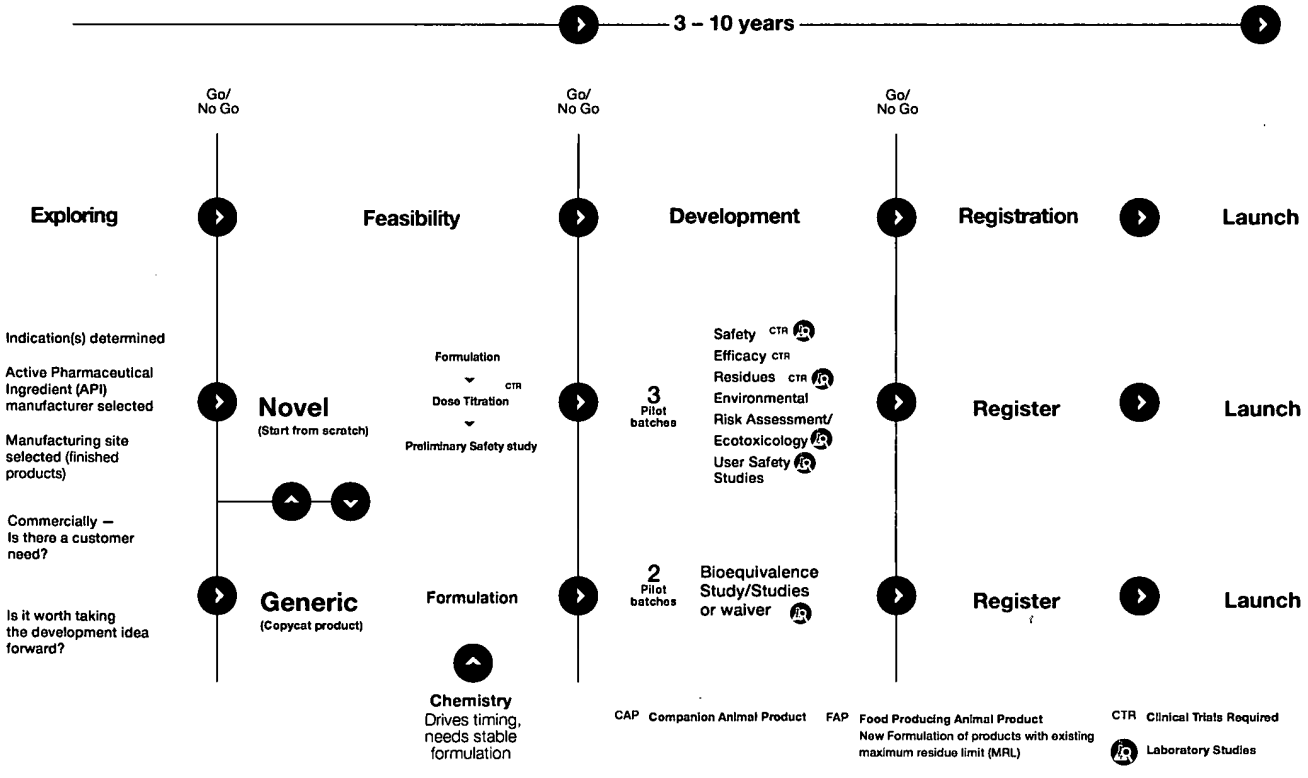
A product's return on investment can vary: novel developments tend to have a medium to long term realisation with attractive high value returns; generic developments generally have shorter timescales with returns dependent upon the number of other entrants and our speed to market relative to the competition. Dechra's current development pipeline is a mix of short, medium and long term opportunities.

Generating Ideas
The **Exploring** phase begins with identifying a novel molecule, an opportunity to develop a new formulation for an existing molecule, or an in-license opportunity. Before initiating a development programme, each opportunity is assessed by market need, market value, therapeutic indications, strategic fit and the likely complexity of the regulatory pathway.

Making the Chemistry Work
The second phase of the process is **Feasibility**, which involves the collection of a range of preliminary data. When initiating development of a novel product, the correct dose has to be titrated and a stable formulation, that can be reliably and consistently manufactured, must be developed. For a generic product, the pioneer formulation may not meet the current regulatory requirements and may need to be reformulated. This phase is vital prior to initiating the development phase which involves expensive clinical trials or bioequivalence studies.

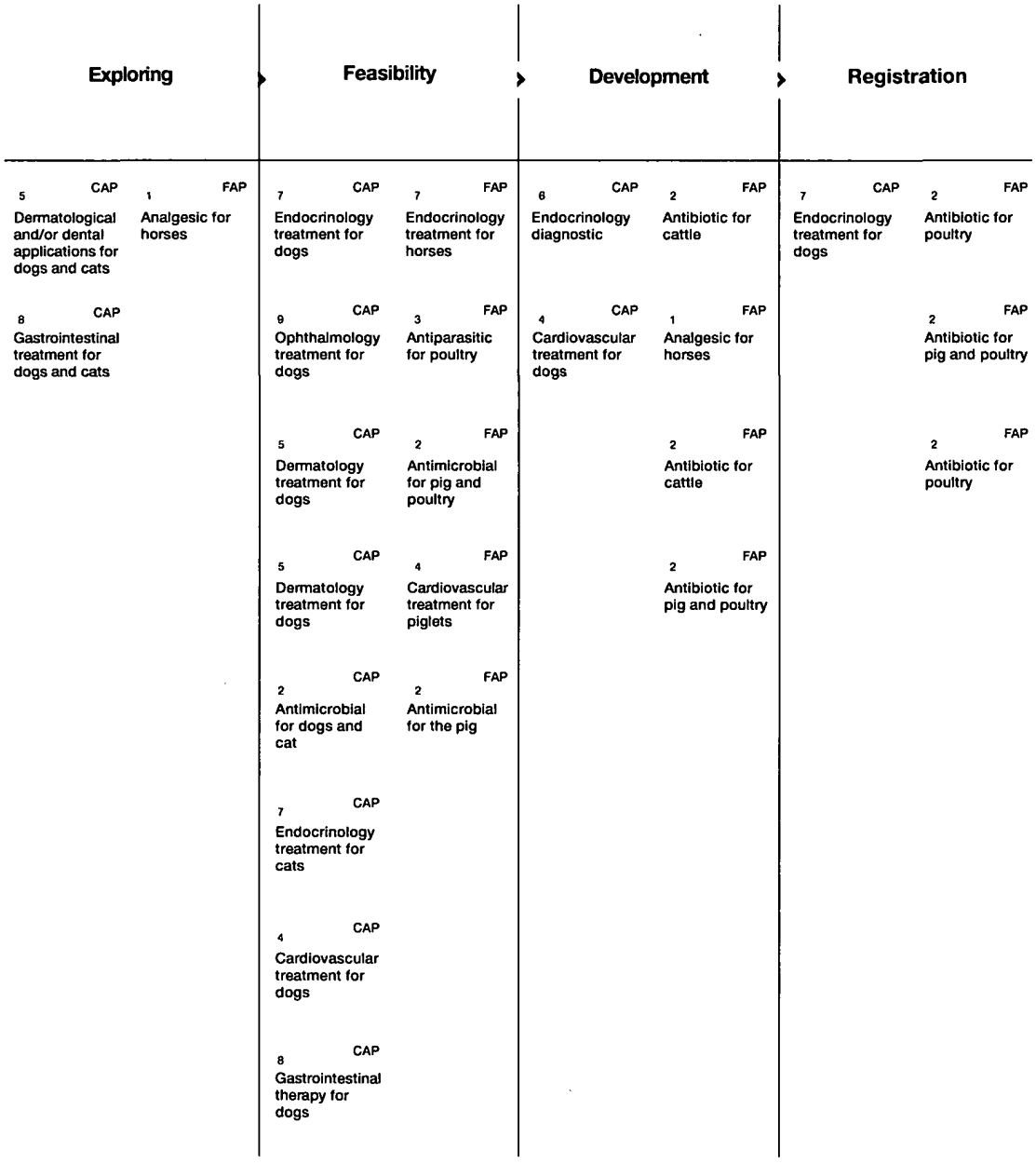
Entering the Development Phase
The **Development** phase is the longest part of the process, potentially taking two or three years. After the formulation has been demonstrated to be stable, two to three pilot batches are manufactured for use in safety studies, efficacy studies and stability testing. For generic products, the batches are used in one or more bioequivalence studies to demonstrate that activity will replicate the pioneer product. If the studies conducted during the Development phase demonstrate the required safety, efficacy and chemical stability of the product, regulatory dossiers are prepared for **Registration/Filing**.

From beginning to end, the development process can take between three and ten years before **Launch**.



Product Pipeline

A key strategic priority for the Group is the delivery and strength of the pipeline. The following chart outlines the status of the major projects. Owing to the nature of product development, the content of our pipeline will change over time as new projects progress from exploratory to development to market or as projects are terminated. For competitive reasons, exact project details are not disclosed.



Financial Review

"During the 2015 financial year the Group focused on the execution of our four strategic pillars. As a result, we consolidated our position within the market, invested in the launch of new products and expanded geographically delivering underlying profit growth of 11.6% at constant exchange rates (CER). Our performance offsets strong currency headwinds, notably due to the volatility of the Euro, resulting in a growth of 5.2% at actual exchange rates (AER)."

Glossary
Terms used within this section:

IFRS
International Financial Reporting Standards

CER
Constant Exchange Rates

AER
Actual Exchange Rates

CAP
Companion Animal Products

FAP
Food producing Animal Products

When presenting our financial results, we use a number of adjusted measures which are considered by the Board and management in reporting, planning and decision-making. These measures are reconciled to the financial results reported under IFRS on page 43.

- Underlying results reflect the Group's trading performance excluding amortisation of acquired intangibles, non-underlying charges and one-off events such as restructuring and acquisition costs.
- All growth rates for both underlying and reported financial results included in this review are at constant exchange rates (CER) unless otherwise stated. This shows the year-on-year growth as if exchange rates had remained the same as in the previous year.
- All numbers are presented on a continuing operations basis. The divested Services Segment (in August 2013) is shown as discontinued operations in accordance with IFRS.

Overview of Underlying Financial Results

We delivered underlying operating profit of £44.4 million, representing a growth of 11.6% compared to the previous year. This was achieved through a combination of revenue growth and improvement in margins whilst we invested in key areas to support our growth.

	2015 £m	2014 £m	Actual exchange rate	Constant exchange rate
Revenue	**203.5**	193.6	5.1%	10.0%
Gross profit	**116.1**	107.7	7.8%	13.6%
Gross profit %	**57.1%**	55.6%		
Underlying operating profit	**44.4**	42.2	5.2%	11.6%
Underlying EBIT %	**21.8%**	21.8%		
Underlying EBITDA	**48.0**	46.2	3.9%	10.2%
Underlying diluted EPS (p)	**39.90**	36.32	9.9%	16.9%
Dividend per share (p)	**16.94**	15.40	10.0%	10.0%

A reconciliation to reported results is shown on page 43.

Revenue
Total revenue grew by 10.0% to £203.5 million. We delivered good growth in our CAP portfolio, and revenues increased due to product launches and the start of trading in new subsidiaries.

Revenue by Segment
European Pharmaceuticals Segment revenue grew by 3.9% to £168.6 million with a strong performance in the UK offsetting lower revenue in Germany due to the reduced use of antibiotics and in Denmark due to competitive pressure. It is pleasing to report that *Vetoryl* bounced back following last year's slower performance and grew by 22% due to trading in Italy as well as the roll out of our new marketing campaign.

Revenue in our North American Pharmaceuticals Segment grew by 59.9% to £34.9 million with the full year effect of the PSPC Inc. acquisition contributing to the growth. Our key products also performed well with an increase of 20.0% for *Vetoryl* and 24.0% for *DermaPet®*. *Osphos*, launched in August 2015, is also gaining momentum.

New territories, Italy, Canada and Poland, performed well and contributed 16.0% of the total revenue growth.

Revenue by Categories
Overall, the strong performance in CAP and Equine is offset by a decline in FAP sales.

CAP sales grew by 20.8% fuelled by *Vetoryl's* momentum in the EU and US, the launch of *Phycox* and the success of our dermatology range, *DermaPet*, in the US.

On a restated basis, Equine revenue has grown by 17.0% following the launch of *Osphos*.

FAP declined by 13.6%, mostly due to the impact of the reduction in the prescription of antibiotics and increased competition in Germany and Denmark. However, as reported in the Chairman's and Chief Executive Officer's statement, we are pleased to report that the rate of decline has currently slowed in the Netherlands.

Unfortunately we experienced some supply disruption as we transferred the manufacturing of our dry diets to a new third party manufacturer. This affected our sales which declined by 4.2% in this financial year. However, all supply issues were resolved in the latter part of the year and we expect to regain momentum in the 2016 financial year with the launch of a new marketing campaign.

Finally, third party manufacturing sales increased by 11.7% as we realise the value from new contracts signed in 2014.

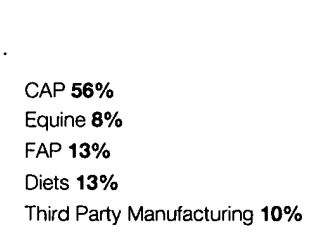
	2015 £m	2014 As restated £m	Actual exchange rate	Constant exchange rate
CAP	**113.9**	98.2	16.0%	20.8%
Equine*	**17.0**	15.3	11.1%	17.0%
FAP*	**27.3**	33.7	(19.0%)	(13.6%)
Subtotal Pharma	**158.2**	147.2	7.5%	12.6%
Diets	**25.6**	28.4	(9.9%)	(4.2%)
Third Party Manufacturing	**19.7**	18.0	9.4%	11.7%
Total	**203.5**	193.6	5.1%	10.0%

* As we continue to focus on our Equine portfolio, we reviewed our product allocation to ensure that multi-species products were appropriately allocated to the relevant categories. As a result we have reclassified £2.2 million of 2014 product sales from FAP to Equine and £0.5 million from CAP to Equine.

10.0%

Total revenue grew by 10.0% (at CER) to £203.5 million (5.1% at AER)

Revenue by Product Category (at AER)



Financial Review
continued

Our gross margins have improved from 55.6% to 57.1% (at AER) reflecting the higher margins within our CAP portfolio offsetting the lower margin FAP business."

Gross Profit
Our gross margins have improved from 55.6% to 57.1% (at AER) reflecting the higher margins within our CAP portfolio compared to the lower margin FAP business.

This favourable product mix is the main reason for the improvement in margins. However, we also benefited from a reduction in cost of goods as we transferred the pet diets to a new third party manufacturer and from the higher margins retained through establishing our own subsidiaries in Italy and Canada.

Selling, General and Administrative Expenses (SG&A)
SG&A expenses grew by 15.4% to £63.1 million as we continued to invest to support the future growth of the Group.

During 2014, SG&A growth was driven by a mixture of one-off items and investment in resources to progress the strategic pillars. This prior year investment has had a full year effect in 2015. Additionally, we have invested in the sales organisation in DVP EU and DVP US, strengthened our manufacturing resources and built necessary infrastructure functions to support the operations going forward. By ensuring that we are right-sized to achieve our ambitions and by funding our geographical expansion, we are building a platform for future growth.

Research and Development Expenses (R&D)
Our R&D spend in the 2015 financial year was £8.7 million. This is slightly above last year (2014: £8.2 million), commensurate with our pipeline progress and an increase in our in-licensing activities to create additional value and breadth within the pipeline. In addition to R&D spend, in-licensing activities sometimes lead to capital investments, such as the share investment of US$1.0 million in Jaguar Animal Health Inc.

Segmental Profit
Operating leverage continues to improve in our European and North American Pharmaceuticals Segments with underlying profit as a percentage of sales at 28.5% and 30.4% respectively (at AER), as summarised in the table on the next page.

Operating Segment (Pharmaceuticals)

	2015 £m	2014 £m	Actual exchange rate	Constant exchange rate
Revenue	**203.5**	193.6	5.1%	10.0%
– EU	**168.6**	172.4	(2.2%)	3.9%
– North America	**34.9**	21.2	64.6%	59.9%
Operating Profit				
– EU	**48.0**	49.0	(2.0%)	4.1%
– North America	**10.6**	6.0	76.7%	73.3%
EBIT %				
– EU	**28.5%**	28.4%		
– North America	**30.4%**	28.3%		

The full segmental analysis can be found in note 2 on page 119.

During 2015, consequent to the commencement of trading in Canada, the Board reviewed our reporting Segments and concluded that the US Pharmaceutical Segment should be expanded to include Canada and named the North American Pharmaceuticals Segment, reflecting the way we manage the Group and meeting the criteria defined under IFRS 8.

Overview of Reported Financial Results

Including non-underlying items, the Group's profit after tax of £19.5 million decreased by 65.1% at CER (66.9% at AER), due to the one-off profit on disposal of the Services Segment of £38.6 million in the prior year.

	2015 £m	2014 £m	Actual exchange rate	Constant exchange rate
Revenue	**203.5**	193.6	5.1%	10.0%
Gross profit	**116.1**	107.7	7.8%	13.6%
Gross profit %	**57.1%**	55.6%		
Operating profit	**26.0**	25.0	4.0%	9.6%
EBIT %	**12.8%**	12.9%		
Profit after tax	**19.5**	19.4	0.5%	6.2%
Profit after tax including discontinued operations	**19.5**	59.0	(66.9%)	(65.1%)
Diluted EPS (p)	**21.99**	67.33	(67.3%)	(65.4%)

A reconciliation of underlying results to reported results as at 30 June 2015 is shown in the table below:

		Non-underlying items			
	2015 Underlying results £m	Amortisation of intangibles £m	Acquisition costs £m	Finance expenses £m	2015 Total reported results £m
Revenue	203.5				203.5
Gross profit	116.1				116.1
Selling, General and Administrative Expenses	(63.0)	(17.9)	(0.5)		(81.4)
R&D expenses	(8.7)				(8.7)
Operating profit	**44.4**	**(17.9)**	**(0.5)**		**26.0**
Net finance costs	0.7			(0.9)	(0.2)
Profit before tax	**45.1**	**(17.9)**	**(0.5)**	**(0.9)**	**25.8**
Taxation	(9.8)	3.4		0.1	(6.3)
Profit after tax	**35.3**	**(14.5)**	**(0.5)**	**(0.8)**	**19.5**
Diluted EPS (p)	39.90				21.99

Non-underlying items of £19.3 million before taxation, excluding the discontinued operations, are £0.9 million above the previous year due to higher acquired intangible amortisation with the full year effect of the PSPC Inc. acquired intangibles taking effect. Full details are shown in notes 4 and 5 on page 121.

£19.5m

Group's reported profit after tax was £19.5m (2014: £19.4m)

£8.7m

R&D spend was £8.7m (2014: £8.2m)

Read the **Q&A with Ian and Anne-Francoise** on pages 48 to 49.

View further content on our website: **www.dechra.com**

Financial Review
continued

Underlying Diluted Earnings per Share

39.90p
2014: 36.32p

Earnings per Share and Dividends
Underlying diluted EPS from continuing operations for the year was 39.90 pence, 16.9% growth versus last year.

The reduction in interest payments following the repayment of our debt and the positive impact of transactional exchange gains, contributed to our EPS increase. The transactional currency effect of the Euro and other currency movements impacted profit after tax by £1.8 million and contributed 2.12 pence to the EPS.

The reported diluted EPS for the year was 21.99 pence (2014: 67.33 pence).

The Board is proposing a final dividend of 11.82 pence per share (2014: 10.65 pence). Added to the interim dividend of 5.12 pence, it brings the total dividend per share for the year to 16.94 pence, representing 10.0% growth over the previous year. Dividend cover based on underlying EPS is 2.4 times.

Dividend per Share

16.94p
2014: 15.40p

Net Cash Position
Our net cash position continues to improve with strong cash generation being reflected in the increase from £5.0 million net borrowings in the prior year to £13.4 million net cash as at 30 June 2015.

Covenants on all loan facilities were met during the year.

Whilst no new acquisitions were completed during the financial year, the Group announced on 3 August 2015 that it had signed a conditional agreement to purchase a majority shareholding in Genera d.d., a Croatian pharmaceutical company. This triggers a mandatory takeover obligation for the remaining shares of Genera, this takeover is subject to approval by the Croatian Financial Services Agency (HANFA). More information pertaining to this acquisition can be seen in note 33 to the Financial Statements.

Balance Sheet
Net assets at 30 June 2015 were £194.5 million, a £10.3 million decrease compared to 2014. This decrease is reflective of a significant amount of the Group assets being held in Eurozone countries.

	2015 £m	2014 £m
Total non-current assets	**183.5**	214.4
Working capital	**31.7**	32.2
Net cash/(debt)	**13.4**	(5.0)
Corporate and deferred tax	**(25.0)**	(28.0)
Other liabilities	**(9.1)**	(8.8)
Total net assets	**194.5**	204.8
Cash conversion	**107.1%**	90.6%

Total non-current assets include intangibles which amounted to £166.7 million (2014: £196.2 million) as at 30 June 2015.

Additionally, it is worth noting that total working capital decreased during the year from £32.2 million to £31.7 million. Whilst the expected increase of working capital in geographical expansion areas such as North America did occur, it was offset by translational exchange impacts on Euro and other currency based working capital.

Finance Strategy

Taxation and Treasury

We reported last year that we had undertaken a review of our tax and treasury strategies to make our operations more efficient, robust and scalable. During 2015, we continued to implement the tax strategy approved by the Board.

In September 2014, the Group refinanced its existing bank facility. This refinancing resulted in a loss on extinguishment of debt of £0.4 million in the year ended 30 June 2015, which is included in our non-underlying financial expenses.

Currency Risk

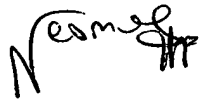
During 2015, we have been exposed to significant transactional and translational currency risk. This has resulted in one-off transactional gains of £2.2 million being recognised in the Consolidated Income Statement and £18.5 million foreign exchange translational impact being recognised in the Consolidated Statement of Comprehensive Income in 2015. We have been reviewing a number of mechanisms to manage the currency risk inherent within our business given our primarily UK based manufacturing facilities and Euro/Dollar based sales organisations. Whilst we are committed to determining a hedging strategy which reflects our risk from a transactional perspective, we do not, at present, see benefit in translational hedging.

Summary

During the 2015 financial year we made good progress towards our strategic ambitions as we focused on executing our strategy:

- our revenue and earnings grew through our portfolio focus, pipeline delivery and geographic expansion;
- we invested in our selling and administration infrastructure to promote growth, while maintaining our operating profit margin; and
- our strong balance sheet continues to give us the flexibility to pursue strategic investment opportunities as and when they arise.

Anne-Francoise Nesmes
Chief Financial Officer
7 September 2015



Glossary

Terms used within this section:

EPS
Earnings Per Share

SG&A
Selling, General and Administrative Expenses

R&D
Research and Development

EBIT
Earnings Before Interest and Tax

During the financial year 2015 we made good progress towards our strategic ambitions as we focused on executing our strategy."

Read about **Delivering Our Strategy** on pages 14 to 17.

See our **Key Performance Indicators** on pages 46 and 47.

Key Performance Indicators

The Group utilises the following KPIs to assess our progress against our strategic, financial and operational objectives. Their relevance to our strategy and their definitions are explained below.

Some KPIs are also used as a measure in the long term incentive arrangements for the remuneration of the Executives. These are identified with the symbol .

KPI	Definition	Relevance to Strategy	Performance	Strategic Link
Sales Growth 10.0%	Year-on-year sales growth including new products but excluding revenue from acquired businesses in the year of acquisition.	A key driver of our strategy is to deliver sustainable sales growth through delivering our pipeline, maximising our existing portfolio and expanding geographically.	Sales increased by 10.0% at CER (5.1% at AER). Our growth was driven by the continued commitment and execution of our four pillars, allowing us to see growth through the acquisition effect of PSPC, new products, geographical expansion in Italy and Canada and the organic growth of the portfolio. This offset the impact of the FAP decline and strong currency headwinds.	
Underlying Diluted EPS Growth 16.9%	Underlying profit after tax divided by the diluted average number of shares, calculated on the same basis as note 10 to the Accounts.	Underlying EPS is a key indicator of our performance and the return we generate for our shareholders. It is one of the performance conditions of the LTIP.	EPS increased by 16.9% at CER (9.9% at AER). Organic growth and interest savings from repaying part of our debt in September 2014 accounted for most of the increase. Additionally, the EPS benefited from the impact of translational exchange gains accounted for as finance income (see note 3 to the Accounts).	
Return on Capital Employed 20.0%	Underlying operating profit expressed as a percentage of average operating assets (excluding cash/debt and net tax liabilities).	As we look to grow the business, it is important that we use our capital efficiently to generate returns superior to our cost of capital in the medium to long term. It underpins the performance conditions of the LTIPs.	Our ROCE has improved as we deliver more profits and maintain working capital levels. However, the increase is also a result of the reduction in value of our net assets base due to movements in exchange rates (see pages 44 and 45).	

Key to Strategic Pillars:

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

Key to Strategic Enablers:

- Manufacturing and Supply Chain
- Technology
- People

Read more about **Delivering Our Strategy** on pages 14 to 17.

Read about **How the Business Manages Risk** on pages 58 and 59.

Read about the **Directors' Remuneration Report** on pages 81 to 95.

KPI	Definition	Relevance to Strategy	Performance	Strategic Link
Cash Conversion 107.1%	Cash generated from operations before tax and interest payments as a percentage of operating profit before amortisation of acquired intangibles.	Our stated aim is to be a cash generative business.	Cash conversion was strong in 2015 reflecting good growth in profits combined with steady working capital levels which are discussed further on page 44.	
New Product Sales 13.8%	Revenue from new products as a percentage of total Group revenue. A new product is defined as any molecule launched in the last five financial years.	This measure shows the delivery of sales in each year from new products launched in the prior five years, on a rolling basis. It shows the performance of our R&D and sales and marketing organisations when launching newly developed or in-licensed products.	Sales from new products continue to increase and accounted for 13.8% of our total sales in 2015. This is due to the continued success in the EU of *Forthyron* and *Cardisure* and the launch of *Osphos* in the UK and US during 2015.	
Lost Time Accident Frequency Rate (LTAFR)	All accidents resulting in the absence or 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.	The safety of our employees is core to everything we do. We are committed to a strong culture of safety in all our workplaces.	LTAFR for continuing operations fell from 0.08 to 0.07 illustrating our continued commitment to employee safety.	
Employee Turnover 12.2%	Number of leavers during the period as a percentage of the average total number of employees in the period.	Attracting and retaining the best employees is critical to the successful execution of our strategy.	Employee turnover reduced to 12.2%, which is reflective of the steady state in which the business operated in 2015. In 2014 we completed the closure of a factory in Uldum, Denmark.	

Q&A with Ian Page

It has been a strong year for Dechra; to what do you attribute this success?

(A) Ultimately, it is the delivery of our strategy. We have expanded geographically, launched new products, and our core portfolio of products has performed very well. Looking at it in a little bit more detail, revenue growth in the USA was exceptional at almost 60%. This is driven both organically, with good performance from our endocrinology and dermatology portfolio, but also with the launch of *Osphos*, our new equine lameness product. This has been enhanced by the acquisition of PSPC, which was made in the prior year, where we have seen an excellent market penetration from *Phycox* and by the introduction of a new endocrine product, *Levocrine*.

Looking at Europe, our performance has been a little bit more modest with 4% growth; however, our companion animal portfolio continues to perform well even in mature markets. Our farm animal products have performed less well and there has been a little bit of a headwind in the period as we have seen in prior years; this is again due to focus on antibiotics resistance issues within the marketplace. We do, however, have a strong portfolio of products and are investing strongly in this area and do expect to turn around the farm animal poor performance in the future. Overall, it is the revenue growth across the Group that has driven the performance within the year.

In terms of geographical expansion, have you got any more plans?

(A) I am pleased to report that Canada, which we launched in January of this year, has performed to our expectations and we have also received orders in Poland within the financial year, which is ahead of schedule. We have established a legal entity in another European country and we hope to start trading there very soon. We have increased the number of people in our Regulatory Department that look at international registrations as we look to penetrate developing markets and also we hope to enhance our geographical expansion by acquisitions.

What progress are you making on acquisitions?

(A) We have made a lot of progress in terms of screening acquisitions. There are not a lot of opportunities to consolidate businesses within our existing markets. However, we are looking further afield and looking into new geographies and new therapeutic competencies.

I am pleased that we have made a conditional acquisition in a majority stake in Genera, which is a Croatian based animal health business. The principal interest in this business is its poultry vaccine facility. We had been negotiating with Genera for a number of years to acquire the marketing rights for Europe and the opportunity became available to us to acquire a majority share. We see vaccines as a very important way forward to develop our FAP portfolio; vaccines are the future as we have seen growth in this section as we are seeing a decline in antibiotics. Genera will also bring to us a low cost manufacturing base and will give us a significant market share in three new territories: Slovenia, Bosnia and Croatia. So we are pleased to have announced the conditional acquisition of a majority stake in this market.

How do you see the outlook for the next year and into the future?

(A) We remain very confident in our strategy. Our market share in our key therapeutic sectors continues to increase; we continue to screen more opportunities to add depth and breadth into our product development pipeline. As I have already outlined, our geographical strategy is also performing well. In terms of acquisitions, they have been strategic, they will add new therapeutic competencies and will also add new countries to trade in. Looking at current trading we have got every reason to be confident in our future.

Watch the **Q&A with Ian Page** at:
dechra.annualreport2015.com

Q&A with Anne-Francoise Nesmes

What has driven the strong financial performance in the year?

(A) We are very pleased with our performance in 2015. You may recall that last year our sales growth was a little disappointing, but we highlighted that the momentum in the second half of 2014 had picked up. This has continued and we are reporting a double digit sales growth at CER for the 2015 financial year. Our gross margin has also improved by about two percentage points due to a favourable product mix and if you take our sales growth, our sales performance combined with the improved gross margin, that has given us the flexibility to invest behind our strategy. Finally, we are also realising financial efficiencies which we talked about last year, in particular we are realising the savings from the tax optimisation project which we started last year.

The exchange rate volatility has had an impact on the results; can you explain what is happening?

(A) We are a global organisation and we trade in many currencies. Exchange rate volatility is a risk the business will continue to face and it impacts our P&L and our balance sheet. One of the major currencies in which we trade is the Euro, which we all know has been very volatile again this year given the political and economic environment in Europe. The Euro has weakened by 9% against the pound compared to last year's average rate.

We have a conservative treasury policy and, as a Board, we have decided to use hedging instruments very carefully. So, for instance, we will only hedge specific transaction risk exposure. Additionally, this year we have also been able to implement a so-called netting system which allows us to settle inter-company transactions and, as a result, we have been able to reduce the cost of foreign transactions in different currencies.

You mentioned earlier that you were investing for growth, can you expand a little on this point?

(A) We have seen a significant increase in our selling and admin costs as we invest to support our strategy and our growth. In particular, we have invested to establish our new subsidiaries and fund their infrastructures. We have also financed the launch of new products, in particular *Osphos*, where we spent on marketing campaigns and recruited new sales representatives. Additionally, as reported in the first half, we are investing in the US infrastructure in the US organisation; the pay-back of which is very clear given the success of this organisation during the financial year.

Can you outline the changes in your Product Development team and pipeline?

(A) To progress the number of projects we have in the pipeline and to face the increasing regulatory demands, we realised we had to change the way the team was organised. So, we have now split the Product Development and Regulatory Affairs team into two. One team, led by Joe Rosentel, is now responsible for managing the projects through the pipeline and delivering our pipeline. The second team, led by Susan Longhofer, is responsible for business development and in-licensing to bring new ideas and is also responsible for managing our regulatory affairs.

Setting aside this reorganisation, we are pleased to report progress in our short term pipeline, as we have had a number of new products approved, in particular *Osphos*; we have had *TAF Spray* approved in Europe, *Vetoryl* 5mg in the US and a number of smaller registrations in other emerging markets.

Can you outline a few highlights for the year?

(A) This is a tricky question as we have achieved key milestones in all parts of the Group which demonstrates our ability to execute our strategy. But I am particularly pleased to see the positive impact that we are making through being agile. So, for instance, we have been able to capitalise when competitors have been out of stock in the US and in Europe. We have also been able to open our subsidiary in Poland sooner than expected and I am sure there are many more examples of this across Dechra. But what it demonstrates is our ability to succeed when all parts of the organisation work together and become One Dechra.

Watch the **Q&A with Anne-Francoise Nesmes** at: **dechra.annualreport2015.com**

Corporate Social Responsibility

Our Corporate Social Responsibility strategy has three pillars: Our People, Our Community and Our Environment."

Glossary
Terms used within this section:

SET
Senior Executive Team

PDR
Performance Development Review

HR
Human Resources

MAT
Moving Annual Total

LTAFR
Lost Time Accident Frequency Rates

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

A responsible approach to our stakeholders and the wider community is considered by the Board to be important to the business. Our Corporate Social Responsibility strategy has three pillars: Our People, Our Community and Our Environment. The conduct of the business towards social, environmental, ethical and health and safety issues is recognised to have an impact on our reputation and therefore the implementation and improvement of policies and systems are ongoing.

Tony Griffin is the nominated Director responsible for health, safety and environmental matters. However, the Board takes ultimate responsibility for Corporate Social Responsibility and continues to be committed to developing and implementing appropriate policies that create and maintain long term value for all stakeholders. Sound business ethics help to minimise risk, ensure legal compliance and enhance Company efficiency.

Our People
There has been significant progress made during the year on the People Plan.

- **One Dechra — A Great Place to Work**
  A number of key projects have progressed which will enable us to integrate the Group and optimise our resources and capabilities. These include development of a Group-wide Learning Management Resource which will be available to all employees from September 2015, the introduction of a Group-wide newsletter informing all employees of progress against the strategy and other important developments across the Group, and the development of a Group-wide careers website, showcasing the global opportunities available and supporting the attraction of talent to the Group.
- **Strong Senior Executive Team (SET)**
  The SET has responsibility for the overall leadership of the Group, driving the successful implementation and execution of the strategy and enabling cohesion and co-operation between the various business units, as well as setting the Dechra Values so that these are embraced at every level of the business.

  Reporting to Ian Page, Chief Executive Officer, the team comprises Anne-Francoise Nesmes, Chief Financial Officer, Tony Griffin, Managing Director DVP EU, Dr Susan Longhofer, Regulatory Affairs and Business Development Group Director, Mike Eldred, President North America, Mike Annice, Managing Director, Manufacturing, Allen Mellor, Group IT Director and Katy Clough, Group HR Director.

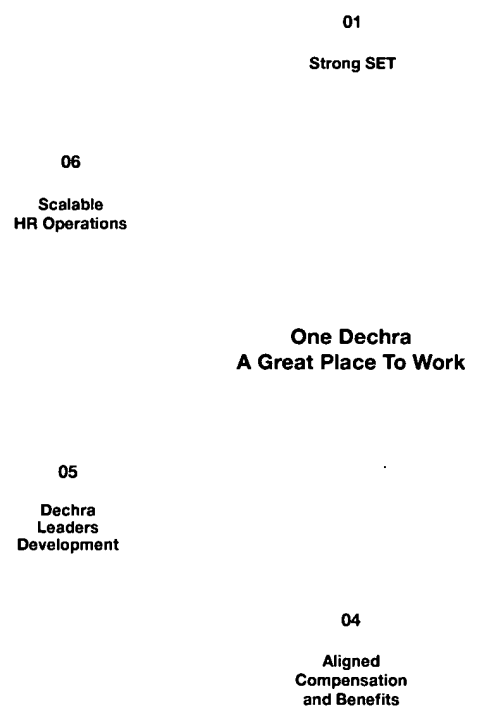
Case Study:

Our People —
US Team Building Event

As reported in last year's Annual Report, we introduced the objective of 'One Dechra — A great place to work' to support our overall business strategy.

During a PDRA team building event in May as one of several One Dechra initiatives, the PDRA team and the Kansas sales office joined forces at a cooking workshop to make manicotti (an Italian American pasta similar to cannelloni) and decorate dog biscuits. This was a fun-filled evening with a purpose, which resulted in the local Ronald McDonald House receiving a freezer full of the manicotti and the dogs at the Humane Society of Greater Kansas City enjoying the treats.

Our People Plan is designed to enable the Group to drive innovation, customer and shareholder value, accountability, and success through:



01 Develop the SET to provide world class leadership to the Group

02 Align employee efforts and improve execution through effective goal setting linked to reward

03 Attract, retain and develop the right talent in the right place at the right time

04 Develop equitable reward systems that drive accountability and reward high performance

05 Identify succession plans and create development plans to secure the future talent pipeline

06 Create simplified access to data and reduce manual effort

Corporate Social Responsibility
continued

During the year, the number of SET members has increased with the addition of Dr Joseph Rosentel, Product Development Director, and Giles Coley, Marketing Director DVP EU. The SET has met eight times during the year and the Board approved the SET terms of reference which will assist with the focus of its core duties.

- **Performance Culture**
  The updated Performance Development Review (PDR) process was rolled out across the Group during summer 2014, with all employees being set objectives that link back to the overall Company strategy. Training for managers has been provided to support this roll out and the annual salary review calendar has been revised in line with the PDR cycle to underpin the link between individual contribution and reward.
- **Talent Management**
  As Dechra continues to grow, attracting and selecting top talent is an important priority. With this in mind, a new careers website was launched in July 2015. This new site showcases the breadth of what Dechra does and our global reach, it represents our Values and more importantly our people, to enable future potential employees to learn more about us and want to join.

  We recognise the need to identify our high potential employees and successors for key roles and to develop them in order to retain and prepare for future roles. The commitment to the development of our most talented individuals is partly rooted in our need to deploy our resources effectively across the Group and build breadth of experience.

WWW

A formal approach to succession planning and talent management across the Group has commenced. At least once a year we will continue to undertake a comprehensive assessment of talent and potential at all levels in the Group. The aim is to identify both successors for key positions and put in place the development, support or key experiences that are required for individuals to progress within the organisation. This supports our strategic aim to build a sustainable business.

During this process we have identified the need to attract a wider range of young talent and, to address this, we have continued to support apprenticeship programmes, offered a number of placements to university students and have set up a pilot Graduate scheme in the UK.

- **Aligned Compensation and Benefits**
  Planned tactical work has been undertaken to understand external benchmarks for senior managers and flight risk groups, together with an audit of existing benefits and compensation practices across the Group. This has led to an alignment of the bonus schemes for key groups in 2015 with further development of an overall Group compensation strategy planned for the current financial year.
- **Dechra Leaders' Development**
  We want to ensure that we retain our talented people and develop their skills in both functional and people management, which is key to supporting our continued growth. Over the course of the last financial year, Leadership Development Programmes have been delivered in both the Manufacturing and European teams. We are also looking at designing a tailored SET Development Programme.
- **Scalable HR**
  During the year a project was undertaken to identify a suitable Human Capital Management system that will support simplified, transparent access to data and reduce manual effort. Following a tender process, a vendor has been identified and the implementation of the first phase of the system has recently commenced. The aim is to create a virtual HR shared services function that operates across geographic boundaries, which will reduce time spent on administration and allow further focus on HR business partnering. The system will provide self-service access to both managers and employees, will automate much of the PDR process and assist in tracking succession planning. It is proposed to develop KPIs and a dashboard of HR metrics to assist with evaluating decision making relating to resourcing and ensuring compliance with increasing external reporting requirements.

It is the Company's policy to provide equal recruitment and other opportunities for all employees, regardless of age, sex, sexual orientation, religion, race or disability. The Group gives full consideration to applications from disabled people, where they adequately fulfil the requirements of the role. Where existing employees become disabled, it is the Group's policy whenever practicable to provide continuing employment under the Company's terms and conditions and to provide training and career development whenever appropriate.

In summary we recognise that the success of the Group is dependent on our ability to attract, develop, motivate and retain skilled employees. For a number of years the Group has reported labour turnover as a non-financial KPI using a standard formula as follows:

$$\frac{\text{Total number of leavers over a period}}{\text{Average total number employed over period}} \times 100$$

The Group has established a target of no more than 15% Moving Annual Total (MAT); during the 2015 financial year we reported 12.2% (2014: 16.8%). This represents a decrease, and is due to the fact that the previous year's figure was high following the closure of the manufacturing facility at Uldum, Denmark.

Business Ethics

The Board expects all of the Group's business activities to be conducted in accordance with the highest ethical standards and in full compliance with all applicable national and international legislation; in doing so we aim to maintain a reputation for acting responsibly and with integrity. The Board has formalised these expectations into a policy known as the Code of Business Conduct (the Code) which applies throughout the Group. This Code was translated and circulated around the business along with the Anti-Bribery and Anti-Corruption Policy.

A separate Anti-Bribery and Anti-Corruption Policy was launched in the 2014 financial year (previously included in the Code of Business Conduct). The policy, training documents and guidance have been translated and rolled out across all of the Dechra territories, and work is now commencing on an e-learning solution to

assist with the training of new employees and for refresher purposes.

A Whistleblowing Policy is also in place whereby employees report, in confidence, any suspected wrongdoings within the business which they feel unable to discuss directly with local management.

The Code of Business Conduct, Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy were reviewed in December 2014.

The Dechra Values were launched in June 2011 across the business, and are being incorporated into the way we operate.

View further content on our website: **www.dechra.com**

The Board fully endorses these Values and believes that they encapsulate Dechra's business ethics and set standards that all employees should strive to achieve and ultimately exceed. During the year the Values were translated into German and launched with the aid of on-site briefings to all employees at our German site in Aulendorf.

Human Rights

Dechra is committed to upholding and respecting human rights both within our business and from our suppliers. However, Dechra does not currently have a separate human rights policy.

Health and Safety Policy

The Group attaches great importance to the health and safety of its employees and the public. Management is responsible for and committed to the maintenance, monitoring and promotion of a policy of health and safety at work to ensure the care and well-being of its employees and on-site visitors.

Any material health and safety issues or incidents that occur are discussed in detail at both the business unit board meetings and the PLC Board meetings. The discussions include details of the incident that took place and also details of any remedial action which has been taken in order to mitigate or prevent a recurrence of the incident. Twice a year a comprehensive health and safety report is presented at each of the business unit board meetings and subsequently reported to the PLC Board meeting the following month for discussion and review by the Directors. At the February PLC Board meeting, the Health and Safety Manager for DPM Skipton provided a presentation which included the progress from 2011 to 2015, an environmental and energy update and synergies achieved with the Bladel facility.

The main sites within the Group have an active Health and Safety Committee comprising representatives from both management and employees. The workforce nominates employee representatives. These committees meet on a regular basis to carry out a review of risk assessments and standard operating procedures as well as investigating any concerns raised by individual employees. Each site has the requisite number of employees trained in health and safety legislation.

Skipton is operating to OHSAS 18001:2007, which is the British Standard for occupational health and safety management best practice. As it continues to develop its safety management system, the site hopes to seek accreditation within two years.

For a number of years the Group has reported Lost Time Accident Frequency Rates (LTAFR) as a non-financial key performance indicator (see page 47). The LTAFR is a calculation of all injuries that would be statutorily reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), normalised per 100,000 hours worked. This measure provides information to help monitor and control accidents and injuries to the workforce and is widely used as a key performance indicator throughout industry. The Company reports LTAFR on the same basis as in previous years, that is over-three day incidents. As in the previous year, the number of accidents occurring in the year was one. This incident did not result in a work-related fatality or disability.

The Transport Risk Committee assesses risks relating to the Group fleet and establishes control procedures, including regular licence checks of all individuals who are able to drive Company vehicles, investigations into all accidents and a disciplinary procedure for speeding offences. The committee has met twice during the financial year; and as well as driver safety it has discussed the fleet provision and areas of improvement from an economic, environmental and employee perspective.

Corporate Social Responsibility
continued

Our Community

The Board encourages the business units to contribute to the social and economic welfare of the local communities in which they operate. It recognises that by taking voluntary action in this area it is helping to protect and develop its own business.

This is the fourth year in which the Group has operated a Donations Policy. All employees within the Group are entitled to nominate a charity or a non-commercial organisation. This year the number of nominations received exceeded our expectations and it was therefore decided to increase the overall donation spend from £10,000 to £20,000 which was split equally between ten charities, as detailed below:

Type of Charity	Charity	Jurisdiction	Description
Animal	Coalition to Unchain Dogs	US	The Coalition to Unchain Dogs improves the welfare of dogs living in underserved communities as well as dogs continuously chained outdoors by offering information and free health services.
	Inges Kattehjem	Denmark	This is the biggest cat charity in Denmark. They provide advice and offer a home for abandoned and rescued cats.
Environmental	Cuan Wildlife Animal Rescue	UK	Cuan Wildlife Animal Rescue are dedicated to the rescue, care and rehabilitation of sick, injured and orphaned wild animals and birds.
Other	Cystic Fibrosis Trust	UK	The Cystic Fibrosis Trust is the UK's only national charity dealing with all aspects of cystic fibrosis. It funds research to improve cystic fibrosis care and treatment, and aims to ensure appropriate clinical care and support for people with cystic fibrosis.
	The Good Will Cause	UK	The Good Will cause is a fundraising foundation that is part of the North of England Children's Cancer Research Fund. The primarily aim of the Good Will cause is raise funds to research Burkitt's lymphoma in more depth.
	The Children's Hunger Project	US	This charity recognises that free school lunches are the only meals some children receive. This charity fills students' back-packs with food on Fridays so they have basic nutrition and meals over the weekend.
	Skipton Extended Learning for All (SELFA)	UK	SELFA is a local children's charity that provides support for vulnerable, disadvantaged and disabled children who live in the Skipton and Craven District of North Yorkshire.
	Stichting WensAmbulanceBrabant	Netherlands	Wish Ambulance Brabant fulfils the wishes of terminally ill people by taking them to their favourite place.
	Heifer International	International	Heifer International's mission is to end hunger and poverty and to care for the Earth using gifts of livestock, seeds, trees and training in sustainable agriculture community development projects to help people become self-reliant. Families receive training in animal care and conversation for environmentally sound agricultural development.
	The Joshua Tree Charity	UK	The Joshua Tree is a registered charity based locally in Northwich which supports families living with the life changing experience of childhood cancer.

Presentation cheque to Inges Kattehjem

Paula Lenton, a DVP UK employee, presenting a cheque to Cuan Wildlife Rescue

Case Study:

Certificate in Corporate Social Responsibility

In December 2014, two of DVP EU's employees in Denmark completed a two month intensive training programme and passed an examination administered by an external panel of examiners. The certification called E4 is a certified management system developed by the business network, Green Network. The management system comprises four areas based on international CSR standards: economy, environment, ethics and employment. Lene and Eva are certified in using recognised tools and methods to organise and manage the Danish business unit's social responsibility, develop strategies, prepare action plans and assess its own practice. It is hoped that their new skills can be shared throughout the Group.

Since obtaining the certification, the local Council and a Council in the Copenhagen area have visited Uldum, as they were interested in our approach on social responsibilities, including our endeavours in helping the unemployed into traineeships and helping them back into the job market.

The Uldum site has an agreement with the local Council to take on these traineeships on a regular basis, the most recent being at the beginning of 2015 when a trainee, who had been out of the job market for a long time, was engaged in the canteen. The traineeship was very successful and she was provided with the skills to apply for other job opportunities. Our HR manager has now been invited to join a task force of approximately 12 local companies, which has been established to find ways of helping people on social security benefits back into the job market. This project will run for two years.

In addition to the annual Group donation, each business unit has discretion to allocate funds to local community groups, employee nominated charities and/or animal welfare charities. Below is a selection of what has taken place during the 2015 financial year.

Donations in Kind

Type of Charity	Charity	Jurisdiction	Description
Animal	Manchester & Cheshire Dogs Home	UK	Dechra Veterinary Products UK (DVP UK) donated products following a large fire at the Manchester site.
Animal	Help Street Animals of Morocco	Morocco	DVP UK continued to provide assistance to a charity called Help the Street Cats of Morocco by providing supplies in 2015 of Alvegesic, *Atipam*® and Sedator.
Animal	Love Underdogs	Romania	DVP UK donated wound care products to this charity, which helps and supports some of the most unwanted, abused and neglected dogs in Romania.

Financial Donations

Business Unit	Jurisdiction	Amount	Description
DPM Bladel	The Netherlands	£1,217	Donation to a community project.
DPM Skipton	UK	£350	Donations to various local and national charities.
DVP EU	Denmark	£607	Donations to community projects and the Danish Cancer Foundation.
DVP EU	International	£815	Continued sponsorship of three children through SOS Children's Villages.
DVP EU	Germany	£708	Donations to various animal charities and a local community project.
DVP NA	US	£2,404	Team building event resulting in donations to local community projects (further details can be found in People Plan on page 51).

Corporate Social Responsibility
continued

Case Study:
Sustainability

Dechra has started putting sustainability at the heart of its business while maintaining product performance and customer experience. To start this journey, we are reviewing the ingredients that go into our veterinary dedicated diets, *Specific*, starting with a special emphasis on the fish by-products we use.

We believe that if we can source high quality ingredients that have been grown or caught in a sustainable and well managed process, we will be able to produce high quality diets for our veterinary customers to recommend. *Specific* is known for its high levels of Omega 3 that helps support joints, skin and shiny coats and leads to healthy and happy pets. And if the pet owners are satisfied they will keep on buying their pet food from their veterinarian enabling us to donate 5% of *Specific*'s profits to good causes that will help support the environment to continue delivering quality ingredients.

We call this the Circle of Good and are asking pet owners to join by buying *Specific* from their veterinarian.

5% TO GOOD CAUSES. THAT'S MORE THAN A DROP IN THE OCEAN.

Our Environment
The Group recognises the importance of good environmental controls. It is the Group's policy to comply with environmental legislation currently in place, to adopt responsible environmental practices and to give consideration to minimising the impact of its operations on the environment.

DPM, Skipton has successfully completed its accreditation audit for ISO 14001:2004 Environmental Standard Certification during the year. This standard requires that organisations have an environmental policy and an action plan for managing their impact on the environment. The business is committed to a programme of continuous improvement which is reviewed annually with a view to ensuring that progress is maintained. During the financial year the environmental improvements at this site have included considering and reducing the environmental impact in all refurbishment work undertaken by contractors, the upgrade of the incandescent lighting to energy efficient LED and changing the heating system from fuel oil to energy efficient air conditioning units.

DVP EU, Uldum is also committed to a programme of continuous improvement and is investigating alternative forms of transporting Dechra products. On the transfer of our diets product to a new supplier, Uldum has reviewed the method of transportation of this product switching from road transportation to sea, which will result in lower CO_2 emissions due to environmentally friendly crude oil used by ships. As Uldum is the central logistics hub for Dechra this endeavour will have a significant impact on our environmental footprint.

DVP EU, Uldum has contributed DKK15,000 to Energreen ApS for the construction of new green energy production facilities within Denmark.

Waste
In respect of waste, the Group is a registered member of the Waste Packaging Obligations Regulations compliance scheme. The general waste is sorted for collection by third party waste management companies. DPM, Skipton monitors its waste management as part of the site's commitment to improve its recycling rates and direct waste into its correct waste streams to ensure compliance with regulatory requirement and to protect the environment. The site set a target to increase its recycling rate by 10%, reducing waste to landfill by end of the 2015 financial year and the introduction of a further recycling project. The figures on the next page demonstrates that the 10% recycling target has been met and exceeded, which has been achieved by changing the way waste is collected in the process areas, providing awareness training for Environmental Health and Safety representatives and work colleagues, obtaining warehouse employees' commitment to recycling and a reduction in the size of the landfill waste compactor.

Waste disposed (Averaged) for the 12 month periods ending:				
Waste type (Tons)	June 15	June 14	Annual % change	Target
Recycled	8.7	7.7	+ 13%	10% increase
Landfill	106.0	134.0	- 21%	Reduction
Contaminated Waste and Controlled Drugs	82.1	60.8	+ 35%	Divert from landfill

The Skipton facility continues to comply with effluent discharge standards into local water supplies, which is subject to random monitoring by Yorkshire Water Authority. Standard operating procedures are in place to provide that all contaminated waste is disposed of under strict controls. Furthermore, all exhaust air is fully filtered from the manufacturing unit before discharge into the environment.

ESOS

The Group is currently working to comply with the Energy Savings and Opportunities Scheme (ESOS). This is a UK Government initiative to implement Article 8 of the EU Energy Efficiency Directive 2012. The UK Group have collated the data and have appointed an external assessor, who is working with Dechra to verify the evidence required to confirm compliance to the Environmental Agency. No other Group company is affected by this EU Directive.

Greenhouse Gas Emissions

This is the second year that Dechra has collated and reported on its Greenhouse Gas Emissions.

Methodology

In order to determine our emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard and have reported on Greenhouse Gas Emissions arising from those sources over which we have operational control. The disclosures below encompass:

- Scope 1: includes emissions from combustion of fuel and operation of facilities (excluding combustion of fuel from Company cars);
- Scope 2: includes emissions from purchased electricity, heat, steam and cooling; and
- Vehicle emissions.

UK Government's Conversion Factors for Company Reporting 2014 have been used to convert Dechra's usage into a carbon dioxide equivalent, and Dechra has selected 'Tonnes of CO_2e per total £m sales revenue' as the intensity ratio as this is a relevant indicator of the Group's growth.

	Tonnes of CO_2e	
	1 July 2014 to 30 June 2015	1 July 2013 to 30 June 2014 restated*
Scope 1	**636**	613
Scope 2	**1,740**	1,712
Vehicle emissions	**1,241**	1,165
Total Carbon Footprint (tonnes of CO_2e)	**3,617**	3,490
Intensity ratio (tonnes of CO_2e per £m)	**17.8**	18.0

* Figures restated to take into account corrections made to our carbon footprint calculations as well as the inclusion of new businesses.

How the Business Manages Risk

Effective risk management and control is key to the delivery of our business strategy and objectives. Our risk management and control processes are designed to identify, assess, mitigate and monitor significant risks, and can only provide reasonable and not absolute assurance that the Group will be successful in delivering its objectives.

The Board is responsible for the oversight over how the Group's strategic, operational, financial and compliance risks are managed and for assessing the effectiveness of the risk management and internal control framework.

Our Senior Executive Team (SET) owns the risk management process and is responsible for managing specific Group risks. The SET is also responsible for embedding sound risk management in strategy, planning, budgeting, performance management, and operational processes within their respective Operating Segments and business units.

The Board and the SET together set the tone and decide the level of risk and control to be taken in achieving Group and business unit objectives.

Top Down

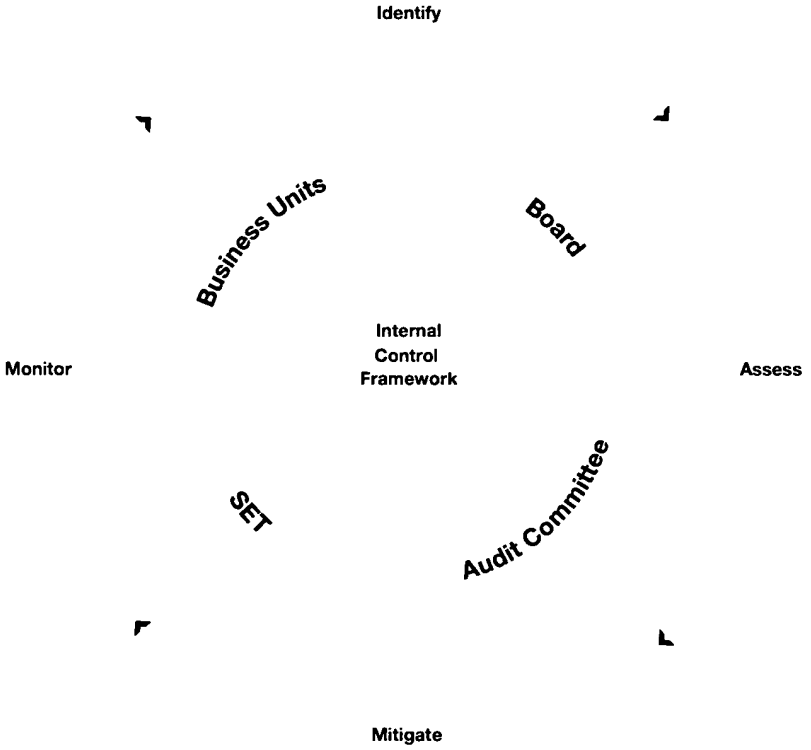
Board
Oversight of the Group's risk management and internal controls

Audit Committee
Annual validation of the risk reporting process

Senior Executive Team
Owners of the risk management process and responsible for embedding risk management into business units

Bottom Up

Business Units
Identification, mitigation and monitoring of risks



Risk Management Process
Our strategy informs the setting of the objectives across the business and is widely communicated. Strategic risks and opportunities are identified as an integral part of the strategy setting process.

The SET provides a pivotal platform for evaluating and managing risk from both a bottom up and top down level and acts as a link between the Board and the business units to ensure management of operational risks is embedded in the business. Each SET member owns one or more Group risks and also maintains an operational risk register for their business unit.

For the risks which they own, each SET member identifies how the risks are currently controlled, what additional mitigating actions are required, and what monitoring and assurance mechanisms are in place.

The Board conducts a review of the risk management and internal control framework and the SET presents the most significant Group risks, controls and mitigation plans to the Board for review twice a year. The Audit Committee reviews the effectiveness of internal financial controls annually.

Internal Control Framework
Our internal control framework is designed to ensure:

- proper financial records are maintained;
- the Company's assets are safeguarded;
- compliance with laws and regulations; and
- effective and efficient operation of business processes.

The Dechra Values are the foundation of the control framework and it is the Board's aim that these values should drive the behaviours and actions of all employees. The key elements of the control framework are described below:

Management Structure
Our management structure has clearly defined reporting lines, accountabilities and authority levels.

The Group is organised as business units. Each business unit is led by a SET member and has its own management team.

Strategy and Business Planning
We have a five year strategic plan which is updated and reviewed by the Board twice a year. Business objectives and performance measures are defined annually together with budgets and forecasts. Monthly business performance reviews are conducted at both Group and business unit levels.

The product pipeline is reviewed regularly to:

- assess whether products in development are progressing according to schedule;
- identify new product ideas and assess fit with our product portfolio; and
- assess the expected commercial return on new products.

Policies and Procedures
Our key financial, legal and compliance policies that apply across the Group are:

- Code of Business Conduct;
- Delegated Authorities;
- Anti-Bribery and Anti-Corruption;
- Whistleblowing;
- Sanctions; and
- Charitable Donations.

Operational Controls
Our key operational control processes are as follows:

- Quality Assurance: All our manufacturing sites have an established Quality Management System. These systems are designed to ensure that our products are manufactured to a high standard and in compliance with the relevant regulatory requirements.
- Pharmacovigilance: Our regulatory team operates a robust system with a view to ensuring that any adverse reactions related to the use of our products are reported and dealt with promptly.
- Information Technology: Our business units currently use a number of different local financial, manufacturing and warehouse management systems to support their operations. We are in the process of implementing Oracle across the Group.
- Financial Controls: Our financial controls are designed to prevent and detect financial misstatement or fraud and operate at three levels:
  - Entity Level Controls performed by senior managers at Group and business unit level;
  - Month-end and Year-end procedures performed as part of our regular financial reporting and management processes; and
  - Transactional Level Controls operated on a day-to-day basis.

Improvements in 2015
The Board appointed Deloitte to undertake an assessment of the Group's risk management process and a review of internal financial controls in the second half of the previous financial year.

During the current financial year we implemented a number of improvements to the Group's risk management and review processes and to the business units' financial controls based on Deloitte's recommendations.

Each quarter, business units formally report to Group Finance on the operation of their key financial controls. They also submit and discuss progress reports on the implementation of agreed control improvements. These form the basis of financial controls assurance reports presented to the Audit Committee.

In April 2015, a Head of Internal Audit and Risk Assurance was appointed and has presented to the Audit Committee on the key changes required to comply with the revised UK Corporate Governance Code which becomes effective for the 2016 financial year.

Plans for 2016
We plan to implement a number of changes to our risk management process and internal control framework to ensure compliance with the changes introduced in the revised UK Corporate Governance Code.

The new Internal Audit and Risk Assurance function will provide independent assurance that major business risks are being managed appropriately, and that the internal control framework is robust and operating effectively.

We also plan to conduct pre-implementation assurance work on the Oracle system configuration and control design.

Read more on **Delivering Our Strategy** on pages 14 to 17.

Read our **Key Performance Indicators** on pages 46 and 47.

Understanding Our Key Risks

Dechra is the only veterinary pharmaceuticals company in the FTSE 350 and we therefore believe it is important to summarise the key distinctions between the animal and human pharmaceutical industries in order to provide a better understanding of our risk profile.

The business of developing and marketing animal pharmaceuticals shares a number of characteristics with human pharmaceutical businesses. These similarities include the need to conduct clinical trials to prove product safety and efficacy, obtain regulatory approval for new products, complex and highly regulated product manufacturing, and to market products based on approved clinical claims. However, there are also significant differences between animal and human pharmaceutical businesses, including:

- **Product development is generally faster, cheaper and more predictable and sustainable:** Development of animal medicines typically requires fewer clinical studies with fewer subjects and is conducted directly in the target species. Decisions on product safety, efficacy and likelihood of success can therefore be made more quickly.
- **Diversified product portfolios:** Animal pharmaceuticals businesses are generally less reliant on a small number of 'blockbuster' products. Animal health products are sold across different regions which may have distinct product requirements. As a result, animal health products often have a smaller market size and the performance of any single product typically has less impact on overall business performance.
- **Stronger customer relationships and brand loyalty:** The animal health industry uses a combination of sales representatives to promote their products and technical veterinary specialists to provide support and advice on animal health. These relationships result in better access to customers and sales visits are typically longer and more meaningful. Companion Animal Products are often directly prescribed and dispensed by veterinarians which contributes to brand loyalty, which often continues after the loss of patent protection or regulatory exclusivity.
- **Lower pricing pressure:** Livestock producers and pet owners generally pay for animal healthcare themselves. Pricing decisions are not influenced by government payors that are involved in product and pricing decisions for human medicines.
- **Less price erosion by generic competition:** Generic competition in animal healthcare, whilst playing an important role, has a lower impact on prices compared to human pharmaceuticals because of the smaller average market size of each product opportunity, stronger customer relationships and brand loyalty.

The SET has identified and agreed key risks with the Board. Of these, a number are deemed to be generic risks facing every business including failure to comply with financial reporting regulation, foreign exchange, IT systems failure and non-compliance with legislation. The table below therefore details the ten principal risks that are specific to our business and provides information on:

- how they link to Group strategy;
- their potential impact on the business; and
- what controls are in place to mitigate them

Link to Strategic Pillar and Enabler	Risk	Potential Impact	Controls and Mitigating Actions	Trend
	Competitor Risk: Competitor products launched against one of our leading brands (e.g. generics or a superior product profile). We depend on data exclusivity periods or patents to have exclusive marketing rights for some of our products. Although we maintain a broad portfolio of products, our unique products like *Vetoryl* and *Felimazole* have built a market which may be attractive to competitors.	Revenues and margins may be adversely affected should competitors launch a novel or generic product that competes with one of our unique products upon the expiry or early loss of patents. Costs may increase due to defensive marketing activity.	We focus on lifecycle management strategies for our key products to ensure they fulfil evolving customer requirements. Product patents are monitored and defensive strategies are developed towards the end of the patent life or the data exclusivity period. We monitor market activity prior to competitor products being launched, and develop a marketing response strategy to mitigate competitor impact.	LEVEL

Link to Strategic Pillar and Enabler	Risk	Potential Impact	Controls and Mitigating Actions	Trend
	Market Risk: The emergence of veterinary buying groups, corporate customers and internet pharmacies. We sell and promote primarily to veterinary practices and distribute our products through wholesaler and distributor networks in most markets. In a number of mature markets, veterinarians are establishing buying groups to consolidate their purchasing, and corporate and internet customers are also emerging.	The emergence of corporate customers and buying groups represents an opportunity to increase sales volumes and revenue but may result in reduced margins. Our reputation and relationships with veterinary practices could also be adversely affected.	We manage and monitor our national and European pricing policies to ensure equitable pricing for each customer group. Our relationships with larger customers are managed by key account managers. Our marketing strategy is designed to support veterinarians in retaining customers by promoting the benefits of our product portfolio in our major therapeutic areas.	UP Growth in buying groups, corporate customers and internet pharmacies.
	Acquisition Risk: Identification of acquisition candidates and their potential integration. Identification of suitable candidates and securing a successful approach involves a high degree of uncertainty. Acquired products or businesses may fail to deliver expected returns due to over-valuation or integration challenges.	Failure to identify or secure suitable targets could slow the pace at which we can expand into new markets or grow our portfolio. Acquisitions could deliver lower profits than expected or result in intangible assets impairment.	We have defined criteria for screening acquisition targets and we conduct commercial, clinical, financial and legal due diligence. The Board reviews acquisition plans and progress regularly and approves all potential transactions. The SET manages post-acquisition integration and monitors the delivery of benefits and returns.	UP Increased acquisition activity in animal health sector.
	Product Development Risk: Failure to deliver major products either due to pipeline delays or newly launched products not meeting revenue expectations. The development of pharmaceutical products is a complex, risky and lengthy process involving significant financial, R&D and other resources. Products that initially appear promising may be delayed or fail to meet expected clinical or commercial expectations or face delays in regulatory approval. It can also be difficult to predict whether newly launched products will meet commercial expectations.	A succession of clinical trial failures could adversely affect our ability to deliver shareholder expectations and could also damage our reputation and relationship with veterinarians. Our market position in key therapeutic areas could be affected, resulting in reduced revenues and profits. Where we are unable to recoup the costs incurred in developing and launching a product this would result in impairment of intangible assets.	Potential new development candidates are assessed from a commercial, financial and scientific perspective by a multi-functional team to allow senior management to make decisions on which ones to progress. The pipeline is discussed regularly by senior management, including the Chief Executive Officer and Chief Financial Officer. Regular updates are also provided to the Board. Each development project is managed by co-project leaders who chair project team meetings. Before costly pivotal studies are initiated, smaller proof of concept pilot studies are conducted to assess the effects of the drug on target species and for the target indication. In respect of all new product launches a detailed marketing plan is established and progress against that plan is regularly monitored. The Group ensures that it has a detailed market knowledge and retains close contact with customers through its management and sales teams w are trained to a high standard.	UP Some projects in the feasibility phase have taken longer than projected.

Understanding Our Key Risks
continued

Link to Strategic Pillar and Enabler	Risk	Potential Impact	Controls and Mitigating Actions	Trend
	Regulatory Risk: Failure to meet regulatory requirements. We conduct our business in a highly regulated environment, which is designed to ensure the safety, efficacy quality, and ethical promotion of pharmaceutical products. Failure to adhere to regulatory standards or to implement changes in those standards could affect our ability to register, manufacture or promote our products.	Delays in regulatory reviews and approvals could impact the timing of a product launch and have a material effect on sales and margins. Any changes made to the manufacturing, distribution, marketing and safety surveillance processes of our products may require additional regulatory approvals, resulting in additional costs and/or delays. Non-compliance with regulatory requirements may result in delays to production or lost sales.	The Group strives to exceed regulatory requirements and ensures that its employees have detailed experience and knowledge of the regulations. Manufacturing and regulatory have established quality systems and standard operating procedures in place. Regular contact is maintained with all relevant regulatory bodies in order to build and strengthen relationships and ensure good communication lines. The regulatory and legal teams keep updated in respect of changes with a view to ensuring that the business is equipped to deal with, and adhere to, such changes. Where changes are identified which could affect our ability to market and sell any of our products, a response team is created in order to mitigate the risk. External consultants are used to audit our manufacturing quality systems.	LEVEL
	Regulatory Risk: Continuing pressure on reducing antibiotic use. The issue of the potential transfer of increased antibacterial resistance from food producing animals to humans is subject to regulatory discussions. In some countries this has led to government recommendations on reducing the use of antibiotics in food producing animals.	Reduction in sales of our antimicrobial product range. Our reputation could be adversely impacted if we do not respond appropriately to government recommendations.	Regular contact is maintained with relevant veterinary authorities to ensure that we have a comprehensive understanding of regulatory changes. We strive to develop new products and minimise antimicrobial resistance concerns.	UP Reduction of antibiotic use in Germany has accelerated.
	Reliance on Third Parties Risk: A supply failure on a key product may affect our ability to develop, make, or sell our products. We rely on third parties for the supply of all raw materials for products that we manufacture in-house. We also purchase many of our finished products from third party manufacturers.	Raw material supply failures may cause: • increased product costs due to difficulties in obtaining scarce materials on commercially acceptable terms; • product shortages due to manufacturing delays; • delays in clinical trials due to shortage of trial products. Shortages in manufactured products and third party supply failures on finished products may result in lost sales.	We monitor the performance of our key suppliers and act promptly to source from alternative suppliers where potential issues are identified. The top ten Group products are regularly reviewed in order to identify the key suppliers of materials or finished products. We maintain buffer stocks and dual sourcing arrangements for key products. All contracts with suppliers are reviewed from both a commercial and legal perspective to try to ensure that assignment of the contract is allowed should there be a change of control of either of the contracting parties.	LEVEL

Link to Strategic Pillar and Enabler	Risk	Potential Impact	Controls and Mitigating Actions	Trend
	Reliance on Third Parties Risk: Loss of key third party manufacturing customers from DPM. Third party manufacturing represents approximately 10% of Group revenues.	Loss of a key customer can impact manufacturing revenues and lead to an increase in the cost of goods of the remaining portfolio.	The DPM Sales Director manages relationships with key customers and we have an experienced sales team which focuses on bringing in new customers. Robust supply agreements are in place with each of our key customers and are regularly reviewed. Monthly customer service level monitoring and reporting is in place.	LEVEL
	People Risk: Failure to retain high calibre, talented senior managers and other key roles in the business. Our growth plans and future success are dependent on retaining knowledgeable and experienced senior managers and key staff.	Loss of key skills and experience could erode our competitive advantage and could have an adverse impact on results. Inability to attract and retain key personnel may weaken succession planning.	The Nomination Committee oversees succession planning for the Board and the SET. Succession plans are in place for the SET together with development plans for key senior managers. Key person insurance is in place where appropriate. Remuneration packages are reviewed on an annual basis in order to help ensure that the Group can continue to retain, incentivise and motivate its employees.	LEVEL
	People Risk: Failure to resource the business to achieve our strategic ambitions, particularly on geographical expansion and acquisition. As Dechra expands into new markets and acquires new businesses or science we recognise that we may need new people with different skills, experience and cultural knowledge to execute our strategy successfully in those markets and business areas.	Failure to recruit or develop good quality people could result in: • capability gaps in new markets; • challenges in integrating new acquisitions; or • overstretched resources This could delay implementation of our strategy and we may not meet shareholders' expectations.	The Group HR Director reviews the organisational structure with the SET twice a year to aim to ensure that the organisation is fit for purpose and to assess the resourcing implications of planned changes or strategic imperatives. A development programme is in place to identify opportunities to recruit new talent and develop existing potential.	LEVEL

Shareholder Value

Our approach to governance is informed by our belief that good governance enhances longer term shareholder value

To learn more about our responsible approach read the Corporate Social Responsibility Report on pages 50 to 57.

View further content on our website:
www.dechra.com

Our Governance

Board of Directors

Michael Redmond
Non-Executive Chairman

(N*) (R)

Committee Membership
Nomination (Chairman), Remuneration.

Skills and Experience
Michael has extensive board level international pharmaceutical experience, having held Non-Executive Director and Chairman roles in a number of healthcare related companies, both private and public, in the UK, Germany and Canada. Furthermore, as a result of Michael's tenure with the Company, he has a detailed knowledge and understanding of Dechra.

Background
Michael joined the Company as a Non-Executive Director in April 2001, and was appointed Chairman in July 2002. He began his pharmaceutical career with Glaxo and went on to hold a number of senior positions within Schering Plough Corporation. In 1991, he joined Fisons plc and in 1993 was appointed to the Board as Managing Director of the group's pharmaceuticals division. Michael left Fisons in 1996 following its takeover by RPR. He also held the position of Chairman of Abcam PLC from February 2009 to November 2014.

External Appointments
None.

Ian Page
Chief Executive Officer

Committee Membership
Not applicable.

Skills and Experience
Ian has gained detailed knowledge and experience through various positions he has held within the pharmaceutical and veterinary arena. He has solid understanding of how business develops both in the UK and globally. In particular he has extensive experience in M&A and in the successful delivery of strategic plans.

Background
Ian joined NVS at its formation in 1989 and was an integral part of the MBO in 1997, becoming its Managing Director in 1998. He joined the Board in 1997 and became Chief Executive Officer in 2001. Ian has played a key role in the development of the Group's growth strategy.

External Appointments
In October 2010 Ian was appointed as Non-Executive Chairman of Sanford DeLand Asset Management.

Anne-Francoise Nesmes
Chief Financial Officer

Committee Membership
Not applicable.

Skills and Experience
Anne-Francoise has considerable experience in the pharmaceutical industry covering all finance matters from R&D, manufacturing and commercial finance as well as corporate finance. Having worked in international organisations, she brings a strong focus on process improvements, governance, M&A and strategy execution.

Background
Anne-Francoise was appointed Chief Financial Officer in April 2013. Prior to joining the Group, Anne-Francoise worked at GlaxoSmithKline PLC (GSK) for over 15 years, where she held a number of finance roles including Senior Vice-President, Finance, of the global vaccines business unit based in Belgium. With GSK, Anne-Francoise developed her experience in a variety of roles including internal audit, corporate planning and commercial finance and between 2003 and 2006 was Vice-President Finance Controller for Europe. Prior to this, she held finance roles with John Crane, Tetra Pak, ADP and Caterpillar UK.

External Appointments
None.

Tony Griffin
Managing Director,
Dechra Veterinary Products EU

Committee Membership
Not applicable.

Skills and Experience
Tony has over 25 years' experience in the animal health business and has substantial international experience as a result of living and working outside the UK since 1993. He gained broad experience of running an international animal health business with teams in different European countries as Chief Executive Officer of the AUV Group. Tony Griffin is the Board nominated Director responsible for health, safety and environmental matters.

Background
Tony was appointed Managing Director of DVP EU in May 2012 following the acquisition of *Eurovet* Animal Health BV from AUV Holding B.V. He joined the AUV Group in 1993 as Director of Exports, having previously worked at Norbrook Laboratories and Moy Park. Tony was promoted to Managing Director of *Eurovet* in 1996, becoming the Chief Executive Officer of the AUV Group in 2006.

External Appointments
None.

(A) Audit (N) Nomination (R) Remuneration (*) Chairman

Ishbel Macpherson
Senior Independent
Non-Executive Director

(A) (N) (R)

Committee Membership
Audit, Nomination, Remuneration.

Skills and Experience
Ishbel has a broad range of PLC Board experience in a variety of roles, including Chairman, Audit Committee and Remuneration Committee Chairman. She has knowledge and understanding of City matters gained over 20 years' experience as an investment banker, specialising in UK mid-market corporate finance.

Background
Ishbel joined the Group as a Non-Executive Director in February 2013. Prior to this she was Head of UK Emerging Companies Corporate Finance at Dresdner Kleinwort Benson from 1999 to 2005, having previously worked at Hoare Govett and Barclays de Zoete Wedd.

External Appointments
Ishbel is a Non-Executive Director at Dignity plc (appointed January 2009) and Galliford Try plc (appointed February 2014). She is also Senior Independent Director at Bonmarche Holdings plc (appointed October 2013).

Dr Christopher Richards
Non-Executive Director

(A) (N) (R*)

Committee Membership
Remuneration (Chairman), Audit, Nomination.

Skills and Experience
Chris has more than 30 years' experience of the development and marketing of highly regulated products for the agrochemical and related industries. He has extensive international experience, which includes more than ten years working in Asia and South America.

Background
Chris joined the Group as a Non-Executive Director in December 2010. He was Chief Executive Officer and subsequently Chairman of Arysta LifeScience Corporation from 2004 to 2015. Arysta develops and markets crop protection products in more than 125 countries worldwide. Before joining Arysta, Chris spent 20 years in international management and leadership roles with Syngenta Crop Protection and its predecessor companies.

External Appointments
Chris holds a number of non-executive directorships including Cibus Global Limited (appointed November 2011), and he is Chairman of Oxitec Limited (appointed January 2012) and Plant Health Care PLC (appointed July 2012).

Julian Heslop
Non-Executive Director

(A*) (N) (R)

Committee Membership
Audit (Chairman), Nomination, Remuneration.

Skills and Experience
Julian has considerable financial experience as a result of the senior finance roles he has held in the pharmaceutical, food, property and brewing sectors over the last 30 years.

Background
Julian joined the Board in January 2013. He served as Chief Financial Officer of GSK between 2005 and 2011, having previously been appointed its Senior Vice President, Operations Controller between 2001 and 2005 and as Financial Controller of Glaxo Wellcome PLC between 1998 and 2000. Prior to this, Julian held senior finance roles at Grand Metropolitan PLC and Imperial Brewing and Leisure. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

External Appointments
Julian was appointed as a Non-Executive Director at Revolymer PLC in July 2012 and is their Audit Committee Chairman. He is also a Director, and Chairman of the Audit Committee, of the Royal Academy of Arts (appointed October 2012).

Letter from the Chairman on Governance

Dear Shareholder

On behalf of the Board I am pleased to present Dechra's Corporate Governance Report for the year ended 30 June 2015.

In 2015, we have concentrated on executing our key strategies. Good progress has been made with our focused promotion of existing key products, demonstrated by the strong growth in the majority of our EU markets, and in North America in particular. We have also pushed ahead with the geographic expansion of the business, opening new subsidiaries in Canada and Poland.

Managing Governance
Our approach to governance is informed by our belief that good governance enhances longer term shareholder value.

We aim to embed good corporate governance principles in all our policies. We encourage the Senior Executive Team (SET) and managers to suggest improvements to help ensure that we operate at a consistently high level of compliance.

This report explains the Company's governance framework and provides an overview of how the main principles of the UK Corporate Governance Code (the Code) have been applied.

Leadership
There were no changes in the membership at Board level or Committees during the year.

As reported to shareholders last year, my tenure as Chairman will end at the conclusion of the 2016 Annual General Meeting. The search for my successor is being overseen by Ishbel Macpherson, the Senior Independent Director.

Board Effectiveness
The Board considered in September 2014 the report of an external evaluator of Board effectiveness and the details of how we have responded are reported on page 73.

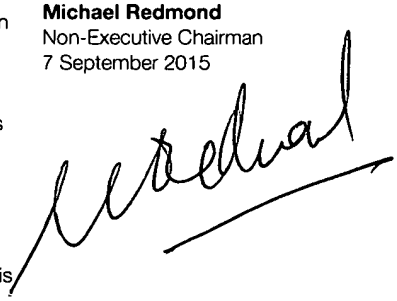
Accountability
The risk assessment framework across the Group is a key focus of the Board and the SET. The recent appointment of a Head of Internal Audit and Risk Management will strengthen the capacity of the Board and SET to embed the appropriate risk culture across the Group and obtain independent assurance on risk and control processes. Further detail may be found on page 78. We also agreed the terms of reference for the SET to provide a greater focus for their activities as a leadership team.

The Code requires that the Directors explain their responsibility for preparing the Annual Report and Accounts and confirm that they consider, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Group. The Audit Committee has been asked to assist in reviewing the process undertaken by management. Further detail in relation to this is included in the Audit Committee Report on page 78. Following assurance from the Audit Committee, the Board gives this confirmation.

Relations with Shareholders
The Annual General Meeting will be held in Northwich on 23 October 2015 and I would like to encourage our shareholders to attend. It will provide you with an opportunity to meet the Board and ask any questions that you may have in respect of the Group's activities.

Finally, should you have any questions in relation to the report, please feel free to contact me or the Company Secretary.

Michael Redmond
Non-Executive Chairman
7 September 2015



Corporate Governance

Compliance with the 2012 Code

The Code establishes the principles of good governance for companies; the following report describes how the Company has applied these principles to its activities. The Board remains committed to maintaining high standards of corporate governance. In the opinion of the Directors, the Company has complied with the Code throughout the period.

The Financial Reporting Council updated the Code in 2014 (the 2014 Code) which applies to reporting periods beginning after 1 October 2014 and so does not apply to the Company's reporting period ended 30 June 2015. The 2014 Code made changes to the requirements on going concern, risk management, internal control, remuneration policies and shareholder engagement. The Board has initiated the planning process to assist our compliance with the 2014 Code in the next reporting period. The 2014 Code may be found at www.frc.org.uk.

Leadership

The Role of the Board

The Board's primary responsibility is to promote the long term success of the Company by the creation and delivery of sustainable shareholder value. The Board's strategy has four pillars to promote growth:

- Pipeline Delivery;
- Portfolio Focus;
- Geographical Expansion; and
- Acquisition.

KPIs have been designed to measure progress and delivery of the strategic plan and our four growth pillars. Further details are provided on pages 46 and 47.

Board Membership and Responsibilities

Details of the Directors together with their biographical details can be found on pages 66 and 67.

Non-Executive Directors

It is considered that each of the Non-Executive Directors is independent and is free of any business or other relationship which could materially interfere with, or compromise, their ability to exercise independent judgement. Each brings with them a breadth of experience which adds value to the decision making of the Board as well as the formulation and progression of the Dechra strategy. In line with the Code, at least half the Board, excluding the Chairman, are determined by the Company to be independent.

Senior Independent Director

Ishbel Macpherson has held the position of Senior Independent Director since October 2013. She provides a sounding board for the Chairman and is available to shareholders if they have concerns which contact through the normal channels has failed to resolve or for which such contact is inappropriate. Ishbel is leading the recruitment process for the Chairman's successor (further details are provided in the Nomination Committee Report on page 80).

Role	Responsibilities
Chairman	• Lead the Board in the determination of its strategy and achievement of its objectives • Ensure the effectiveness of the Board in all aspects of its role • Facilitate the effective contribution of the Non-Executive Directors, ensuring that all decisions are subject to constructive debate and supported by sound decision making processes • Ensure shareholder views are brought to the attention of the Board
Chief Executive Officer	• Day-to-day management of Group operations and leading the Senior Executive Team • Performance and results of the Group • Proposing strategy • Executing strategy agreed by the Board
Chief Financial Officer	• Responsible for financial planning and reporting for the Group • Management of financial risk • Developing and executing the strategic plan • Securing funding as required
Managing Director DVP EU	• Management of the majority of Group turnover • Nominated Director for health, safety and environmental matters • Development and execution of strategy in the EU
Non-Executive Directors	• Provide independent and constructive challenge • Represent a broad range of experience and independent judgement • Evaluate strategy and risks

Corporate Governance
continued

Board Responsibilities

The Board is responsible for the long term success of the Company. The main responsibilities and key actions carried out are set out below:

Responsibilities	Actions
Strategy and performance	Biannual strategy review. Strategic decisions are made after reports and recommendations are received from management on markets, potential growth areas, product development, risk analysis and execution risks
Risk management and internal controls	Annual review of key risks and receipt of Audit Committee reports on risk management process and internal financial controls
Oversight of the Group's operations	Approval of the annual budget and capital expenditure projects. Site visits to factories and offices in the UK and abroad. Review progress through business units reports and detailed financial results report
Governance	Receive governance reviews from external advisers, Company Secretary and internal audit. Review of Board skills, performance and composition and succession planning

Matters Reserved for the Board

There is a formal schedule of matters reserved to the Board. The schedule of matters covers a number of areas, including the following:

Strategy and Management	Approval and monitoring of long term objectives and strategy Approval of the Group's operating and capital expenditure budgets Major organisational changes Regular reviews of business performance Approval of acquisitions and business development proposals
Financial Reporting	Approval of the Annual and Half-Yearly Reports and dividend policy Review of portfolio prioritisation Approval of budget Approval of treasury policy, tax strategy and policy
Internal Controls	Review and approval of internal controls and risk management policies and processes
Corporate Governance	Board and Committee composition Corporate Governance matters Approval of policies such as Health and Safety, Sanctions and the Anti-Bribery and Anti-Corruption Policy

Board Meetings

The Board is routinely scheduled to meet nine times per year. During the year one additional meeting was held in relation to the offer to acquire a 63.3% shareholding (equivalent to 69% of voting rights) in a Croatian based business, Genera d.d.

Attendance at the Board and Committee meetings during the year to 30 June 2015 is set out in the table below:

	Mike Redmond	Ian Page	Anne-Francoise Nesmes	Tony Griffin	Ishbel Macpherson	Dr Chris Richards	Julian Heslop
Appointment Date	19 April 2001	13 June 1997	22 April 2013	1 November 2012	1 February 2013	1 December 2010	1 January 2013
Board Met 10 times	● 10	● 10	● 10	● 10	● 10	● 10	● 9
Audit Committee Met 5 times	● n/a	● n/a	● n/a	● n/a	● 5	● 5	● 5
Nomination Committee Met 3 times	● 3	● n/a	● n/a	● n/a	● 3	● 3	● 3
Remuneration Committee Met 4 times	● 4	● n/a	● n/a	● n/a	● 4	● 4	● 4

● Meetings attended

Where Directors cannot attend a meeting, the Board papers are still provided allowing the Director to raise any queries or discussion points through the Chairman. Should Directors have concerns of any nature which cannot be resolved within the Board meeting, they have the right to ensure their view is recorded in the minutes.

During the year, in addition to its routine business, presentations by senior management and strategic development, some of the other matters considered by the Board included:

- External auditor selection;
- Regulatory affairs reorganisation;
- IT strategy and budget;
- Manufacturing strategy review;
- Hedging arrangements review;
- Review of external Board evaluation;
- Integration of Florida manufacturing facility;
- Non-Executive Director fees;
- Delegated Authorities;
- Talent development;
- Research and development and Pipeline Delivery;
- FAP strategy and Vaccines strategy reviews; and
- SET terms of reference.

Board Committees

The Board has formally delegated specific responsibilities to Committees, namely the Audit, Remuneration and Nomination Committees. The full terms of reference for each of these Committees are available on the Company's website (www.dechra.com) or on request from the Company Secretary.

Committee	Role and Terms of Reference	Committee Report on Pages
Audit	The main responsibilities are: • to monitor the integrity of the financial statements of the Group, and assist the Board in ensuring that the Annual Report, taken as a whole, is fair, balanced and understandable; • to review the effectiveness of the Group's internal financial control systems as described on page 78; • to oversee the relationship with the external auditor, monitor their independence and objectivity, and set the policy for non-audit work; and • to review and approve the significant accounting policies.	75 to 79
Remuneration	The main responsibilities are: • to determine the remuneration, bonuses, long term incentive arrangements, contract terms and other benefits in respect of the Executive Directors and the Chairman; • to oversee any major changes in employee benefit structures; and • to approve the design of any employee share schemes.	81 to 95
Nomination	The main responsibilities are: • to oversee the plans for management succession; • to recommend appointments to the Board; • to evaluate the effectiveness of the Non-Executive Directors; and • to consider the structure, size and composition of the Board.	80

The Board also appoints Committees on an ad hoc basis to approve specific projects as deemed necessary.

Director Insurance and Indemnities

The Company maintains an appropriate level of Directors' and Officers' insurance in respect of legal action against Directors as permitted under the Company's Articles of Association and the Companies Act 2006. The Company also indemnifies the Directors under an indemnity deed with each Director in respect of legal action to the extent allowed under the Company's Articles of Association and the Companies Act 2006. As at the date of this report, qualifying third party indemnity provisions are in force. A copy of the indemnity provisions will be available for inspection at the Annual General Meeting.

Corporate Governance
continued

Effectiveness

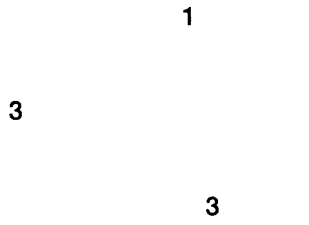
The Board and its Committees are annually assessed to help ensure their effectiveness is maintained and that they remain fit for purpose. The Chairman manages the Board and oversees the operation of its Committees with the aim of ensuring that they operate effectively by utilising the diverse range of skills and experience of the various Board members.

Board Balance and Independence

The Board understands the importance of balance and refreshment in terms of its composition and keeps these matters under review. There have been no changes at Board level over the past 12 months. As stated earlier in this report, the Chairman will stand down at the 2016 Annual General Meeting. The search for a successor has commenced.

The Nomination Committee Report on page 80 provides further information on succession planning measures taken by the Company together with how we are developing the talent pool internally.

Board Composition



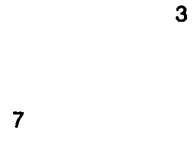
Non-Executive Chairman **14%**
Non-Exectutive Directors **43%**
Executive Directors **43%**

Board Composition and Gender Diversity

The Board seeks to ensure that the Board and the Committees have an appropriate composition to manage their duties effectively and to manage succession issues. The Board supports diversity in its broadest sense and considers it an essential driver of Board effectiveness. The Board recognises the importance that its composition is sufficiently diverse and reflects a wide range of knowledge, skills and experience.

The Board does not have a formal diversity policy and is generally opposed to the idea of stated quotas for females. The Board believes that appointments should be made solely on merit, the key criterion being whether or not the appointee can add to or complement the existing range of skills and experience on the Board. The Board has 29% female representation. Female representation below Board level is 30% of the SET and 52% of the overall workforce.

Senior Executive Team



Female **30%**
Male **70%**

Overall Workforce

Female **52%**
Male **48%**

Conflicts of Interest and External Board Appointments
Pursuant to the Companies Act 2006 all Directors have a duty to avoid a situation in which they have, or could have, a direct or indirect conflict of interest with the Company. The Articles of Association of the Company enable the Directors to consider and if appropriate to authorise any actual or potential conflict of interest which could arise. There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only independent Directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision; secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will also be able to impose limits or conditions when giving authorisation if they deem this to be appropriate. During the financial year under review no actual or potential conflicts have arisen.

Ian Page is the Non-Executive Chairman of Sanford DeLand Asset Management Limited (Sanford). The Board fully considered at the time of his appointment whether this would materially impact on his current time commitment as Chief Executive Officer and whether it could give rise to any conflict. As he is not involved in any investment decision made by Sanford it was not considered that any conflict would arise nor would there be any material impact on his time commitment.

Induction and Training
In order to ensure that the Board maintains its knowledge and familiarity with the Group's operations at least one Board meeting per year is held at one of the Group's operational sites. This year, Board meetings were held at Dechra Pharmaceuticals Manufacturing (DPM) in Skipton and at Dechra Veterinary Products EU in Den Bosch, the Netherlands, which provided the Board with an informal opportunity to meet with senior management based at these sites. The Board also visited DPM in Bladel, the Netherlands.

Any newly appointed Directors are provided with comprehensive documentation in relation to the remit and obligations of the role, current areas under consideration for the Board and the latest broker reports. New Directors visit the various business units in order to allow them to meet with the executive teams and to be shown around the operations. Ongoing field visits with members of the UK sales team are organised for each of the Non-Executive Directors and the Chairman which gives them the opportunity to observe the sales team's activity in the field and their day-to-day interaction with practising veterinarians.

Regular briefings are provided to the Directors, which cover a number of legal and regulatory changes and developments relevant to the Director's areas of responsibility. In addition, the Company Secretary informs the Directors of any external training courses which may be of relevance.

Each Director is entitled, on request, to receive information to enable him or her to make informed judgements in order to discharge their duties adequately. In addition, all Directors have access to the advice and services of the Company Secretary and senior managers, and may take independent professional advice at the Company's expense in connection with their duties.

Board Evaluation and Effectiveness
The effectiveness of the Board is important to the success of the Group and the Board undertakes an annual evaluation of its performance and that of its Committees.

- The 2014 external Board evaluation
  An external evaluation of the Board and its Committees was completed during 2014 by Independent Audit Limited (Independent Audit). The process undertaken by Independent Audit involved:
  - a review of the Board and its Committees' minutes, agenda papers and ancillary documents; and
  - one to one meetings with each member of the Board and the Company Secretary.

  A comprehensive report was presented to the Board in September 2014. Overall, the review indicated that the Board operated effectively but noted some areas for improvement.

  The actions which were taken are shown in the table below:

External Evaluation Recommendations and Actions

Action	Progress
Ensure risk is included in each strategic discussion	Each strategy report includes a discrete risk management section which informs decision making
Presentations from each part of the business	Presentations from all divisions are part of the rolling agenda. This broadens the Board's knowledge of the businesses and enhances the exposure of the SET to the Board
Greater focus on resource management, talent development and succession planning	We have prioritised this for the 2016 financial year. For further information refer to pages 50 to 52
Board information better tailored to needs of Non-Executive Directors	Discussions with Non-Executive Directors have resulted in papers to the Board being more tailored to the Non-Executive Directors' requirements
Terms of reference for the SET to be established	New terms were approved in June 2015 which provide more focus to the SET

Corporate Governance
continued

- The 2015 Board evaluation
  Following the external evaluation last year, it was agreed to undertake an internal evaluation for the 2015 financial year focusing on the following areas: (i) Board composition; (ii) strategy review and delivery process; (iii) the format of Board meetings and the decision process; (iv) training and development; (v) the performance of the Board and the individual Directors; (vi) Corporate Governance; (vii) leadership and culture; and (viii) risk assessment. One to one meetings were held by the Chairman with each of the Executive and Non-Executive Directors and Company Secretary. The evaluation of the Chairman was undertaken by the Senior Independent Director. The findings of the internal evaluation were discussed at the September 2015 Board meeting. The actions and progress made will be reported in next year's Annual Report.

  The Board will perform a further external evaluation in two years' time. Internal evaluations will be completed during the intervening period.

Re-election of Directors
On appointment, Directors are required to seek election at their first Annual General Meeting following appointment. At the forthcoming Annual General Meeting, all of the Directors will retire and offer themselves for re-election. Each of the Directors has been subject to a formal evaluation by the Nomination Committee and it is considered that each Director continues to perform effectively and demonstrate commitment, not only in respect of their roles and responsibilities, but also in relation to the Group and its shareholders. The Board therefore recommends that shareholders vote in favour of their respective re-elections.

Accountability
Financial Reporting
The Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects.

The responsibilities of the Directors and the external auditor in connection with the Financial Statements are explained in the Statement of Directors' Responsibilities and the Independent Auditor's Report on pages 99 and 102 to 104 respectively.

Preservation of Value
The basis on which the Group generates and preserves value over the longer term and the strategy for delivering the objectives of the Group are to be found in the Strategic Report.

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 6 to 63. The principal risks that may affect the Group's future performance are set out on pages 60 to 63.

As reported last year, the Group completed a refinancing and entered into a facilities agreement in September 2014 (the Facility Agreement) with a syndicate of banks comprising HSBC Bank plc, The Royal Bank of Scotland plc and Barclays Bank PLC under which a facility of £120.0 million was made available. The Facility Agreement includes a committed revolving credit facility of £90.0 million, together with an Accordion facility of £30.0 million. The facility is committed for five years until September 2019.

As at 30 June 2015 the Group had cash balances of £45.9 million and net cash of £13.4 million (2014: cash balances of £26.8 million and net borrowings of £5.0 million).

The Directors have a reasonable expectation that both the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

Internal Control and Risk Management
The Company's risk management process and internal control processes are described in the Strategic Report on pages 58 and 59.

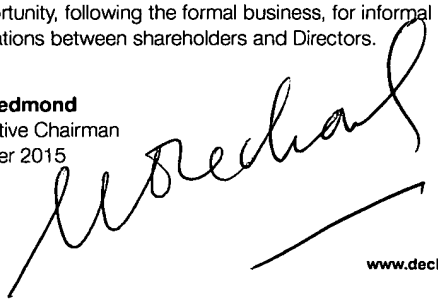
Relations with Shareholders
Dialogue with Institutional Shareholders
Relationships with shareholders receive high priority and a rolling programme of meetings between institutional shareholders and Executive Directors is held throughout the year. The Chief Executive Officer and Chief Financial Officer give annual and half-yearly results presentations to institutional shareholders, analysts and the media in the UK. These meetings are in addition to the Annual General Meeting and seek to foster a mutual understanding of the Company's and shareholders' objectives. Such meetings are conducted in a format to protect price sensitive information that has not already been made generally available to all the Company's shareholders. Similar guidelines also apply to communications between the Company and other parties such as financial analysts, brokers and the media.

In January, the Company hosted an investor site visit day at the Skipton manufacturing facility for shareholders and will continue to offer site visits on a periodic basis. This year, the Chief Executive Officer and Chief Financial Officer also met US investors in April 2015. The Chairman and Senior Independent Director are available to meet shareholders upon request.

Feedback is collated by the Company's brokers after such presentations. The feedback is then circulated to the Board for review and consideration. In addition, the Board is provided with a monthly market summary report which reports on share price and share register movements. Where material changes in respect of remuneration or governance are proposed, the Board seeks to consult with its major shareholders before implementing such changes.

Constructive use of the Annual General Meeting
All members of the Board are scheduled to attend the Annual General Meeting (the Meeting) and the Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting. Notice of the Meeting is dispatched to shareholders at least 20 working days before the Meeting. The information sent to shareholders includes a summary of the business to be covered, with a separate resolution prepared for each substantive matter. When a vote is taken on a show of hands, the level of proxies received for and against the resolution and any abstentions are disclosed at the Meeting. Following which, the results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Company's website. At the Meeting there will be an opportunity, following the formal business, for informal communications between shareholders and Directors.

Michael Redmond
Non-Executive Chairman
7 September 2015



Letter from the Audit Committee Chairman

Dear Shareholder

I am pleased to present this year's Audit Committee Report which fully reflects the requirements of the UK Corporate Governance Code (the Code) and the Guidance for Audit Committees issued by the Financial Reporting Council (FRC) in September 2012. Our report provides an overview of the work carried out during the period including significant issues considered in relation to the financial statements and how we assessed the effectiveness of the external auditor.

During the period under review we focused particular attention on the tender for external audit services and the establishment of an internal audit and risk management function.

Tender of External Audit Services
KPMG LLP (KPMG) have been our external auditor since 1997. As recommended by the Code, the Audit Committee (the Committee) decided to put out to tender our external audit services. Following a tender exercise, we appointed PricewaterhouseCoopers LLP (PwC) as external auditor, who will, subject to shareholder approval, replace KPMG at the conclusion of the 2015 Annual General Meeting. Further details are given on page 79.

Internal Audit
We recently appointed a Head of Internal Audit and Risk Management to provide assurance on our internal controls and risk management processes. The Committee will continue to review closely progress on management's implementation and monitoring of the internal financial control recommendations received from Deloitte LLP (Deloitte) last year.

The following report explains the judgements and factors the Committee considered in reviewing both the tender of external audit services and internal audit on pages 78 and 79.

The report also outlines significant accounting matters which received particular focus during the period. It explains why the issues were considered significant and explains how the Committee satisfied themselves on the validity of the judgements made.

Finally, we specifically reviewed, at the request of the Board, whether the 2015 Annual Report was fair, balanced and understandable and concluded that it was. The basis supporting our conclusion is set out on page 78.

Julian Heslop
Audit Committee Chairman
7 September 2015

Audit Committee Report

The Purpose and Function of the Audit Committee (the Committee)
Purpose
The Committee's key aim is to review and report to the Board on financial reporting, internal financial control effectiveness and to oversee the relationship with the external auditor. The main responsibilities are summarised on page 71 of the Corporate Governance Report.

Membership, Meetings and Attendance
The membership of the Committee, together with appointment dates and attendance at meetings, are detailed on page 70 of the Corporate Governance Report.

The Board considers that all members of the Committee are independent. Julian Heslop has recent and relevant financial experience as a result of his financial background and qualification. Dr Chris Richards and Ishbel Macpherson provide different but relevant skills and experience which support the Committee in meeting its objectives. The biographies of all Committee members are detailed on pages 66 and 67.

The Company Secretary attends each meeting and acts as its secretary assisting the Chairman in ensuring that all Committee papers are provided prior to each meeting in a timely manner and providing advice to the Committee on all governance related matters.

Other members of the Board normally attend each meeting together with the lead audit partner and the newly appointed Head of Internal Audit and Risk Management.

The Committee has discussions at least twice a year with the external auditor without management being present including the meeting which reviews and endorses the annual results.

Neither the Company nor its Directors have any relationships that impair the external auditor's independence.

Role and Responsibilities
The main role and responsibilities of the Committee are set out in the written terms of reference which are available on the Company website at www.dechra.com. The Board reviewed the Committee's terms of reference during the year and amended them to reflect the establishment and remit of the internal audit and risk management function.

Major Activities of the Committee during the Year
The Committee met five times since the last Annual Report was issued. The meetings are timed to coincide with the financial reporting timetable of the Company. The Chairman and the Company Secretary have developed an annual programme of business. This allows the Committee to ensure that standing items of business are appropriately considered alongside any exceptional matters that may arise during the course of the year. The table below provides an overview of the main matters discussed at the meetings:

Meeting Date	Main Activities
4 December 2014	• Consideration of the internal controls project, recruitment of the internal audit and risk manager and progress on the external audit tender • Review of the anti-bribery and anti-corruption and whistleblowing policies • Review of non-audit fees
9 January 2015	• Completion of the external audit tender process and recommendation to the Board
16 February 2015	• Review of the Group's half-yearly report • Consideration of the Half-Year Review Memorandum prepared by the external auditor • Review of the Committee's terms of reference • Review of non-audit fees (including actual and projected spend) • Consideration of the progress of the internal controls project • Review of the dividend policy • Meeting with the external auditor without management present
5 May 2015	• Review of the audit strategy for the year ending 30 June 2015 (including timetable, scope and fees) • Discussion in relation to the Company's expectations of the external auditor and audit process • Review of the internal financial control environment • Review of the internal audit work plan to the end of 2015 financial year • Review of non-audit fees • Discussion of the programme of business for 2016 financial year

1 September 2015	• Review of the Group's preliminary statement and draft Annual Report (including the Audit Committee Report) for the year ended 30 June 2015
	• Consideration of the Audit Memorandum prepared by the external auditor, including
	  • review of accounting treatment of non-underlying items
	  • assessment of acquired intangible assets and goodwill
	  • commentary on the general control environment across the Group
	• Review and approval of going concern statement
	• Report from the internal auditor
	• Review of the external audit effectiveness, external auditor's independence and level of non-audit fees
	• Meeting with the external auditor without management present
	• Fair, balanced and understandable recommendation of the Annual Report

All significant matters under consideration were supported by relevant justification papers and fully discussed in order to ensure that due and appropriate consideration was given before any decision was approved. Further detail in relation to a number of the matters is provided below:

- **Financial Judgements**

The Committee reviewed both the half-yearly and the annual financial statements. This process included an analysis by management of key judgements made in determining the results over matters such as the carrying value of intangible assets. The Committee reviewed this in detail and endorsed management's judgements.

The Committee gave particular attention to significant matters where judgement was involved which were complex in nature or where adjusted numbers were provided to enhance investors' understanding of the underlying performance. These matters were well supported by briefing papers provided by management and were specifically reviewed and agreed by the external auditor, KPMG, in their reports to the Committee and in related discussions.

The key matters reviewed were as follows:

Significant risk considered by the Committee in relation to the financial statements	Corresponding actions taken by the Committee to address the issues
Review of the carrying value of acquired intangible assets and goodwill of £155.5 million which represents 80.0% of Group net assets.	The Committee reviewed the analysis provided by management which supported the underlying carrying values. The value of Food producing Animal Products assets, given their recent sales decline, was given particular attention; a combination of 30.0% amortisation of these assets since acquisition together with a realistic assessment of their value on acquisition, given expected market declines at the time, meant that their carrying values were supported by anticipated future cash flows and no impairment was required. In reviewing the valuations, special attention was paid to the assumptions relating to future growth rates in the context of current underlying performance including the impact of and calculation of terminal values. The impact of sensitivity analysis was also considered where relevant. In addition, the Committee reviewed the expected longevity of the intangible assets. It also reviewed the discount rates used.
Significant judgements considered by the Committee in relation to the financial statements	**Corresponding actions taken by the Committee to address the issues**
Review of the corporate tax rate for the year of 24.6%.	The Committee discussed the key risks in respect of corporate tax and considered KPMG's audit work and conclusions.
In order to assist investors with a better understanding of the underlying performance of the business, management present within the financial statements figures for underlying profit and earnings. This is reconciled to the figures provided in the financial statements and excludes matters such as intangible amortisation, profit on business disposal and acquisition related restructuring costs.	The Committee reviewed the basis for calculating the underlying figures and its consistency with previous year's figures. It also sought confirmation from the external auditor, KPMG, that they were satisfied with the accuracy and consistency of these figures. The Committee also reviewed material one-off income and costs within the underlying results, if any, and ensured these are clearly disclosed within the financial statements and notes.

Audit Committee Report
continued

- **Going Concern**

The Committee reviewed management's 2016 and 2017 budgets for profit, cash flow and net debt and the committed financing facilities available to the Group. Based on this, it concluded that it is appropriate to use the going concern principle for Group reporting. Further detail in relation to this is provided on page 74 of the Corporate Governance Report.

- **Fair, Balanced and Understandable Assessment of the Annual Report**

At the request of the Board, the Committee considered whether the 2015 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance (pages 40 to 45), business model (page 28) and strategy (pages 14 to 17).

The Committee based its assessment on a review of the processes and controls put in place by management. This included the relevant senior management providing information on their own business units and their confirmation that it was fair, balanced and understandable. In addition, the final draft document was reviewed by all members of the Senior Executive Team (SET) which included the Chief Executive Officer and Chief Financial Officer who also concluded that it met the fair, balanced and understandable test.

An integral part of the process was the Committee's final review; other Board members and the external auditor were invited to comment so that issues could be debated and a final assessment made. The external auditor also confirmed that in their opinion the Annual Report 2015 was fair, balanced and understandable.

This assessment was carried out by the Committee on 1 September 2015, following which the Committee reported to the Board that it was satisfied that, taken as a whole, the Annual Report 2015 is fair, balanced and understandable.

- **Review of Policies and Procedures**

During the year the Committee reviewed the following policies:

- Accounting Policies
  The Committee reviewed the accounting policies and re-confirmed that they are appropriate for the Group.
- Anti-Bribery and Anti-Corruption and Whistleblowing
  The Committee reviewed the current documentation, as circulated to all employees within the Group. Anti-Bribery and Anti-Corruption Policy implementation is being focused on relationships with third parties and export contracts which may pose a particular bribery risk. The Company Secretary ensures that the Committee is updated on a regular basis in respect of the training and monitoring of the policies across the Group. An online training solution is being developed to assist with the ongoing training requirements of the Group. In respect of the Whistleblowing Policy, the Committee reviewed the process in place to report issues.
- Dividend
  The dividend proposal was reviewed by the Committee and was recommended to the Board for approval.

Internal Controls and Risk Management

The Board retains overall responsibility for establishing the systems of internal control and monitoring their effectiveness and also for the identification and management of risk. The Committee monitors and reviews the effectiveness of the Group's internal financial control activities. Further details in respect of the internal controls are provided within the Strategic Report on pages 58 and 59.

The Committee is currently developing its approach to meeting the 2014 Code standards, which are operative for accounting periods commencing from 1 October 2014. They require the monitoring of internal control and risk management as an ongoing process as well as assessing the robustness of risk management processes, reporting on significant control failings, together with a formal assessment of the viability of the Company over a period significantly longer than 12 months. The Company is planning to comply with the revised terms of the Code for the 2016 financial year.

The Group has made further progress during the year in implementing the recommendations made by Deloitte to strengthen the risk management process and internal controls. The application of key financial controls was tested by Internal Audit for the year ended 30 June 2015. The Committee reviews progress on a regular basis and reviewed the overall assessment of the Group's internal financial controls at its meeting on 1 September 2015. It concluded that there was reasonable assurance that internal financial controls operated effectively as referred to on pages 58 and 59 of the Strategic Report.

Appointment of Internal Auditor

The Committee appointed a Head of Internal Audit and Risk Management in April 2015. He is accountable to and delivers regular reports to the Committee. The Committee defines the scope of his work which broadly comprises provision of independent assurance that major business risks are being managed appropriately, and that the internal control framework is robust and operating effectively.

External Auditors

Audit Plan

KPMG agreed their audit plan with the Committee which included their audit scope, key audit risk areas and materiality. The Committee discussed the audit plan with KPMG and approved it together with the fees proposed.

Independence, Effectiveness and Objectivity of the Audit Process

The Committee conducted a review of the external auditor's independence, effectiveness and objectivity based on:

- its own assessment of the quality of the audit plan, the rigour of the audit findings and conclusions and the extent to which the Lead Audit Partner understands and constructively challenges management;
- the results of a questionnaire on external auditor effectiveness and efficiency (further detail on which is provided below);
- a report prepared by KPMG setting out its processes to ensure independence and its confirmation of compliance with them; and
- the level of non-audit fees as a percentage of the audit and half-yearly fees paid to the external auditor, which were 3.1% (2014: 52.4%).

Responses to the questionnaire have been received from all finance directors across the Group who provided information and assistance to the external auditor. The questionnaire covered a number of areas, including:

- quality of the audit team;
- knowledge and understanding of the Group;
- appropriateness of the areas of audit focus;
- interaction with audit specialists; and
- timeliness and adequacy of communication by the external auditor.

The results of the questionnaire were reported to the Committee at the meeting on 1 September 2015.

Based on the review set out above the Committee remains satisfied with the external auditor's independence, effectiveness and objectivity.

Appointment of External Auditor
KPMG will be retiring as the Company's external auditor at the conclusion of the forthcoming Annual General Meeting. The reports of KPMG on the Company's financial statements for past financial years did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles. In connection with the audits of the Company's financial statements for each of the two previous financial years, and in the subsequent half-yearly period to 31 December 2014, there were no disagreements with KPMG on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of KPMG, would have caused KPMG to make reference to the matter in their report.

At the forthcoming Annual General Meeting, a resolution to appoint PricewaterhouseCoopers LLP (PwC) as the external auditor and to authorise the Directors to set their remuneration will be proposed.

There are no contractual obligations that restrict the Committee's capacity to recommend a particular firm as external auditor and the Company does not provide an indemnity to the external auditor.

PwC have been invited to observe the year end close process and they have agreed plans to assure a smooth transition.

External Audit Engagement Director Rotation
In line with the ethical standards of the Audit Practices Board the Lead Audit Partner will be rotated every five years.

External Audit Firm Tendering
KPMG (as KPMG Audit Plc and latterly as KPMG LLP) has been appointed as the external auditor since the Company's formation in 1997 and their performance has been reviewed annually by the Committee since that time. The Committee has remained consistently satisfied with the level of independence of the external auditor and the integrity of the external audit process. As reported in the 2014 Annual Report the Committee was aware of the recommendations in the Code in relation to the expectation that the external audit is put out to tender every ten years, and therefore decided to undertake a tender process to coincide with the rotation of the Lead Audit Partner of KPMG.

Given the size, complexity, and geographical spread of the Company, the Committee decided to invite PwC, Ernst & Young LLP (Ernst & Young) and KPMG to take part in a tender for carrying out the external audit. Deloitte was excluded from the process as they provide significant global tax management and compliance support to the Group that would be disruptive to change. Each firm was invited to make a presentation to the Committee ensuring that each firm had equivalent access to management. Written tenders covered pre-determined areas of focus including risk identification, audit approach to risk and audit scope together with fee proposals.

The Committee was mindful throughout the process that the independence of the external auditor be preserved and required disclosure of existing relationships.

The Committee selected PwC, subject to shareholder approval, because the Committee believed that they best met the objectives it had set including demonstrating an understanding of our business and associated risks and an ability to work constructively and challengingly with management and provide the Committee with the assurances needed in order to carry out its function.

Non-Audit Assignments
With respect to non-audit assignments undertaken by the external auditor, the Company has a policy of ensuring that the provision of such services does not impair their independence or objectivity.

Prior approval of the Committee is required before the external auditor is appointed to carry out non-audit work and the rationale for doing so is provided to the Committee, who assess the qualification, expertise, independence and objectivity of the external auditor prior to granting approval. As such, non-audit fee spend is a standing item on the agenda for every Committee meeting.

The Committee firmly believes that there are certain non-audit services where it is appropriate for the Group to engage the external auditor. In such cases safeguards are in place to ensure continued external auditor independence including the use of separate teams to undertake the non-audit work separately from the audit work. During the year, the external auditor provided assistance with tax compliance correspondence, completing an engagement agreed in the prior year. The Committee did not consider that the performance of this non-audit work would affect or impair the external auditor's integrity. This is consistent with the ethical standard published by the Accounting Practices Board.

The results of this policy are that:

(i) Deloitte undertake global tax compliance work in substitution for the external auditor; and

(ii) during the course of the year Deloitte, Ernst & Young, Grant Thornton and PwC have been appointed to provide advice on an employment matter, related tax advice, company reorganisation and due diligence.

A summary of audit and non-audit fees in relation to the year is provided in note 6 to the Group's financial statements. This shows that non-audit work carried out by the external auditor represented 3.1% (2014: 52.4%) of the annual audit fee and half-yearly review fee, and reflects the policy set out above.

Julian Heslop
Audit Committee Chairman
7 September 2015

Nomination Committee Report

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Nomination Committee (the Committee). During the year, the Committee has continued with its focus on succession planning, leadership development and talent management.

The following report provides an overview of the work carried out during the year under review.

Dechra's stance in relation to diversity is detailed in the Corporate Governance Report.

Should you have any questions in relation to this report or the Committee, please feel free to contact me or the Company Secretary.

Committee Membership and Attendance

The membership of the Committee, together with appointment dates and attendance at meetings during the year, is set out on pages 66 to 67 and 70 of the Corporate Governance Report. Other attendees at the meetings include the Chief Executive Officer, the Group HR Director and the Company Secretary (who acts as Secretary to the Committee).

The Chairman does not chair the Committee meeting if it is dealing with the appointment of his successor. The Senior Independent Director, Ishbel Macpherson, takes the chair when required.

Role and Responsibilities

The main role and responsibilities of the Committee are set out in the written terms of reference which are available on the Company website at www.dechra.com. The Committee's terms of reference are reviewed on an annual basis and during the 2015 financial year this took place at the February meeting. An overview of the terms of reference is detailed on page 71 of the Corporate Governance Report.

Principal activities of the Committee during the year:

- **Review of the Chairman's Tenure**
  The Committee reviewed the Chairman's tenure in 2014 and agreed that it remained in the best interests of the Group and its stakeholders for Michael Redmond to remain in position as Chairman until the 2016 Annual General Meeting. This will provide sufficient time to oversee the continued development of the Board and develop their understanding of Dechra further. The recruitment process for a successor has commenced. During the year an independent recruitment consultant, JCA Group (JCA), was retained to assist in the recruitment of the new Chairman. At the commencement of the recruitment process, a role description was defined and agreed by the Committee detailing the skills and experience required for the position of Chairman of the Board. To assist JCA with the understanding of the requirements of the role, they met with the Chief Executive Officer, Chief Financial Officer and members of the Committee. A list of candidates has been long listed for interview.

  The Committee considers that Michael Redmond continues to lead the Board effectively and maintains his independence and integrity at all times. His previous pharmaceutical experience and the longevity of his association with the Company enables him to continue to make a strong and effective contribution.

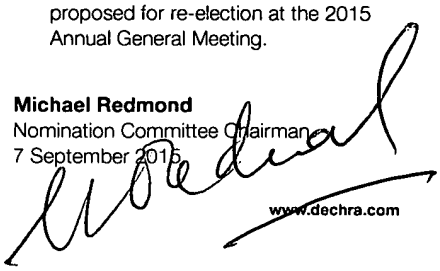
- **Non-Executive Directors and Senior Executive Team (SET) Succession Planning**
  The Group HR Director undertook a succession planning review of both the Non-Executive Directors and the SET and presented her findings to the Committee in February 2015. This review included restructuring the reporting lines for senior management. Appropriate succession plans have been documented for key roles and where an internal successor has been identified, development plans are being put in place to support these individuals.

- **Leadership Needs of the Group**
  In considering the leadership needs of the Group, the Committee has focused on two key areas: defining the current talent map, and understanding the organisation's current capability versus the needs of the future strategic direction of the Company. In order to address these points a Group-wide talent review commenced with the SET and their direct reports. It is now being rolled out across the Group. The needs of the future strategic direction of the Company have been scoped in discussion with the Board and the process of matching talent to needs has begun.

  These are the first steps towards building a coherent Leadership Development Strategy which will ensure that our Leadership Team has the capabilities required to manage the business effectively and sustainably. The Company is working to ensure it has strong internal candidates for key leadership positions.

- **Appraisal Process and Re-appointment of Directors**
  Following an internal evaluation, further details of which are provided on page 74 of the Corporate Governance Report, the Committee has concluded that each of the Directors seeking re-election continues to be an effective member of the Board. All of the Directors will stand down and be proposed for re-election at the 2015 Annual General Meeting.

Michael Redmond
Nomination Committee Chairman
7 September 2015



Letter from the Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2015.

The Directors' Remuneration Report is divided into two sections: the Annual Report on Remuneration followed by an abbreviated form of the Directors' Remuneration Policy. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 30 June 2015 and how the Directors' Remuneration Policy will be implemented in the year commenced 1 July 2015. The Directors' Remuneration Report (excluding the Directors' Remuneration Policy) will be subject to an advisory vote at the 2015 Annual General Meeting.

Our Directors' Remuneration Policy
The Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting held on 24 October 2014, with 98.32% of all votes cast in favour, and will remain in force until 2017. We review the application of the Policy regularly, to ensure it remains appropriate, linked to strategy and reflective of developing market practices; there have been no changes to the Policy since its approval.

The performance metrics for the bonus and LTIP Awards for 2016 are set out on page 90. In previous years, we have conducted the annual review of Executive Directors' salaries in June. However, we are now moving these reviews to September, for all employees, to improve alignment with the annual performance development review calendar. This will allow us to enhance the link between performance and reward for all employees. It is our expectation that any revisions to Executive Directors' salaries for 2016 will be in line with the range of increases awarded to the wider workforce.

The Link between our Directors' Remuneration Policy and our Strategy
Dechra's Policy is designed to promote the long term success of the Group and to reward the creation of long term value for shareholders. The performance targets for all incentive elements are set to reward high performance whilst not encouraging inappropriate business risks.

The table on the next page describes how certain remuneration elements are linked to our strategy.

Letter from the Remuneration Committee Chairman
continued

Remuneration Element	Strategic Pillar and Enabler	Link to our Key Performance Indicators
Annual Bonus Our annual bonus rewards key executives by reference to short term financial metrics (based on profit) and personal objectives, which are designed to incentivise the delivery of the long term strategy through the short term objectives. The use of a profit measure in the annual bonus focuses executives on the delivery of strong financial performance to generate the profit growth which is a key strategic priority of our pipeline delivery and portfolio focus. The annual bonus has a stretching profit target which requires performance above budget and market expectations to trigger the payment of a maximum bonus. Part of the bonus is based on the achievement of personal objectives. These personal objectives are set at the beginning of each financial year and reflect the corporate, financial, strategic and other non-financial priorities of the business, achievement of which is necessary to deliver the longer term strategy. During the year the Executive Directors were set a number of personal objectives, which were linked to the delivery of the four strategic pillars together with leadership development of senior management below the Board and enhanced use of technology within the business to drive efficiency. Dechra further recognises the importance of being a responsible business leader, with the health and safety of our employees being central to everything we do. Therefore, the Remuneration Committee (the Committee) has discretion to amend any bonus pay-out to take into account wider business considerations including the achievement of the highest standards in respect of our health and safety procedures.		• **Sales Growth** Strong sales performance is required to maximise profit • **Cash Conversion** Strong cash conversion reduces liquidity risk • **Lost Time Accident Frequency Rate** The reduction in accidents is an important consideration in the Committee's assessment of wider business performance for the purposes of any bonus pay-out
Long Term Incentive Plan The LTIP is designed to reward the generation of long term value for shareholders and to aid the retention of key executives recognising the importance of attracting, retaining and developing a management team of the appropriate calibre. Performance measures are set that reflect our long term objectives including sustainable profit growth and the enhancement of shareholder value. LTIP Awards are based 50% on the delivery of stretching growth in EPS linking the incentive reward opportunity to the longer term profitability of the business, which should encourage innovation, launch of new products and commercial focus. The other 50% relates to the delivery of superior shareholder returns compared to companies of a similar size to Dechra, linking the reward opportunity for executives to the generation of long term value for shareholders. The application of an underpin to LTIP Awards based on ROCE ensures that our executives are focused on using capital efficiently and appropriately to allow the business to seize growth opportunities in new territories and markets whilst maintaining returns.		• **Underlying Diluted EPS Growth** • **Return on Capital Employed** • **New Product Sales** This measure encourages innovation, growth and sustainability
All Employee Share Plans It is our aim to make Dechra a great place to work. As part of this, Dechra's remuneration policy for the wider workforce seeks to deliver a competitive package to reward employees for the value they create for shareholders. All UK employees, who represent 39.9% of the entire workforce, may participate in the SAYE Scheme that encourages share ownership and rewards employees in a way which is linked to the increase in shareholder value. The SAYE Scheme also aids retention recognising the need to retain and develop the right talent at all levels to facilitate the high performance culture and stability required to deliver the longer term strategy.		• **Employee Turnover** Retention of skilled employees will help grow the business
Generation of Long Term Value for Shareholders/Alignment of Interests The Directors' Remuneration Policy is designed to promote long term Group success and to reward the generation of shareholder value. In this regard, a significant proportion of the remuneration opportunity is linked to the achievement of stretching performance targets. The interests of shareholders and executives are aligned by formal shareholding guidelines. Executive Directors are required to have a holding of Dechra shares equivalent to at least 100% of salary by the third anniversary of appointment. Moreover, the Chief Executive Officer and Chief Financial Officer are further expected to build up a holding equivalent to at least 200% and 150% of salary respectively by the fifth anniversary of appointment.		

Incentive Outturns in 2015
As a result of the progress in our strategy, we have delivered underlying profit before tax on continuing operations during the year of £45.1 million, an improvement of 13.0% at actual exchange rates on the prior year. Reflecting the performance of the Group in relation to profit targets and the performance of Executive Directors against personal objectives as described on page 85, bonuses for the year equal to 80% of salary have been earned by the Executive Directors.

See **Strategic Report** on pages 6 to 63.

LTIP Awards were granted to Ian Page and Tony Griffin in March 2013 and vested by reference to performance over the three year period ended 30 June 2015. Each Award was subject to a total shareholder return (TSR) performance condition as regards to 50% of the Award and an Earnings per Share (EPS) performance condition as regards to 50% of the Award, with an underpin based on Return on Capital Employed (ROCE) applying to each element. As disclosed on page 86, the Awards granted in March 2013 are due to vest in March 2016:

- as to 87.2% of the TSR element (43.6% of the total Award) by reference to TSR performance (reflecting median to upper quartile performance); and
- as to 98.9% of the underlying diluted EPS element (49.5% of the total Award) by reference to EPS performance (reflecting that the underlying diluted EPS at 39.90 pence was between 33.00 pence and 40.00 pence).

In aggregate, taking into account the ROCE underpin (reflecting that the ROCE at 20.0% had not fallen below 15.0%), the LTIP Awards vested as to 93.1%.

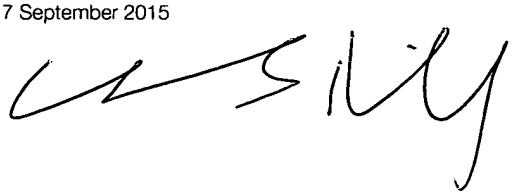
As disclosed on page 86, the second of Anne-Francoise Nesmes' recruitment awards was subject to the same performance conditions and have vested to the same extent.

Application of Malus and Clawback
The Executive Directors' bonus opportunity is subject to a malus provision and, since 2013, LTIP Awards have also been subject to malus provisions. In line with best practice, and reflecting the UK Corporate Governance Code, a clawback provision has been introduced for bonuses earned for 2016 and future years and for LTIP Awards granted in respect of 2016 and future years. The clawback provisions will enable the Committee to recover payments made for up to two years following the date of payment (in the case of the annual bonus) or vesting (in the case of LTIP Awards), in the event of material misstatement in the financial statements or gross misconduct on the part of the participant.

Shareholding Policy
In June 2015, the Shareholding Policy was amended by the Committee to require that the Chief Executive Officer and the Chief Financial Officer should retain shareholdings of 200% and 150% respectively of base salary within five years of appointment.

Shareholder Views
We consult with shareholders on policy and on any significant events and take shareholders' views into account before any decisions are taken. The Committee and I believe that ongoing dialogue with our major shareholders is of key importance. Should you have any queries in relation to this report please do not hesitate to contact me or the Company Secretary.

Dr Christopher Richards
Remuneration Committee Chairman
7 September 2015



Directors' Remuneration Report

2015 Annual Report on Remuneration

The following section provides detail in respect of remuneration paid to the Directors during the year in line with the Remuneration Policy approved by the shareholders at the Annual General Meeting held on 24 October 2014. KPMG LLP have audited pages 84 to 90 unless indicated otherwise.

Single Total Figure of Remuneration

The table below sets out the total remuneration for each person who has served as a Director in the period ended 30 June 2015. The table shows the remuneration for each such person in respect of the year ended 30 June 2015 and the year ended 30 June 2014:

	Salaries & Fees £000[1]		Benefits £000[2]		Annual Bonus £000[3]		Long Term Incentives £000[4]		Pension £000[5]		Total £000	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Ian Page	**440**	440	**53**	37	**352**	352	**887**	698[6]	**62**	62	**1,794**	1,589
Anne-Francoise Nesmes	**309**	300	**17**	17	**247**	240	**382**	302	**43**	42	**998**	901
Tony Griffin[7]	**220**	232	**29**	31	**176**	186	**323**	–	**26**	28	**774**	477
Mike Redmond	**126**	106	**–**	–	**–**	–	**–**	–	**–**	–	**126**	106
Ishbel Macpherson	**43**	39	**–**	–	**–**	–	**–**	–	**–**	–	**43**	39
Dr Chris Richards	**45**	42	**–**	–	**–**	–	**–**	–	**–**	–	**45**	42
Julian Heslop	**45**	41	**–**	–	**–**	–	**–**	–	**–**	–	**45**	41
Total	**1,228**	1,200	**99**	85	**775**	778	**1,592**	1,000	**131**	132	**3,825**	3,195

Please note the following methodologies have been used in respect of the above table:

1. Salaries & Fees – this is the cash paid or received in respect of the relevant period.
2. Benefits – this represents the taxable value of all benefits paid or received in respect of the relevant period. The benefits provided include the use of a fully expensed car, medical cover and life assurance. SAYE options granted in the year have also been included in the benefits column. These have been valued using the fair value as per note 25 to the Group's financial statements.
3. Annual Bonus – this is the amount of cash bonus paid in respect of the relevant period.
4. Long Term Incentives – this is the value of any long term incentives vesting where the performance period ended in the relevant period.
5. Pension – this is the cash value of the employer contribution to the Group stakeholder personal pension scheme or, in the case of Tony Griffin, defined contribution pension plan plus the value of any salary supplement paid.
6. The 2014 value assigned to the long term incentives for Ian Page was shown in last year's Annual Report as an estimate, with the value determined by reference to a share price of £6.95 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2014). This has been restated to show the actual value determined by reference to a price of £7.525 (being the market value of a share on 8 September 2014, the date of vesting).
7. Tony Griffin's remuneration is paid in Euros but reported in Sterling for the purpose of this table. The exchange rate used for this purpose was 1.20 for 2014 and 1.3045 for 2015. His salary was €286,554 for 2015 and €278,208 for 2014.

Additional Disclosures in Respect of the Single Figure Table

Salaries & Fees

As disclosed in the Directors' Remuneration Report in the 2014 Annual Report on Remuneration the Executive Directors' base salaries, excluding Ian Page, were increased by 3% with effect from 1 July 2014. This was broadly in line with the average increase awarded to employees in the wider Group. Ian Page elected to waive a review of his salary for the year ended 30 June 2015.

The Committee's approach to Executive Directors' salaries for the year ending 30 June 2016 is summarised on page 90.

The Chairman and other Non-Executive Directors are paid a fee for their role and additional fees for chairmanship of the Remuneration Committee and Audit Committee. As disclosed in the 2014 Directors' Remuneration Report, the Chairman's fee was increased with effect from 1 July 2014 to a level more commensurate with his experience, performance and overall contribution to the business together with that paid for chairmen of companies of a similar size and complexity to Dechra. The other Non-Executive Directors received an increase in their base fees for the year ended 30 June 2015 and the fees paid for the Chairmen of the Remuneration and Audit Committee were also increased. In addition, it was agreed that a fee be introduced for the Senior Independent Director for the year ended 30 June 2015. The Non-Executive Directors' fees for the year ended 30 June 2015 and 30 June 2014 were determined on the following basis.

Office	**2015 Fee £000**	2014 Fee £000
Chairman	**126**	106
Non-Executive Director	**40**	39
Remuneration Committee Chairmanship additional fee	**5**	3
Audit Committee Chairmanship additional fee	**5**	3
Senior Independent Director additional fee	**3**	–

The approach in relation to the Chairman and Non-Executive Directors' fees for the year ending 30 June 2016 is summarised on page 90.

Annual Bonus

The Company operates an annual cash incentive scheme for the Executive Directors. Annual bonuses were awarded by the Committee in respect of 2015 financial year having regard to the performance of the Group and personal performance objectives for the year.

The amount achieved for the year ended 30 June 2015 against targets for 2015 financial year is as follows:

2015 Financial Year Targets	**Amount Achieved for the Year Ended 30 June 2015**
Underlying profit before tax performance: 10% of salary payable upon the achievement of 95% of Group profit target rising to 90% of salary payable upon the achievement of 110% of Group profit target	The underlying profit before tax target was £42.9 million. Actual underlying profit before tax was £45.1 million. This converted into an achievement of 105% of the profit target when translated at constant exchange rate resulting in a payment worth 70% of salary
Personal objectives: up to an additional 10% of salary was payable to Executive Directors upon the achievement of personal objectives*	Actual performance resulted in payment worth 10% of salary. The objectives are based on key aspects of delivering the Group's strategy*
Total Annual Bonus Earned for the Year Ended 30 June 2015	**80% of salary**

* The Committee considers that the actual objectives are commercially sensitive as they give our competitors insight into our business plans and therefore are not detailed in this report.

The personal objectives of each Executive Director are set on an individual basis and are closely linked to the corporate, financial, strategic and other non-financial objectives of the Company. This enables the Committee to reward the Executive Directors' contribution to both the annual financial performance and the achievement of specific corporate, financial, strategic or other non-financial objectives. The Committee reviewed the performance of each Executive Director against their specific objectives based on a report by the Chief Executive Officer and with respect to the Chief Executive Officer, a report by the Chairman. This assessment included consideration by the Committee of the Company's progress in a number of areas including product pipeline targets, geographic expansion, acquisition opportunities evaluated as well as control environment and supply chain improvements.

The Committee's approach to Executive Directors' annual bonus opportunities for the year ending 30 June 2016 is summarised on page 90.

LTIP Awards Vesting in Respect of the Year Ended 30 June 2015

The LTIP Awards granted on 5 March 2013 are due to vest on 5 March 2016. Ian Page and Tony Griffin were granted LTIP Awards on 5 March 2013, the performance targets for which are as follows: 50% of the Award is subject to a performance condition based on the Company's total shareholder return (TSR) performance over the performance period relative to the constituent companies of the FTSE 250 index (excluding investment trusts) over the performance period as follows:

TSR Performance	Vesting Percentage
Below median	0%
Median	25% of the TSR portion will vest
Between median and upper quartile	Pro-rata vesting between 25% and 100% based on the Company's ranking in the comparator group
Upper quartile	100% of the TSR portion will vest

50% of each Award is subject to a performance condition based on the Company's underlying diluted Earnings per Share (EPS) in the final year of the performance period as follows:

EPS	Vesting Percentage
<33p	0%
33p	25% of the EPS portion will vest
Between 33p and 40p	Pro-rata vesting between 25% and 100%
40p	100% of the EPS portion will vest

Each of the TSR element and the EPS element is subject to an additional Return on Capital Employed (ROCE) performance measure. Unless the Company's ROCE is 10% or more in the final year of the performance period, the Awards will lapse in full regardless of TSR and EPS performance. The percentage vesting will be reduced by 10% by every 1% that ROCE falls below 15%.

The EPS targets originally agreed for the LTIP Awards granted in March 2013 were set for organic growth, with the intention that they would be appropriately adjusted for the impact of any acquisitions and divestments. Therefore, as reported in the Directors' Remuneration Report for the years ended 30 June 2013 and 30 June 2014 and following a consultation with major shareholders at the beginning of November 2013, the performance conditions for those Awards were adjusted in accordance with the LTIP rules to take account of the disposal of the Services Segment in August 2013 so as to ensure that performance was measured on a fair and consistent basis over the performance period. The EPS and ROCE performance measures detailed above are as adjusted to reflect the divestment of the Services Segment. As described below, the 2015 EPS (39.90 pence) represents 23.3% compound annual growth (from a rebased 2012 EPS figure of 21.28 pence) in EPS.

With respect to the performance conditions relating to the LTIP Award due to vest on 5 March 2016, the Company's TSR performance was over 129.8% compared with a 137.4% TSR for the upper quartile company in the comparator group. Therefore 87.2% of the TSR element will vest. In addition, the Group's underlying diluted EPS for 2015 was 39.90 pence. Accordingly, 98.9% of the EPS element will vest. Overall, taking into account that ROCE performance for 2015 was 20%, the LTIP Awards will vest as to 93.1% of maximum opportunity. In the single figure table on page 84, the value attributable to this Award is calculated by multiplying the number of shares in respect of which the Award is expected to vest by £10.086 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2015).

Recruitment Award for Anne-Francoise Nesmes Vesting in Respect of the Year Ended 30 June 2015

As disclosed in the 2014 Directors' Remuneration Report, on her appointment the Committee agreed to award Anne-Francoise Nesmes two LTIP Awards, each to the value of 100% of her base salary. The first Award vested in full on 30 June 2014, the details of which were disclosed in the 2014 Annual Report. The vesting of the second of those Awards was subject to the same performance conditions as those applying to the LTIP Awards granted on 5 March 2013, as detailed above. Therefore this second Award vested as to 93.1% on 30 June 2015. In the single figure table on page 84 the value attributable to this Award is calculated by multiplying the number of shares in respect of which the Award vested, 38,859, by £9.83 (being the market value of a share on 30 June 2015).

The details of the LTIP Awards granted during the year ended 30 June 2015 are set out below. The Committee's approach to Executive Directors' LTIP awards for the year ending 30 June 2016 is summarised on page 90.

The aggregate gain made by the Executive Directors on share options and LTIP Awards exercised during 2015 was £1,024,971 (2014: £883,249).

Pension

All Executive Directors (excluding Tony Griffin) were members of the Dechra Pharmaceuticals PLC Group Stakeholder personal pension scheme throughout the year. Tony Griffin is a member of a defined pension plan in the Netherlands. Contributions made by Dechra Pharmaceuticals PLC, on behalf of the Executive Directors during the year equated to no more than 14% of pensionable salary.

The annual allowance for tax relief on pension savings for individuals reduced from £50,000 to £40,000 on 6 April 2014. Both Ian Page and Anne-Francoise Nesmes have elected to receive a salary supplement in lieu of the employer contribution over and above the £40,000 limit for the entire period under review.

Tony Griffin is a member of the Basispensioen, a defined benefit scheme established in the Netherlands. The table below sets out the arrangements for Tony Griffin for the period under review.

Accrued benefit at 1 July 2014	€9,704
Increase in accrued benefit excluding inflation allowance	€10,161
Increase in accrued benefit including inflation allowance	€10,161
Transfer value of benefit accrued during the period less member contributions	€37,000
Transfer value at 1 July 2014	€154,000
Transfer value at 30 June 2015	€192,000
Increase in transfer value over the period after member contribution	€38,000

Following the implementation by the Dutch government of a reduction in the cap on maximum amount of pensionable income to €100,000, Tony Griffin elected to receive a salary supplement in lieu of the pension premium entitlement for earnings above €100,000. This was effective from 1 January 2015.

Chief Executive Officer Remuneration for Six Previous Years

Year ended	Total single figure remuneration £000	Annual bonus payout (% of maximum opportunity)	LTIP vesting (% of maximum number of shares)
30 June 2015	1,794	80	93.1
30 June 2014	1,589	80	100.0
30 June 2013	1,201	36	100.0
30 June 2012	682	60	0
30 June 2011	984	60	71.1
30 June 2010	768	44	100.0

Percentage Change in Chief Executive Officer Remuneration

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage change in pay for Ian Page and the average percentage change for all UK based employees comparing pay in respect of the year ended 30 June 2014 and the year ended 30 June 2015. For these purposes, UK employees were chosen as a comparator group reflecting that Ian Page is UK based and the number of UK employees was sufficiently large to provide a robust comparison. Employees outside the UK were not included in the comparator group since country specific differences could distort the comparison.

	Chief Executive Officer			Average per all UK based Employees		
	2015 £000	2014 £000	Increase %	**2015 £000**	2014 £000	Increase %
Salary[1]	**440**	440	0	**30**	29	3.4%
Taxable benefits[2]	**52**[3]	34	52.9	**1.5**	1.6	(6.3%)
Annual bonus	**352**	352	0	**2.9**	2.8	3.6

1. Ian Page elected to waive his salary increase for the 2015 financial year.
2. Excludes SAYE options granted in the financial year.
3. The increase in Ian Page's taxable benefit is related to his fully expensed car.

Relative Importance of Spend on Pay

The following table sets out the percentage change in distributions to shareholders by way of dividend and share buyback and total remuneration paid to or receivable by all Group employees comparing the year ended 30 June 2014 and the year ended 30 June 2015.

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000	% change
Distributions to shareholders by way of dividend and share buyback	**14,900**	13,500	10.4
Overall expenditure on pay — continuing operations	**45,613**	41,624	9.6
Overall expenditure on pay — discontinued operations	**—**	1,461[1]	N/A

1. The Services Segment was divested during August 2013. The 2014 pay therefore includes 1.5 months of Services.

Total Shareholder Return (TSR) Graph
The graph below shows the TSR performance of the Company over the past six financial years compared with the TSR over the same period for the FTSE 250 Total Return Index. Throughout the financial year ended 30 June 2015 the Company has been a constituent member of the FTSE 250; for this reason it is considered that the TSR performance of the FTSE 250 Index is given in this report.

Long Term Incentive Arrangements and Share Schemes:
LTIP Awards Made During the Year Ended 30 June 2015
Awards were granted to the Executive Directors on 15 September 2014, on the following basis:

	Type of award	Maximum opportunity	Number of shares	Face value at grant[1]	% of award vesting at threshold	Performance period
Ian Page	Nil cost option under the LTIP	200% of salary	115,334	£879,998	25%	1 July 2014 – 30 June 2017
Anne-Francoise Nesmes	Nil cost option under the LTIP	150% of salary	60,747	£463,500	25%	1 July 2014 – 30 June 2017
Tony Griffin	Nil cost option under the LTIP	100% of salary	29,937	£228,419	25%	1 July 2014 – 30 June 2017

1. For these purposes, the face value of the award is calculated by multiplying the number of shares by £7.63 (being the average share price used to determine the number of shares comprised in the Awards).

50% of each Award is subject to a performance condition based on the Company's TSR performance over the performance period relative to the constituent companies of the FTSE 250 index (excluding investment trusts) over the performance period as follows:

TSR Performance	Vesting Percentage
Below median	0%
Median	25% of the TSR portion will vest
Between median and upper quartile	Pro-rata vesting between 25% and 100% based on the Company's ranking in the comparator group
Upper quartile	100% of the TSR portion will vest

50% of each Award is subject to a performance condition based on the growth in the Company's underlying diluted EPS over the performance period as follows:

EPS compound annual growth rate	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 13%	Pro-rata vesting between 25% and 100%
13% CAGR	100% of the EPS portion will vest

Both the TSR element and the EPS element is subject to an additional ROCE performance measure. Unless the Company's ROCE is 10% or more in the final year of the performance period, the Awards will lapse in full regardless of TSR and EPS performance. The percentage vesting will be reduced by 10% by every 1% that ROCE falls below 15%.

SAYE Options Granted in the Year
The following Directors were granted SAYE options on 13 October 2014:

	Number of options	Option price	Exercise date
Ian Page	1,465	£6.14	December 2017
Anne-Francoise Nesmes	1,465	£6.14	December 2017

Payments to Past Directors (Unaudited):
It was agreed to pay for six months' private medical cover on behalf of Ed Torr and his family for the period to 31 July 2015. Ed Torr fully reimbursed the Company. There were no other payments made to past Directors during the period.

Payments for Loss of Office (Unaudited):
There were no payments for loss of office made to Directors during the period.

Shareholding Guidelines and Statement of Directors' Shareholdings and Interests:
Executive Directors
By the third anniversary of their appointment to the Board, Executive Directors are required to have acquired and retained a holding of Dechra shares equivalent to the value of at least 100% of their base salaries. Thereafter, by the fifth anniversary of appointment, the Chief Executive Officer and the Chief Financial Officer are required to have acquired and retained a holding equivalent to the value of at least 200% and 150% respectively of their base salary. The holdings of the Executive Directors and their families as at 30 June 2015 are as follows:

Name	Appointment date	Ordinary shares Number	Ordinary shares £000*	% of salary
Ian Page	13 June 1997	955,701	9,395	2,135
Anne-Francoise Nesmes	22 April 2013	22,062	217	70
Tony Griffin	1 November 2012	20,077	197	90

* Calculated using the share price as at 30 June 2015.

Non-Executive Directors
By the third anniversary of their appointment to the Board, Non-Executive Directors are required to have acquired and retained a holding of Dechra shares equivalent to the value of at least 50% of their annual base fee. The holdings of the Non-Executive Directors and their families as at 30 June 2015 are as follows:

Name	Appointment date	Ordinary shares Number	Ordinary shares £000*	% of base fee
Mike Redmond	19 April 2001	73,417	722	573
Ishbel Macpherson	1 February 2013	5,848	57	144
Dr Chris Richards	1 December 2010	7,400	73	182
Julian Heslop	1 January 2013	10,000	98	246

* Calculated using the share price as at 30 June 2015.

There have been no changes in the holdings of the Directors between 30 June and 7 September 2015.

Directors' Remuneration Report
continued

Executive Directors' Interests under Share Schemes
Long Term Incentive Plan
Awards held under the Long Term Incentive Plan by each person who was a Director at 30 June 2015 are as follows:

	Award date	Number of shares at 30 June 2014	Granted during the year	Lapsed during the year	Exercised during the year	Number of shares at 30 June 2015	Status	Performance period
Ian Page	7 September 2011	92,811	–	–	(92,811)	**–**	Vested	2011–2014
	5 March 2013	94,420		–	–	**94,420**	Unvested	2012–2015
	27 November 2013	129,211	–			**129,221**	Unvested	2013–2016
	15 September 2014	–	115,334	–	–	**115,334**	Unvested	2014–2017
Anne-Francoise Nesmes	27 September 2013[1]	41,739	–	–	(41,739)	**–**	Vested	2013-2014
	27 September 2013[1]	41,739	–	–	–	**41,739**	Vested	2012–2015
	27 November 2013	66,079	–			**66,079**	Unvested	2013–2016
	15 September 2014	–	60,747	–	–	**60,747**	Unvested	2014–2017
Tony Griffin	5 March 2013	34,401	–	–	–	**34,401**	Unvested	2012–2015
	27 November 2013	34,129	–	–	–	**34,129**	Unvested	2013–2016
	15 September 2014	–	29,937	–	–	**29,937**	Unvested	2014–2017

1. These awards are the Recruitment Awards granted to Anne-Francoise Nesmes as referred to on page 86. They were granted outside the rules of the LTIP.

SAYE Scheme
Options held under the SAYE Scheme by each person who was a Director at 30 June 2015 are shown below:

	Date of grant	Number of options	Option price	Exercise date
Ian Page	7 April 2014	1,630	£5.52	May 2017
	13 October 2014	1,465	£6.14	December 2017
Anne-Francoise Nesmes	7 April 2014	1,630	£5.52	May 2017
	13 October 2014	1,465	£6.14	December 2017

Implementation of the Directors' Remuneration Policy in the Year Ending 30 June 2016 (Unaudited):
The Directors' Remuneration Policy outlined on pages 92 to 95 will be implemented in the year ending 30 June 2016 in line with the way in which it has been implemented in the year ended 30 June 2015.

Malus and Clawback
As referred to in the Remuneration Committee Chairman's statement on page 83, to reflect the updated provisions of the UK Corporate Governance Code, in addition to the malus provisions which already apply to the annual bonus and LTIP, clawback provisions have been added to LTIP Awards granted after 1 July 2015 and annual bonuses paid in respect of 2016 and future years. These provisions will enable the Committee to require repayment of some or all of an award for up to two years following payment in the event of material misstatement in the financial statements or gross misconduct on the part of the participant.

Salary and Fees
The next review of Executive Directors' salaries will be undertaken in September 2015, rather than July as in previous years. This change has been implemented for all employees following the alignment of the salary review cycle with the annual performance development review calendar which provides a clearer link between performance and reward. It is planned that the Executive Directors' salaries for 2016 will increase in line with the range of increases awarded to the wider workforce, which is up to 4.5%.

The Chairman and Non-Executive Directors have agreed to waive an increase to their fees this year.

Annual Bonus
No changes have been made to the bonus structure. Executive Directors, therefore, will have a bonus opportunity of 100% of salary for the year ending 30 June 2016, on the same basis as for the year ended 30 June 2015. Details of the bonus structure can be found on page 85.

LTIP
The Committee proposes that LTIP Awards for the year ending 30 June 2016 will be made at the level of 200% of salary for Ian Page, 150% of salary for Anne-Francoise Nesmes and 100% of salary for Tony Griffin. The performance measures remain as per the grant of LTIP Awards made on 15 September 2014, details of which can be found on page 88.

Consideration by Directors of Matters Relating to Directors' Remuneration:

Governance

The Board has overall responsibility for the Group's remuneration policy and the setting of the Non-Executive Directors' fees, although the task of determining and monitoring the remuneration packages of the Executive Directors and agreeing the Chairman's fee level has been delegated to the Committee.

Membership

Details of each members' attendance at the Committee's meetings is detailed on page 70.

The Chief Executive Officer attended all meetings held during the financial year in order to assist on matters concerning remuneration of other senior executives within the Group. However, he was not present during the part of the meetings where his own remuneration was discussed. Furthermore, the Group HR Director has attended all meetings held during the financial year.

Responsibilities

The Committee has its own terms of reference, which are approved by the Board. These are reviewed on an annual basis to ensure that they continue to adhere to best practice. During the 2015 financial year this review took place at the June meeting. Copies can be obtained via the Company website at www.dechra.com. The Committee Chairman and the Company Secretary are available to shareholders to discuss the remuneration policy.

An overview of the Committee's terms of reference are provided on page 71.

Policy on External Appointments

The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are only permitted to accept external appointments with the approval of the Board.

The only Executive Director to hold an external appointment is Ian Page. He is Non-Executive Chairman of Sanford DeLand Asset Management Limited, a position which he has held since 7 October 2010. During the year, Ian Page received no remuneration for this appointment.

Advisers

The following have provided advice to the Committee during the year in relation to its consideration of matters relating to Directors' remuneration:

- Chief Executive Officer, Chief Financial Officer, Group HR Director and Company Secretary;
- Deloitte LLP (Deloitte).

Deloitte is retained to provide independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee were £13,700 for the year ended 30 June 2015. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the Remuneration Consultants Group Code of Conduct when considering this. Deloitte was appointed by the Committee and has provided share scheme advice and general remuneration advice to the Company. Details of additional services which Deloitte provided to Dechra are detailed on page 79.

Statement of Voting at Last Annual General Meeting

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the advisory vote on the Directors' Remuneration Report and the binding vote on the Remuneration Policy at the Company's Annual General Meeting on 24 October 2014:

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
To approve Remuneration Report	67,915,363	99.76	161,770	0.24	301,814
To approve Remuneration Policy	66,935,753	98.32	1,140,380	1.68	302,814

Directors' Remuneration Report
continued

Directors' Remuneration Policy

Dechra's Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting held on 24 October 2014 with 98.32% of all votes cast in favour. The full Policy can be found at www.dechra.com.

The Policy Tables of the Directors' Remuneration Policy are provided below as it is considered these would be most helpful for shareholders to have repeated here. However, to aid reading in relation to the application of the Policy for 2016 certain date references have been updated.

Policy Table for Executive Directors:

Element: Base Salary

Purpose and link to strategy
Core element of fixed remuneration reflecting the individual's role and experience.

Operation
The Committee ordinarily reviews base salaries annually taking into account a number of factors including (but not limited to) the value of the individual, their skills and experience and performance.

The Committee also takes into consideration:

- pay increases within the Group more generally; and
- Group organisation, profitability and prevailing market conditions.

Maximum opportunity
Whilst there is no maximum salary, increases will normally be in line with the level of salary increase awarded (in percentage of salary terms) to other employees in the Group. However, higher increases may be awarded in certain circumstances, such as:

- on promotion or in the event of an increase in scope of the role or the individual's responsibilities;
- where an individual has been appointed to the Board at a lower than typical market salary to allow for growth in the role in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience;
- change in size and complexity of the Group; and/or
- significant market movement.

Such increases may be implemented over such time period as the Committee deems appropriate.

Performance measure
Not applicable.

Element: Pension

Purpose and link to strategy
Help retain and recruit employees and provide appropriate income in retirement.

Operation
The Company operates a Group Stakeholder personal pension scheme that has been effective since 1 July 2005. All Executive Directors excluding Tony Griffin are members of this scheme.

Tony Griffin participates in a defined benefit pension plan which has been established in the Netherlands. This is a funded career average pay arrangement, where pensionable salary is subject to a €50,000 cap. Salary over this cap is paid into a defined contribution pension plan.

Maximum opportunity
The Company contributes up to 14% of salary to a pension scheme on behalf of the Executive Directors, and/or as a salary supplement in lieu of pension contributions where appropriate.

Performance measure
Not applicable.

Element: Benefits

Purpose and link to strategy
Provided on a market competitive basis.

Operation
The Company provides benefits in line with market practice and includes the use of a fully expensed car, medical cover and life assurance scheme.

Other benefits may be provided based on individual circumstances, which may include relocation costs and expatriate allowances.

Maximum opportunity
Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.

Performance measure
Not applicable.

Element: Annual Bonus

Purpose and link to strategy
The executive bonus scheme rewards Executive Directors for achieving financial and strategic targets in the relevant year by reference to operational targets and individual objectives.

Operation
Targets are reviewed annually and any pay-out is determined by the Committee after the year end based on targets set for the financial period.

The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance.

Maximum opportunity
Maximum bonus opportunity for Executive Directors is 100% of base salary.

Performance measure
Operational targets (which may be based on financial or strategic measures) and individual objectives are determined at the beginning of the financial year.

The personal objectives for the Chief Executive Officer are set by the Chairman. The personal objectives for other Executive Directors are set by the Chief Executive Officer.

At least 75% of the bonus opportunity is based on financial measures (which may include profit before tax).

For financial measures, up to 15% of the maximum for the financial element is earned for threshold performance, rising to up to 50% of the maximum for the financial element for target performance and 100% of the maximum for the financial element for maximum performance.

Vesting of the bonus in respect of strategic measures or individual objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.

For 2016, a bonus of up to 90% of salary may be earned based on underlying profit before tax targets and up to 10% of salary based on personal objectives, which include non-financial targets,as described on page 90.

Directors' Remuneration Report
continued

Element: Long Term Incentive Plan (LTIP)

Purpose and link to strategy
The LTIP provides a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of longer term objectives aligned to shareholders' interests.

Operation
The Committee intends to make long term incentive awards under the existing LTIP.

Under the LTIP, the Committee may grant awards as conditional shares, as nil cost options, as forfeitable shares or as cash settled equivalents (or may settle in cash a share award).

An additional payment (in the form of cash or shares) may be made in respect of shares which vest under the LTIP to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Dechra shares on a cumulative basis).

Awards under the LTIP granted in November 2013 are subject to a malus provision enabling the Committee to revoke awards in the event of a material misstatement of the financial statements. For awards granted after 1 July 2014, the malus provision has been extended to provide the ability to revoke, reduce or impose further conditions on unvested awards in the event of serious reputational damage to the Company or if a previous annual bonus opportunity has paid out at a higher level than would have been the case but for the material misstatement or serious reputational damage to the Company.

The Company also has in place a Company Share Option Plan (CSOP). Awards under the CSOP take the form of options to acquire shares, with a per share exercise price equal to the market value of a share at the date of grant.

The Committee may at its discretion structure awards as Approved Performance Share Plan (APSP) awards comprising both a tax qualifying option granted under the CSOP and LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the approved option. Other than to enable the grant of APSP awards, the Company does not intend to grant awards under both the LTIP and CSOP in the same grant period. Where an APSP award is granted, the qualifying option under the CSOP will be subject to a malus provision to the extent permitted in accordance with the applicable legislation.

Maximum opportunity
The maximum award level under the LTIP in respect of any financial year is 200% of salary.

For the 2016 financial year, the following award levels will apply:

- Chief Executive Officer — 200%
- Chief Financial Officer — 150%
- Other Executive Directors — 100%

If an APSP award is granted, the option under the CSOP may be granted over shares with a value of up to £30,000, or any other applicable HMRC limit going forward. Because of the scale back of the LTIP element of the APSP award, the value of shares subject to the CSOP option will not count towards the limits referred to above.

Other than where a CSOP option is granted as part of an APSP award, options under the CSOP will not be granted to Executive Directors.

Performance measure
Performance measures under the LTIP will be based on financial measures (which may include, but are not limited to, earnings per share growth, relative total shareholder return, return on capital employed and free cash flow).

At least 50% of any award will be subject to a performance measure based on earnings per share.

Awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.

Where an option under the CSOP is granted as part of an APSP award, the CSOP option will be subject to the same performance condition as the LTIP award.

For 2016, LTIP performance targets will be based 50% on total shareholder return (TSR) and 50% on earnings per share (EPS), with each element subject to an underpin based on return on capital employed (ROCE) as described on page 90.

Element: All Employee Share Plans	
Purpose and link to strategy Provision of the SAYE to Executive Directors creates staff alignment with the Group and provides a sense of ownership. Executive Directors may participate in such other all employee share plan as may be introduced from time to time.	
Operation Tax qualifying monthly savings scheme facilitating the purchase of shares at a discount. Any other all employee share plan would be operated for Executive Directors in accordance with its rules and on the same basis as for other employees.	**Performance measure** Not subject to performance conditions in line with the HMRC qualifying operation of such plans.
Maximum opportunity The limit on participation under the SAYE scheme will be that set in accordance with the applicable tax legislation from time to time. The contribution limit is £500 per month currently. The limit on participation under any other all employee share plan would be determined in accordance with the plan rules (and, where relevant, applicable legislation) and would be the same for the Executive Directors as for other relevant employees.	

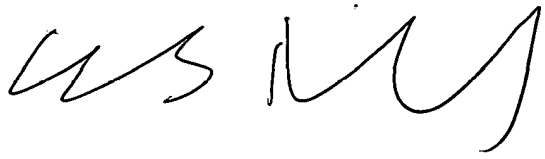
The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of Dechra's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans.

Policy Table for Non-Executive Directors:

Element	Purpose and link to strategy	Operation	Opportunity
Fees and benefits	To provide fees within a market competitive range to recruit and retain Non-Executive Directors of a high calibre with the requisite experience required to achieve success for the Company and its shareholders.	The fees of the Chairman are determined by the Committee and the fees of the Non-Executive Directors are determined by the Board following a recommendation from both the Chief Executive Officer and the Chairman. Non-Executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.	Non-Executive Directors are paid a basic fee with additional fees paid for the chairing of Committees. An additional fee is also paid for the role of Senior Independent Director. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances.

This Directors' Remuneration Report, excluding the Directors' Remuneration Policy, will be put to an advisory vote at the Annual General Meeting on 23 October 2015. The Directors' Remuneration Report was approved by the Board on 7 September 2015 and signed on its behalf by:

Dr Christopher Richards
Remuneration Committee Chairman
7 September 2015



Directors' Report — Other Disclosures

The Directors present their annual report on the affairs of the Group, together with the audited Group financial statements for the year ended 30 June 2015. Certain disclosure requirements which form part of the Directors' Report are included elsewhere in this Annual Report. Therefore, this report should be read in conjunction with the Strategic Report (which includes the Corporate Social Responsibility Report) on pages 6 to 63 along with the Corporate Governance Report and Board Committee Reports. They are incorporated by reference into this Directors' Report and include:

- Details in respect of the Board of Directors;
- Directors' Indemnities;
- Statement of Directors' Responsibilities;
- Review of the Group's business during the year and any likely future developments;
- Employees with disabilities and employee involvement; and
- Greenhouse Gas Emissions.

Information in relation to post-balance sheet events and financial risk management (including the exposure to price, credit and liquidity risk) can be found in notes 22 and 33 to the Financial Statements.

Acquisitions and Disposals
There have been no acquisitions or disposals during the year.

Amendment of the Articles of Association
The Company's Articles of Association may be amended by a special resolution of its shareholders. A resolution will be put to shareholders at the forthcoming Annual General Meeting to adopt new Articles of Association in order to update the Company's existing Articles of Association to take into account of recent legislative changes, developing practice and to provide increased flexibility for the Board.

Significant Agreements/Change of Control
As detailed in the Going Concern Statement on page 74 the Group has bank facilities with a syndicate of banks comprising HSBC Bank Plc, The Royal Bank of Scotland and Barclays Bank PLC (the Banks). These facilities include a change of control provision. Under this provision, a change of control of the Company could result in withdrawal of facilities. No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

The Company does not have agreements with any Director or employee that provide compensation for loss of office or employment resulting from a takeover, other than the Company share schemes. Under such schemes outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time. In the event of a change of control, unvested awards under the LTIP will vest to the extent determined by the Remuneration Committee taking into account the relevant performance conditions and, unless the Remuneration Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the relevant performance period that has elapsed.

The Directors consider that there are no contracted or other single arrangements, such as those with major suppliers, which are likely to influence, directly or indirectly, the performance of the business and its values. Furthermore, there are no contracts of significance subsisting during the financial year between any Group undertaking and a controlling shareholder or in which a Director is or was materially interested.

Directors
The Articles of Association state that a Director may be appointed by an ordinary resolution of the shareholders or by the Directors, either to fill a vacancy or as an addition to the existing Board but so that the total number of Directors does not exceed the maximum number of Directors allowed pursuant to the Articles of Association. The maximum number of Directors currently allowed pursuant to the Articles of Association is ten.

The Articles of Association also state that the Board of Directors is responsible for the management of the business of the Company and in doing so may exercise all the powers of the Company subject to the provision of relevant legislation and the Company's Articles of Association. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buy-back of shares.

Overseas Branches
The Company has no overseas branches.

Political Donations and Expenditure
No political donations were made during the year ended 30 June 2015 (2014: nil). The Group has a policy of not making any donations to political organisations or independent election candidates or incurring political expenditure anywhere in the world as defined in the Political Parties, Elections and Referendums Act 2000.

Research and Development
The Group has a structured development programme with the aim of identifying and bringing to market new pharmaceutical products. Investment in development is seen as key to strengthen further the Group's competitive position. Further information in relation to product development can be found on pages 38 to 39. The expense on this activity for the year ended 30 June 2015 was £8,671,000 (2014: £8,248,000) and a further £1,035,000 (2014: £1,065,000) was capitalised as development costs.

Results and Dividends
The results for the year and financial position at 30 June 2015 are shown in the Consolidated Income Statement on page 105 and Consolidated Statement of Financial Position on page 107. The Directors recommend the payment of a final dividend of 11.82 pence per share which, if approved by shareholders, will be paid on 20 November 2015 to shareholders registered at 30 October 2015. The shares will become ex-dividend on 29 October 2015. An interim dividend of 5.12 pence per share was paid on 7 April 2015, making a total dividend for the year of 16.94 pence per share (2014:15.40 pence per share). The total dividend payment is £14,900,000 (2014: £13,500,000).

Share Capital
The issued share capital of the Company for the year is set out in note 23 to the Consolidated Financial Statements. As at the end of the financial year 87,971,163 fully paid ordinary shares were in issue which included 258,599 ordinary shares issued during the year in connection with the exercise of options under the Company's share option schemes.

The holders of shares are entitled to receive dividends when declared, to receive the Company's Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of shares in the Company, nor are there any requirements to obtain prior approval in respect of any transfer of shares. The Directors are not aware of any agreements which limit the transfer of shares or curtail voting rights attached to those shares. The only exception to this being the Trustees of the Dechra Employee Benefit Trust, who hold 41,739 shares and have waived their rights to dividends and in accordance with the Investment Association guidance (formerly known as the ABI) they abstain from voting at general meetings.

At the Annual General Meeting of the Company held on 24 October 2014, the Company was authorised to purchase up to 8,771,256 of its ordinary shares, representing 10% of the issued share capital of the Company as at 19 September 2014. No shares were purchased under this authority during the financial year. A resolution will be put to shareholders at the forthcoming Annual General Meeting to renew this authority for a further period of one year. Under the proposed authority shares purchased may be either cancelled or held in treasury.

The Directors require authority from shareholders to allot unissued share capital to the Company and to disapply shareholders' statutory pre-emption rights. Such authorities were granted at the 2014 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2015 Annual General Meeting. To reflect the Pre-Emption Group's revised Statement of Principles (issued in March 2015) we are seeking shareholder approval to increase the authority to disapply pre-emption rights of shareholders from 5% to 10%.

Directors' Report — Other Disclosures
continued

Substantial Interests in Voting Rights
In accordance with the requirements in the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Conduct Authority, the Company had been notified of the following interests exceeding the 3% notification threshold as at the end of the financial year and a date not more than one month before the date of the notice of the Annual General Meeting.

	30 June 2015		**18 August 2015**	
	Aggregate voting rights	Percentage	**Aggregate voting rights**	**Percentage**
Schroders	8,184,256	9.30	**8,184,256**	**9.30**
Fidelity Management & Research	8,073,296	9.18	**8,324,566**	**9.46**
Aberdeen Group	6,487,689	7.38	**6,345,564**	**7.21**
BlackRock Inc	4,350,277	4.95	**5,026,735**	**5.71**
Standard Life	4,231,944	4.81	**3,842,881**	**4.37**
Legal & General Group	3,541,152	4.03	**3,529,667**	**4.01**
Norges Bank	2,951,049	3.35	**2,552,744**	**2.90**
Aviva plc	2,948,528	3.35	**2,922,841**	**3.32**
Old Mutual	2,910,563	3.31	**2,849,100**	**3.24**

Events After the Reporting Period
On 3 August 2015 the Company announced that it had signed a conditional share purchase agreement (SPA) to acquire 63.3% of the authorised shares (equivalent to 69% voting rights) in Genera d.d. (Genera), a Croatian listed pharmaceutical business. Under the Croatian Takeover Rules, the conditional offer requires Dechra to make a mandatory offer for the remaining issued share capital of Genera and is subject to approval by the Croatian Financial Services Agency (HANFA). The SPA is conditional on total aggregate shareholder acceptances reaching 75% of the voting share capital.

Dechra offered HRK179.60 per share, which was equivalent to €51.4 million, based on exchange rates in effect on the date of signing, for the entire share capital on a cash free, debt free basis. This will be wholly payable in cash and is to be funded from Dechra's existing debt facilities.

Genera is the oldest and largest manufacturer of animal health products in the Republic of Croatia with a strong market share in its local market and neighbouring countries. It operates three main divisions: Animal Health, which represents the majority of revenue; Agrochemicals; and Human Pharmaceuticals. It operates from one manufacturing location in Kalinovica, Croatia and during 2014 employed 287 people.

Auditor
KPMG LLP will be retiring as the Company's external auditor at the conclusion of the 2015 Annual General Meeting (further information is contained in the Audit Committee Report on page 79). A resolution to appoint PricewaterhouseCoopers as external auditor and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Audit Information
Each of the Directors who held office at the date of the approval of the Directors' Report confirms that, so far as he or she is aware, there is no relevant audit information of which the external auditor is unaware, and each Director has taken all steps that he or she ought to have undertaken as a Director to make himself or herself aware of any relevant audit information and to establish that the external auditor is aware of that information.

The Directors' Report has been approved by the Board and signed on its behalf by:

Rob Lamb
Company Secretary
7 September 2015

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements
The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

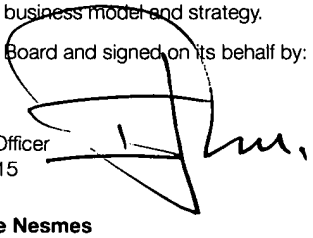
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement
We confirm to the best of our knowledge:

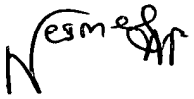
1. The financial statements, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. The Strategic 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; and
3. The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board and signed on its behalf by:

Ian Page
Chief Executive Officer
7 September 2015



Anne-Francoise Nesmes
Chief Financial Officer
7 September 2015



£19.5m

Our profit after tax for continuing operations was £19.5 million compared to £19.4 million in 2014

To learn more about reported results read the Financial Review on page 43.

View further content on our website: www.dechra.com

Our Financials

Independent Auditor's Report to the Members of Dechra Pharmaceuticals PLC

1. Our opinion on the financial statements is unmodified
We have audited the financial statements of Dechra Pharmaceuticals PLC for the year ended 30 June 2015 set out on pages 105 to 158. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement
In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of Goodwill and Acquired Intangible Assets (£155.5 million)
Refer to page 77 (Audit Committee Report), note 1(g) (accounting policy) and note 11 (financial disclosures).

- The risk — The Group balance sheet includes a significant amount of goodwill and other acquired intangible assets that have arisen as a result of acquisitions. There is a risk that the performance of the Cash Generating Unit (CGU), to which the assets are allocated will result in impairment to the carrying value of those assets. This could be due to weaker than forecast demand, product obsolescence, or other factors, and is particularly the case in the current year in respect of CGUs containing Food producing Animal Products.
- The recoverable amounts of the CGUs to which these intangible assets are allocated, is determined on the basis of value in use calculations. Due to the inherent uncertainty involved in forecasting future cash flows and in determining appropriate discount rates, which are the basis of the assessment of recoverability, this is the key judgemental area that our audit is concentrated on.
- **Our response — Our audit procedures in this area included:**
  - Performing certain procedures to identify indicators for impairment of amortising intangible assets. These included reviewing Board meeting minutes, reviewing forecast performance and enquiring as to whether they are aware of any indicators of impairment;
  - Checking that the valuation methodology used and allocation of cash flows between cash generating units is consistent year on year;
  - Agreeing the cash flows in the models to detailed forecasts prepared by the Group and assessing the appropriateness of the assumptions, primarily revenue and cost growth rates and the assumed asset lives, used in the models including whether they are reasonable in light of historical growth rates. Agreeing that the long term growth rates in the model do not exceed industry published data determined by reference to published growth rates of comparable companies;
  - Performing our own assessments of the key estimates and assumptions used to estimate the discount rate applied and challenging the Group's judgements if there are differences; and
  - Performed our own sensitivity analysis, including assessing the effect of a reasonably possible change in growth rates, forecast cash flows and discount.

We also assessed whether the Group's disclosures in respect of the impairment review and the sensitivity of the outcome of the impairment review to changes in key assumptions reflected the risks inherent in the valuation.

3. Our application of materiality and an overview of the scope of our audit
The materiality for the Group financial statements as a whole was set at £1.2 million (2014: £1.7 million), determined with reference to a benchmark of Group profit before taxation from continuing operations (of which it represents 4.7% (2014: 8.0%)). Our assessment of materiality has decreased to reflect changes in market expectations of audit materiality in our audit reports. The reduction in materiality does not result in a significant change to audit procedures as component audits are performed to lower, statutory materiality in most locations.

We report to the Audit Committee any corrected or uncorrected misstatements exceeding £60,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 23 reporting components, we subjected 13 to audits for Group reporting purposes. These audits covered 97% of Group revenue, 98% of Group profit before taxation and 99% of Group total assets. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved component materiality, which ranged from £0.3 million to £1.0 million, having regard to the size and risk profile of the Group across the components.

The Group audit team visited nine components in the UK, US and Denmark. Telephone conference meetings were also held with the component auditors in Denmark, Germany and the Netherlands. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Members of Dechra Pharmaceuticals PLC
continued

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 74, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 69 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and Responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 99, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

G Neale

Graham Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
7 September 2015

Consolidated Income Statement

For the year ended 30 June 2015

	Note	2015 Underlying £000	2015 Non-underlying items* (notes 4 & 5) £000	2015 Total £000	2014 Underlying £000	2014 Non-underlying items* (notes 4 & 5) £000	2014 Total £000
Revenue	2	**203,480**	**–**	**203,480**	193,571	–	193,571
Cost of sales		**(87,338)**	**–**	**(87,338)**	(85,863)	–	(85,863)
Gross profit		**116,142**	**–**	**116,142**	107,708	–	107,708
Selling, general and administrative expenses		**(63,120)**	**(18,371)**	**(81,491)**	(57,292)	(17,172)	(74,464)
Research and development expenses		**(8,671)**	**–**	**(8,671)**	(8,248)	–	(8,248)
Operating profit	2	**44,351**	**(18,371)**	**25,980**	42,168	(17,172)	24,996
Finance income	3	**2,242**	**–**	**2,242**	302	–	302
Finance expense	4	**(1,496)**	**(920)**	**(2,416)**	(2,609)	(1,247)	(3,856)
Profit before taxation – continuing operations	6	**45,097**	**(19,291)**	**25,806**	39,861	(18,419)	21,442
Income tax expense	8	**(9,790)**	**3,443**	**(6,347)**	(8,012)	5,986	(2,026)
Profit for the year – continuing operations		**35,307**	**(15,848)**	**19,459**	31,849	(12,433)	19,416
Profit for the year – discontinued operations	30	**–**	**–**	**–**	1,020	38,611	39,631
Profit for the year attributable to owners of the parent		**35,307**	**(15,848)**	**19,459**	32,869	26,178	59,047
Earnings per share							
Basic	10			**22.14p**			67.57p
– continuing operations				**22.14p**			22.22p
– discontinued operations				**–**			45.35p
Diluted	10			**21.99p**			67.33p
– continuing operations				**21.99p**			22.14p
– discontinued operations				**–**			45.19p
Dividend per share (interim paid and final proposed for the year)	9			**16.94p**			15.40p

* Non-underlying items comprise amortisation and impairment (if any) of acquired intangibles, acquisition expenses, rationalisation costs, loss on extinguishment of debt, fair value and other movements on deferred and contingent consideration, and profit and related expenses on the disposal of discontinued operations.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	2015 £000	2014 £000
Profit for the year	**19,459**	59,047
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit pension scheme	**(111)**	(136)
Income tax relating to components of other comprehensive income	**97**	–
	(14)	(136)
Items that may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	**(136)**	(341)
Cash flow hedges recycled to income statement	**178**	180
Losses arising on available for sale financial assets	**(37)**	–
Foreign currency translation differences for foreign operations	**(18,525)**	(18,128)
Income tax relating to components of other comprehensive income	**(4)**	29
	(18,524)	(18,260)
Total comprehensive income for the period attributable to owners of the parent	**921**	40,651

Consolidated Statement of Financial Position

At 30 June 2015

	Note	2015 £000	2014 £000
ASSETS			
Non-current assets			
Intangible assets	11	**166,684**	196,182
Property, plant and equipment	12	**16,822**	18,258
Total non-current assets		**183,506**	214,440
Current assets			
Inventories	15	**31,744**	29,673
Trade and other receivables	16	**30,932**	29,888
Cash and cash equivalents	17	**45,948**	26,773
Total current assets		**108,624**	86,334
Total assets		**292,130**	300,774
LIABILITIES			
Current liabilities			
Borrowings	20	**(8)**	(103)
Trade and other payables	18	**(31,025)**	(27,365)
Deferred and contingent consideration		**(4,417)**	(1,784)
Current tax liabilities	19	**(8,659)**	(6,463)
Total current liabilities		**(44,109)**	(35,715)
Non-current liabilities			
Borrowings	20	**(32,519)**	(31,660)
Deferred and contingent consideration		**(3,412)**	(6,025)
Employee benefit obligations	21	**(1,311)**	(1,070)
Deferred tax liabilities	14	**(16,291)**	(21,498)
Total non-current liabilities		**(53,533)**	(60,253)
Total liabilities		**(97,642)**	(95,968)
Net assets		**194,488**	204,806
EQUITY			
Issued share capital	23	**880**	877
Share premium account		**124,801**	124,429
Own shares	24	**(303)**	(606)
Hedging reserve		**(94)**	(132)
Foreign currency translation reserve		**(27,547)**	(9,022)
Merger reserve		**1,770**	1,770
Retained earnings		**94,981**	87,490
Total equity attributable to equity holders of the parent		**194,488**	204,806

The financial statements were approved by the Board of Directors on 7 September 2015 and are signed on its behalf by:

Ian Page
Chief Executive Officer
7 September 2015

Anne-Francoise Nesmes
Chief Financial Officer
7 September 2015

Company number: 3369634

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 30 June 2015

	Attributable to owners of the parent							
Year ended 30 June 2014	Issued share capital £000	Share premium account £000	Own shares £000	Hedging reserve £000	Foreign currency translation reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 July 2013	872	123,485	–	–	9,106	1,770	39,383	174,616
Profit for the period	–	–	–	–	–	–	59,047	59,047
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(312)	–	–	–	(312)
Foreign currency translation differences for foreign operations	–	–	–	–	(18,128)	–	–	(18,128)
Remeasurement of defined benefit pension scheme	–	–	–	–	–	–	(136)	(136)
Cash flow hedges recycled to income statement, net of tax	–	–	–	180	–	–	–	180
Total comprehensive income	–	–	–	(132)	(18,128)	–	58,911	40,651
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(12,579)	(12,579)
Share-based payments	–	–	–	–	–	–	1,775	1,775
Shares issued	5	944	–	–	–	–	–	949
Own shares purchased	–	–	(606)	–	–	–	–	(606)
Total contributions by and distributions to owners	5	944	(606)	–	–	–	(10,804)	(10,461)
At 30 June 2014	877	124,429	(606)	(132)	(9,022)	1,770	87,490	204,806
Year ended 30 June 2015								
At 1 July 2014	877	124,429	(606)	(132)	(9,022)	1,770	87,490	204,806
Profit for the period	–	–	–	–	–	–	19,459	19,459
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(140)	–	–	–	(140)
Losses arising on held for trading financial assets	–	–	–	–	–	–	(37)	(37)
Foreign currency translation differences for foreign operations	–	–	–	–	(18,525)	–	–	(18,525)
Remeasurement of defined benefit pension scheme, net of tax	–	–	–	–	–	–	(14)	(14)
Cash flow hedges recycled to income statement, net of tax	–	–	–	178	–	–	–	178
Total comprehensive income	–	–	–	38	(18,525)	–	19,408	921
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(13,857)	(13,857)
Share-based payments	–	–	–	–	–	–	2,243	2,243
Shares issued	3	372	–	–	–	–	–	375
Own shares recycled to retained earnings	–	–	303	–	–	–	(303)	–
Total contributions by and distributions to owners	3	372	303	–	–	–	(11,917)	(11,239)
At 30 June 2015	880	124,801	(303)	(94)	(27,547)	1,770	94,981	194,488

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, net of tax.

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 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the period		**19,459**	59,047
Adjustments for:			
Depreciation	12	**2,412**	2,197
Amortisation and impairment	11	**19,126**	18,340
Loss on disposal of intangible assets	6	**45**	–
Profit expenses on disposal of discontinued operations, net of tax	30	**–**	(38,611)
Finance income	3	**(2,242)**	(302)
Finance expense	4	**2,416**	3,856
Equity settled share-based payment expense	25	**1,767**	1,616
Income tax expense		**6,347**	2,322
Operating cash flow before changes in working capital		**49,330**	48,465
Increase in inventories		**(4,527)**	(2,811)
Increase in trade and other receivables		**(2,553)**	(21,100)
Increase/(decrease) in trade and other payables		**4,738**	(1,159)
Cash generated from operating activities before interest and taxation		**46,988**	23,395
Interest paid		**(1,338)**	(2,444)
Income taxes paid		**(4,667)**	(9,479)
Net cash inflow from operating activities		**40,983**	11,472
Cash flows from investing activities			
Interest received		**16**	260
Acquisition of subsidiaries	29	**(908)**	(5,938)
Proceeds from disposal of discontinued operations	30	**–**	91,202
Expenses related to the disposal of discontinued operations	30	**–**	(1,576)
Purchase of property, plant and equipment	12	**(2,081)**	(4,927)
Capitalised development expenditure	11	**(1,035)**	(1,065)
Purchase of other intangible non-current assets	11	**(643)**	(1,381)
Net cash (outflow)/inflow from investing activities		**(4,651)**	76,575
Cash flows from financing activities			
Proceeds from the issue of share capital	23	**375**	949
Own shares purchased	24	**–**	(606)
Repayment of borrowings		**(102)**	(81,470)
Expenses of refinancing borrowing facilities		**(1,235)**	–
Resetting of foreign currency borrowings	20	**–**	1,558
Dividends paid	9	**(13,857)**	(12,579)
Net cash outflow from financing activities		**(14,819)**	(92,148)
Net increase/(decrease) in cash and cash equivalents		**21,513**	(4,101)
Cash and cash equivalents at start of period		**26,773**	32,791
Exchange differences on cash and cash equivalents		**(2,338)**	(1,917)
Cash and cash equivalents at end of period	17	**45,948**	26,773
Reconciliation of net cash flow to movement in net cash/(borrowings)			
Net increase/(decrease) in cash and cash equivalents		**21,513**	(4,101)
Repayment of borrowings		**102**	81,470
Expenses of refinancing borrowing facilities		**1,235**	–
Exchange differences on cash and cash equivalents		**(2,338)**	(1,917)
Retranslation of foreign borrowings		**(1,442)**	1,935
Other non-cash changes		**(659)**	(1,578)
Movement in net cash/(borrowings) in the period		**18,411**	75,809
Net borrowings at start of period		**(4,990)**	(80,799)
Net cash/(borrowings) at end of period	26	**13,421**	(4,990)

Notes to the Consolidated Financial Statements

1. Accounting Policies

Dechra Pharmaceuticals PLC is a company domiciled in the United Kingdom. The consolidated financial statements of the Group for the year ended 30 June 2015 comprise the Company and its subsidiaries.

(a) Statement of Compliance

These consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP and they are separately presented on pages 150 to 158.

(b) Basis of Preparation

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 6 to 63. The Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to the Corporate Governance Report on page 74 for details.

The consolidated financial statements are presented in Sterling, rounded to the nearest thousand, or rounded to the nearest million in the commentary to the notes. They are prepared on a going concern basis and under the historical cost convention, except where International Financial Reporting Standards require an alternative treatment. The principal variations relate to derivative financial instruments, cash settled share-based transactions and contingent consideration that are stated at fair value.

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

Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification of a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is presented as if the operation had discontinued from the start of the comparative period. The disposal of the Services Segment in the prior year, as described in note 30, gave rise to a discontinued operation.

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

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

(i) Impairment of Goodwill and Indefinite Life Intangible Assets

The Group determines whether goodwill and indefinite life assets are impaired at least on an annual basis or whenever there is an indication of impairment. This requires an estimation of the value in use of the cash generating units to which they are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further detail on the assumptions used in determining value in use calculations is provided in note 13.

(ii) Valuation of Intangible Assets

Product rights and customer relationships that are acquired by the Group as part of a business combination are stated at fair value at the date of acquisition less accumulated amortisation and impairment losses. Fair value at the date of acquisition reflects management's judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate discount rate.

(iii) Taxation

The Group recognises deferred tax assets and liabilities based upon future taxable income and the expected recoverability of the balance. The estimate will include assumptions regarding future income streams of the Group and the future movement in corporation tax rates in the respective jurisdictions. The estimate of liabilities in respect of current taxation depends on estimate and judgements in respect of whether or not, and the extent to which items of income and expenditure will be taxable.

(iv) Non-underlying items

The Group presents a number of non-GAAP measures. This is to allow investors to understand the underlying performance of the Group, excluding items associated with areas such as acquisition and disposal related expenses, debt refinancing, discontinued operations and rationalisations. Judgement is associated with the classification of these items.

1. Accounting Policies continued

Adoption of New and Revised Standards

The following standards and interpretations are applicable to the Group and have been adopted in the current period as they are mandatory for the year ended 30 June 2015.

- IFRS 10 'Consolidated Financial Statements' — replaces the guidance of control and consolidation in IAS 27 and SIC 32: Consolidation - Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single entity remains unchanged, as do the mechanics of the consolidation.
- IFRS 11 'Joint Arrangements' — requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement. Proportionate consolidation for joint ventures will be eliminated and equity accounting will be mandatory.
- IFRS 12 'Disclosure of Interests in Other Entities' — requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structures entities.
- IAS 27 (Revised) 'Separate Financial Statements' — carries forward the existing accounting and disclosure requirements of IAS 27 (2008), with some minor clarifications, whilst incorporating the requirements of IAS 28 (2008) and IAS 31 for separate financial statements.

There are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ended 30 June 2015.

New Standards and Interpretations not yet Adopted

The following standard amendment has been published, endorsed by the EU, and is available for early adoption, but has not yet been applied by the Group in these financial statements.

- Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions' — effective for annual periods beginning on or after 1 January 2015.

In addition to the above, amendments to a number of standards under the annual improvements project to IFRS have been endorsed by the EU but not yet adopted. None of these amendments are expected to have a material impact on the Group's financial statements.

(c) Basis of Consolidation

Subsidiary Undertakings

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

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

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

1. Accounting Policies continued

(d) Foreign Currency Translation

(i) Functional and Presentational Currency

The consolidated financial statements are presented in Sterling, which is the Group's presentational currency, and are rounded to the nearest thousand, except where it is deemed relevant to disclose the amounts to the nearest million. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(ii) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of differences on transactions that are subject to effective cash flow hedges, which are recognised in other comprehensive income.

(iii) Foreign Operations

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

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

(e) Accounting for Financial Assets, Derivative Financial Instruments and Hedging Activities

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

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

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

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

Held for Trading and Available for Sale Financial Assets

This category has two sub-categories: financial assets held for trading or available for sale and those designated at fair value through the income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives that do not qualify for hedge accounting are also categorised as held for trading. Held for trading financial assets are recognised and subsequently carried at fair value.

Derivative Financial Instruments

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

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

1. Accounting Policies continued

Cash Flow Hedges

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item affects profit or loss.

Trade Receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost less appropriate allowances for amounts which are expected to be non-recoverable. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement in operating expenses.

Trade and Other Payables

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

Borrowings and Borrowing Costs

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

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

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(f) Property, Plant and Equipment

Owned Assets

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

Leased Assets

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. Assets in the course of construction are not depreciated until the date the assets become available for use. The estimated useful lives are as follows:

- freehold buildings — 25 years
- short leasehold buildings — period of lease
- plant and fixtures — 3 to 10 years
- motor vehicles — 4 years

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

1. Accounting Policies continued

(g) Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 July 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the separable assets, liabilities and contingent liabilities acquired.

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

Contingent consideration is measured at fair value based on an estimate of the expected future payments.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is allocated to cash generating units and is tested annually for impairment.

Research and Development Costs

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

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

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

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

Acquired Intangible Assets

Intangible assets recognised as a result of a business combination are stated at fair value at the date of acquisition less accumulated amortisation and impairment losses.

Other Intangible Assets

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

Subsequent Expenditure

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

1. Accounting Policies continued

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each consolidated statement of financial position date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

• software	5 to 7 years
• capitalised development costs	5 to 10 years or period of patent
• patent rights	period of patent
• marketing authorisations	indefinite life or period of marketing authorisation
• product rights	10 to 15 years
• customer relationships	10 years

(h) Inventories

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

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

(i) Cash and Cash Equivalents

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

(j) Impairment

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

1. Accounting Policies continued

(k) Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid.

(l) Employee Benefits

Pensions

The Group operates a stakeholder personal pension scheme for certain employees. Obligations for contributions are recognised as an expense in the income statement as incurred.

Dechra Veterinary Products SAS and Dechra Veterinary Products BV participate in state-run pension arrangements. These are not considered to be material to the Group financial statements and are accounted for as defined contribution schemes, with contributions being recognised as an expense in the income statement as incurred.

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

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

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

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

Share-based Payment Transactions

The Group operates a number of equity settled share-based payment programmes that allow employees to acquire shares in the Company. The Group also operates a Long Term Incentive Plan for Directors and Senior Executives.

The fair value of shares or options granted is recognised as an employee expense over the vesting period on a straight-line basis in the income statement with a corresponding movement to equity reserves. Fair values are determined by use of an appropriate pricing model and are determined by reference to the fair value of the options granted. The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

At each consolidated statement of financial position date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revisions of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity reserves, over the remaining vesting period.

The fair values of grants under the Long Term Incentive Plan have been determined using the Monte Carlo simulation model, as performed by a qualified third party valuation expert.

The fair values of options granted under all other share option schemes have been determined using the Black–Scholes option pricing model, as performed by a qualified third party valuation expert.

National Insurance contributions payable by the Company on the intrinsic value of share-based payments at the date of exercise are treated as cash settled awards and revalued to market price at each consolidated statement of financial position date.

Bonus and commission payments

The Group operates sales incentives schemes for certain employees and third party sales representatives in particular territories. The related bonuses and commissions are accrued in line with the related sales revenues.

1. Accounting Policies continued

(m) Revenue Recognition

Revenue is recognised in the income statement when goods are supplied to external customers against orders and, title and risk of loss are passed to the customer. As sales arrangements differ from time to time (for example by customer and by territory), each arrangement is reviewed to ensure that revenue is recognised when title and risk has passed in full to the customer. This review and the corresponding recognition of revenue encompasses a number of factors which include, but are not limited to the following:

- reviewing delivery arrangements and whether the buyer has accepted title - we recognise the revenue at the point at which full title has passed; and/or
- where distribution arrangements are in place, recognising when the goods pass to the third party customer (for example by reviewing insurance arrangements) and recognising revenue at the point at which title has passed.

Rebates, deductions and discounts are provided for in the same period as the related sales are recorded, and are recognised when reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Revenue from third party manufacturing consists principally of the production of goods to customer specification together with the provision of technical services. Revenues from third party manufacturing are recognised upon completion of the work order, either the completion and agreed delivery of the delivery of the product or upon full provision of the service.

Revenue represents net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third party analysis, and internally generated information. Value added tax and other sales taxes are excluded from revenue.

(n) Leases

Operating Leases

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

Finance Leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest rate method.

(o) Net Financing Costs

Net financing costs comprise interest payable on borrowings, unwinding of discount on provisions, interest receivable on funds invested, gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (e)) and gains or losses on the retranslation of financial assets and liabilities denominated in foreign currencies. Interest income is recognised in the income statement as it accrues. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

1. Accounting Policies continued

(p) Basis of Charge for Taxation

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

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

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

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

Current and deferred tax credits received in respect of share-based payments are recognised in the income statement to the extent that they do not exceed the standard rate of taxation on the income statement charge for share-based payments. Credits in excess of the standard rate of taxation are recognised directly in equity.

(q) Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for the effects of all potential dilutive ordinary shares, which comprise share options granted to employees.

The Group has also chosen to present an alternative EPS measure, with profit adjusted for non-underlying items. A reconciliation of this alternative measure to the statutory measure required by IFRSs is given in notes 4 and 5.

2. Operating Segments

The Group has three 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 European Pharmaceuticals Segment comprises Dechra Veterinary Products EU and Dechra Pharmaceuticals Manufacturing. This Segment operates internationally and manufactures and markets Companion Animal, Equine and Food producing Animal Products. This Segment also includes third party manufacturing sales.

The North American (NA) Pharmaceuticals Segment consists of Dechra Veterinary Products US and Dechra Veterinary Products Canada, which sell Companion Animal and Equine Products into those territories. The Segment expanded during the prior year with the acquisition of PSPC Inc.'s manufacturing unit based in Melbourne, Florida, and during the current year with the opening of the Canadian subsidiary.

The Pharmaceuticals Research and Development Segment includes all of the Group's pharmaceutical research and development activities. From a Board perspective, this Segment has no revenue income.

2. Operating Segments continued

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

		2015 £000	2014 £000
Revenue by segment			
European Pharmaceuticals	— total	**168,665**	172,449
	— inter segment	**(32)**	(35)
NA Pharmaceuticals	— total	**34,870**	21,215
	— inter segment	**(23)**	(58)
		203,480	193,571
Operating profit/(loss) by segment			
European Pharmaceuticals		**48,030**	49,016
NA Pharmaceuticals		**10,637**	5,980
Pharmaceuticals Research and Development		**(8,671)**	(8,248)
Segment operating profit		**49,996**	46,748
Corporate and other unallocated costs		**(5,645)**	(4,580)
Underlying operating profit		**44,351**	42,168
Amortisation of acquired intangibles		**(17,871)**	(16,543)
Rationalisation costs		**(9)**	(479)
Acquisition costs		**(491)**	(150)
Total operating profit		**25,980**	24,996
Finance income		**2,242**	302
Finance expense		**(2,416)**	(3,856)
Profit before taxation — continuing operations		**25,806**	21,442
Total liabilities by segment			
European Pharmaceuticals		**(24,567)**	(23,615)
NA Pharmaceuticals		**(11,486)**	(8,884)
Pharmaceuticals Research and Development		**(710)**	(633)
Segment liabilities		**(36,763)**	(33,132)
Corporate loans and revolving credit facility		**(32,519)**	(31,653)
Corporate accruals and other payables		**(3,410)**	(3,222)
Current and deferred tax liabilities		**(24,950)**	(27,961)
		(97,642)	(95,968)
Revenue by product category			Restated*
CAP		**113,888**	98,155
Equine		**17,040**	15,251
FAP		**27,278**	33,791
Diets		**25,575**	28,372
Third party manufacturing		**19,699**	18,002
		203,480	193,571
Additions to intangible non-current assets by segment (including through business combinations)			
European Pharmaceuticals		**802**	1,356
NA Pharmaceuticals		**—**	7,567
Pharmaceuticals Research and Development		**422**	1,065
Corporate and central costs		**454**	25
		1,678	10,013

* The prior year categorisation has been restated to reflect the current portfolio, following a product allocation review in the period.

2. Operating Segments continued

	2015 £000	2014 £000
Additions to Property, Plant and Equipment by segment (including through business combinations)		
European Pharmaceuticals	**1,688**	2,979
NA Pharmaceuticals	**214**	2,185
Pharmaceuticals Research and Development	**102**	55
Corporate and central costs	**77**	26
	2,081	5,245
Depreciation and amortisation by segment		
European Pharmaceuticals	**17,156**	17,684
NA Pharmaceuticals	**3,828**	1,987
Pharmaceuticals Research and Development	**497**	816
Corporate and central costs	**57**	50
	21,538	20,537

Geographical Information

The following table shows revenue based on the geographical location of customers and non-current assets based on the country of domicile of the entity holding the asset:

	2015 Revenue £000	2015 Non-current assets £000	2014 Revenue £000	2014 Non-current assets £000
UK	**59,673**	**17,368**	49,412	17,752
Germany	**34,052**	**1,983**	38,599	2,260
Rest of Europe	**65,796**	**123,803**	71,918	152,158
USA	**32,848**	**40,352**	21,242	42,270
Rest of World	**11,111**	**–**	12,400	–
	203,480	**183,506**	193,571	214,440

3. Finance Income

	2015 £000	2014 £000
Finance income arising from:		
– Cash and cash equivalents	**23**	80
– Loans and receivables	**3**	61
– Foreign exchange gains	**2,216**	161
	2,242	302

4. Finance Expense

Underlying	2015 £000	2014 £000
Finance expense arising from:		
— Financial liabilities at amortised cost	**1,460**	2,561
— Net interest on net defined benefit obligations	**36**	48
Underlying finance expense	**1,496**	2,609

Non-underlying	2015 £000	2014 £000
Loss on extinguishment of debt (notes 20 and 22)	**392**	1,213
Fair value and other movements on deferred and contingent consideration	**528**	34
Non-underlying finance expense	**920**	1,247
Total finance expense	**2,416**	3,856

5. Non-underlying Items

Non-underlying items comprise:

	2015 £000	2014 £000
Amortisation of intangible assets acquired as a result of acquisitions	**17,871**	16,543
Rationalisation costs	**9**	479
Expenses relating to acquisition activities	**491**	150
	18,371	17,172

Rationalisation costs relate to the integration of *Eurovet* Animal Health B.V. and the ensuing senior management team restructure.

6. Profit Before Taxation

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

	2015 £000	2014 £000
Cost of inventories recognised as an expense	**82,319**	80,632
Impairment of inventories included in above figure	**336**	672
Depreciation of property, plant and equipment		
— owned assets	**2,412**	2,185
— under finance leases	**–**	12
Amortisation of intangible assets	**19,126**	18,340
Loss/(profit) on disposal of intangible assets	**45**	–
Impairment of receivables	**97**	48
Operating lease rentals payable	**2,624**	2,486
Research and development expenditure as incurred	**8,671**	8,248
Auditor's remuneration	**304**	477
Analysis of total fees paid to the Auditor:		
Audit of these financial statements	**50**	50
Audit of financial statements of subsidiaries pursuant to legislation	**215**	230
Other services pursuant to legislation	**30**	33
Other assurance services	**3**	29
Other tax advisory services	**6**	34
Other services relating to transactions	**–**	101
Total fees paid to Auditor	**304**	477

7. Employees

The average numbers of staff employed by the Group during the year, which includes Directors, were:

	2015 Number	2014 Number
Continuing operations		
Manufacturing	**309**	258
Distribution	**89**	72
Administration	**465**	433
	863	763
Discontinued operations		
Manufacturing	**–**	–
Distribution	**–**	42
Administration	**–**	23
	–	65
Total	**863**	828

The costs incurred in respect of these employees were:

	2015 £000	2014 £000
Continuing operations		
Wages and salaries	**35,618**	32,939
Social security costs	**5,671**	4,256
Other pension costs	**2,076**	2,435
Share-based payments charge (see note 25)	**2,248**	1,994
	45,613	41,624
Discontinued operations		
Wages and salaries	**–**	1,327
Social security costs	**–**	101
Other pension costs	**–**	33
	–	1,461
Total	**45,613**	43,085

Related party transactions – the remuneration of key management was as follows:

	2015 £000	2014 £000
Short term employee benefits	**4,213**	3,606
Post-employment benefits	**229**	215
Share-based payments charge	**1,477**	1,543
	5,919	5,364

Key management comprises the Board and the Senior Executive Team.

Details of the remuneration, shareholdings, share options, pension contributions and payments for loss of office of the Executive Directors are included in the Directors' Remuneration Report on pages 81 to 95.

The Group operates a stakeholder personal pension scheme for certain employees and contributed between 4% and 14% of pensionable salaries. The Group also participates in state-run pension arrangements for certain employees in Dechra Veterinary Products SAS and Dechra Veterinary Products BV and operates defined benefit schemes in some countries. Total pension contributions amounted to £2,076,000 (2014: £2,468,000), of which £nil (2014: £33,000) related to discontinued operations. Contributions to defined benefit pension schemes included in the above figures total £594,000 (2014: £731,000).

8. Income Tax Expense

		2015 £000	2014 £000
Current tax	— UK corporation tax	**2,146**	646
	— overseas tax at prevailing local rates	**6,185**	6,097
	— adjustment in respect of prior years	**257**	(910)
Total current tax expense		**8,588**	5,833
Deferred tax	— origination and reversal of temporary differences	**(3,123)**	(2,428)
	— adjustment in respect of prior years	**882**	(1,379)
Total deferred tax expense		**(2,241)**	(3,807)
Total income tax expense in the Consolidated Income Statement — continuing operations		**6,347**	2,026
Tax on discontinued operations		**—**	396
Total income tax expense in the Consolidated Income Statement		**6,347**	2,422

The tax on the Group's profit before tax differs from the standard rate of UK corporation tax of 20.75% (2014: 22.50%). The differences are explained below:

	2015 £000	2014 £000
Profit before taxation — continuing operations	**25,806**	21,442
Tax at 20.75% (2014: 22.50%)	**5,355**	4,824
Effect of:		
— disallowable expenses	**434**	98
— income not taxable	**(387)**	—
— innovation related tax credits	**(923)**	(832)
— differences on overseas tax rates	**587**	331
— adjustments in respect of prior years	**1,139**	(2,289)
— difference between current and deferred tax rates	**150**	—
— change in tax rates	**(8)**	(106)
Total income tax expense — continuing operations	**6,347**	2,026
Tax on discontinued operations	**—**	396
Total income tax expense in the Consolidated Income Statement	**6,347**	2,422

Tax Credit Recognised Directly in Equity

	2015 £000	2014 £000
Deferred tax on effective portion of changes in fair value of cash flow hedges	**(4)**	29
Deferred tax on employee benefit obligations	**97**	—
Tax recognised in Consolidated Statement of Comprehensive Income	**93**	29
Corporation tax on equity settled transactions	**157**	250
Deferred tax on equity settled transactions	**319**	(91)
Total tax recognised in equity	**569**	188

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The UK deferred tax balances at 30 June 2015 have been calculated based on the rate of 20% substantively enacted at the balance sheet date.

9. Dividends

	2015 £000	2014 £000
Final dividend paid in respect of prior year but not recognised as a liability in that year: 10.65 pence per share (2014: 9.66 pence per share)	**9,355**	8,420
Interim dividend paid: 5.12 pence per share (2014: 4.75 pence per share)	**4,502**	4,159
Total dividend 15.77 pence per share (2014: 14.41 pence per share) recognised as distributions to equity holders in the period	**13,857**	12,579
Proposed final dividend for the year ended 30 June 2015: 11.82 pence per share (2014: 10.65 pence per share)	**10,398**	9,341
Total dividend paid and proposed for the year ended 30 June 2015: 16.94 pence per share (2014: 15.40 pence per share)	**14,900**	13,500

In accordance with IAS 10 'Events After the Balance Sheet Date', the proposed final dividend for the year ended 30 June 2015 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 2016. There are no income tax consequences. The final dividend for the year ended 30 June 2014 is shown as a deduction from equity in the year ended 30 June 2015.

10. Earnings per Share

Earnings per ordinary share has 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.

	2015 Pence	2014 Pence
Basic earnings per share		
– Underlying*	**40.17**	37.61
– continuing operations	**40.17**	36.45
– discontinued operations	**–**	1.16
– Basic	**22.14**	67.57
– continuing operations	**22.14**	22.22
– discontinued operations	**–**	45.35
Diluted earnings per share		
– Underlying*	**39.90**	37.48
– continuing operations	**39.90**	36.32
– discontinued operations	**–**	1.16
– Diluted	**21.99**	67.33
– continuing operations	**21.99**	22.14
– discontinued operations	**–**	45.19

The calculations of basic and diluted earnings per share are based upon:

	2015 £000	2014 £000
Earnings for underlying basic and underlying diluted earnings per share	**35,307**	32,869
– continuing operations	**35,307**	31,849
– discontinued operations	**–**	1,020
Earnings for basic and diluted earnings per share	**19,459**	59,047
– continuing operations	**19,459**	19,416
– discontinued operations	**–**	39,631

	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**87,890,277**	87,385,689
Impact of share options	**604,887**	312,771
Weighted average number of ordinary shares for diluted earnings per share	**88,495,164**	87,698,460

* Underlying measures exclude non-underlying items as defined in the Consolidated Income Statement on page 105.

At 30 June 2015, there are 351,332 options that are excluded from the EPS calculations as they are not dilutive for the period presented but may become dilutive in the future.

11. Intangible Assets

	Goodwill £000	Software £000	Development costs £000	Patent rights £000	Marketing authorisations £000	Acquired intangibles £000	Total £000
Cost							
At 1 July 2013	58,355	3,412	9,071	3,680	853	204,830	280,201
Additions	–	1,381	1,065	–	–	–	2,446
Acquisitions through business combinations	84	–	–	–	–	7,483	7,567
Foreign exchange adjustments (restated)*	(3,461)	794	(359)	–	–	(14,165)	(17,191)
At 30 June 2014 and 1 July 2014	54,978	5,587	9,777	3,680	853	198,148	273,023
Additions	–	643	1,035	–	–	–	1,678
Disposals	–	(52)	(86)	–	–	–	(138)
Foreign exchange adjustments	(5,652)	(515)	(86)	–	–	(12,534)	(18,787)
At 30 June 2015	**49,326**	**5,663**	**10,640**	**3,680**	**853**	**185,614**	**255,776**
Amortisation							
At 1 July 2013	–	947	3,963	1,468	–	54,227	60,605
Charge for the year	–	341	1,122	334	–	16,543	18,340
Foreign exchange adjustments (restated)*	–	981	(292)	–	–	(2,793)	(2,104)
At 30 June 2014 and 1 July 2014	–	2,269	4,793	1,802	–	67,977	76,841
Charge for the year	–	187	732	336	–	17,871	19,126
Disposals	–	(52)	(41)	–	–	–	(93)
Foreign exchange adjustments	–	(178)	(186)	–	–	(6,418)	(6,782)
At 30 June 2015	**–**	**2,226**	**5,298**	**2,138**	**–**	**79,430**	**89,092**
Net book value							
At 30 June 2015	**49,326**	**3,437**	**5,342**	**1,542**	**853**	**106,184**	**166,684**
At 30 June 2014 and 1 July 2014	54,978	3,318	4,984	1,878	853	130,171	196,182
At 30 June 2013	58,355	2,465	5,108	2,212	853	150,603	219,596

	2015 £000	2014 £000
Contracted capital commitments	**–**	–
Software assets in the course of construction included above	**1,121**	2,856

* The opening cost and accumulated amortisation balances have been restated to reflect the foreign exchange separately on each element. This has no impact on the opening net book value.

Goodwill is allocated across cash generating units that are expected to benefit from that business combination. Key assumptions made in this respect are given in note 13.

11. Intangible Assets continued

In accordance with the disclosure requirements of IAS 38 'Intangible Assets', the components of acquired intangibles are summarised below:

	Acquired development costs £000	Product rights £000	Total £000
Cost			
At 1 July 2013	24,920	179,910	204,830
Acquisitions through business combinations	—	7,483	7,483
Foreign exchange adjustments (restated)*	(1,583)	(12,582)	(14,165)
At 30 June 2014 and 1 July 2014	23,337	174,811	198,148
Foreign exchange adjustments	(2,618)	(9,916)	(12,534)
At 30 June 2015	**20,719**	**164,895**	**185,614**
Amortisation			
At 1 July 2013	2,243	51,984	54,227
Charge for the year	2,191	14,352	16,543
Foreign exchange adjustments (restated)*	—	(2,793)	(2,793)
At 30 June 2014 and 1 July 2014	4,434	63,543	67,977
Charge for the year	2,233	15,638	17,871
Foreign exchange adjustments	(658)	(5,760)	(6,418)
At 30 June 2015	**6,009**	**73,421**	**79,430**
Net book value			
At 30 June 2015	**14,710**	**91,474**	**106,184**
At 30 June 2014 and 1 July 2014	18,903	111,268	130,171
At 30 June 2013	22,677	127,926	150,603

* The opening cost and accumulated amortisation balances have been restated to reflect the foreign exchange separately on each element. This has no impact on the opening net book value.

The amortisation charge is recognised within administrative expenses in the Consolidated Income Statement.

The principal assets within acquired intangibles are the development costs and product rights recognised on the acquisitions of Dechra Veterinary Products Holding A/S, *DermaPet* Inc., *Genitrix*® Limited and *Eurovet* Animal Health B.V. The carrying value of these assets at 30 June 2015 was £92.0 million with a remaining amortisation period of 2½ years, 10½ years, 5½ years and 7 years respectively. The other significant assets within acquired intangibles are the product rights recognised on the acquisition of Pharmaderm Animal Health and *HY-50*. The carrying values at 30 June 2015 were £1.2 million and £3.4 million with a remaining amortisation period of 8 years and 6½ years respectively.

In May 2014, the Company completed the purchase of product rights to *Phycox*, a patented nutraceutical now launched, called *Levocrine*, which competes in the US veterinary joint health supplement market, as well as a new product in the final phase of development. The carrying value of these assets at 30 June 2015 is £6.6 million, with a remaining amortisation period of 9 years.

The Company previously completed a licensing, supply and distribution agreement for a branded veterinary generic pharmaceutical product from a US pharmaceutical development company. Under the terms of the agreement, Dechra paid US$1.5 million upon signing and will pay a further US$1.5 million on approval. There is a potential further contingent payment of US$2.0 million based on achieving US$20.0 million cumulative sales.

The principal asset within patent rights comprises payments to acquire the right to develop and market Trilostane, the active ingredient of *Vetoryl* Capsules, for animal health applications in the USA and Canada. The carrying value at 30 June 2015 was £0.8 million with a remaining amortisation period of 3½ years. The rights to *Equidone*®, which was launched in the US during 2011, have a carrying value of £0.6 million with an amortisation period of 6 years.

£0.8 million of the marketing authorisations relate to the *Vetivex* range of products. The *Vetivex* marketing authorisations are regarded as having indefinite useful economic lives and have not been amortised. Ownership of the marketing authorisations rests with the Group in perpetuity. There are not believed to be any legal, regulatory or contractual provisions that limit their useful lives. *Vetivex* is an established range of products which are relatively simple in nature and there are a limited number of players in the market. Accordingly, the Directors believe that it is appropriate that the marketing authorisations are treated as having indefinite lives for accounting purposes.

12. 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 2013	10,583	3,155	–	10,424	24,162
Additions	2,958	767	19	1,183	4,927
Disposals	–	–	(2)	(270)	(272)
Acquisitions through business combinations	–	–	–	318	318
Foreign exchange adjustments (restated)*	6,103	(2)	105	6,060	12,266
At 30 June 2014 and 1 July 2014	19,644	3,920	122	17,715	41,401
Additions	–	233	15	1,833	2,081
Disposals	–	–	(2)	(295)	(297)
Foreign exchange adjustments	(2,108)	(25)	(10)	(817)	(2,960)
At 30 June 2015	**17,536**	**4,128**	**125**	**18,436**	**40,225**
Depreciation					
At 1 July 2013	1,341	1,701	–	5,046	8,088
Charge for the year	697	196	–	1,304	2,197
Disposals	–	–	–	(270)	(270)
Foreign exchange adjustments (restated)*	6,717	(2)	106	6,307	13,128
At 30 June 2014 and 1 July 2014	8,755	1,895	106	12,387	23,143
Charge for the year	582	252	10	1,568	2,412
Disposals	–	–	(2)	(295)	(297)
Foreign exchange adjustments	(1,023)	(1)	(8)	(823)	(1,855)
At 30 June 2015	**8,314**	**2,146**	**106**	**12,837**	**23,403**
Net book value					
At 30 June 2015	**9,222**	**1,982**	**19**	**5,599**	**16,822**
At 30 June 2014 and 1 July 2014	10,889	2,025	16	5,328	18,258
At 30 June 2013	9,242	1,454	–	5,378	16,074
Net book value of assets held under finance leases					
At 30 June 2015	**–**	**–**	**–**	**–**	**–**
At 30 June 2014 and 1 July 2014	–	–	–	–	–
At 30 June 2013	–	–	–	163	163

	2015 £000	2014 £000
Contracted capital commitments	**1,186**	52
Assets in the course of construction included above	**28**	–

* The opening cost and accumulated depreciation balances have been restated to reflect the foreign exchange separately on each element. This has no impact on the opening net book value.

13. Impairment Reviews

Goodwill, indefinite life assets and intangible assets not yet available for use are tested for impairment annually, or more frequently if there are indications that amounts might be impaired. Acquired intangible assets that are being amortised are reviewed for impairment either annually, or more frequently if there are indications that amounts might be impaired. The impairment tests involve determining the recoverable amount of the relevant asset or cash generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use. In the Group's case, the recoverable amount is based on the value in use calculations.

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

The cash flow forecasts are derived as follows:

- The latest available Board-approved business plan for the first two years;
- The business plan is extrapolated by applying a growth rate of 3% (2014: 3%) per annum in years three and four;
- Thereafter, a terminal value is calculated based on year four cash flows, and assuming a long term growth rate of 0% (2014: 0%).

The projections covered a period of four years as we believe this to be the most appropriate timescale over which to review and consider annual performances before applying a fixed terminal value.

Value in use calculations were performed at 30 June 2015 for the following assets:

	2015			
Cash generating unit	**Goodwill carrying value £000**	**Indefinite life assets carrying value £000**	**Total value £000**	**Pre-tax discount rate %**
Dechra Veterinary Products EU	**46,691**	**822**	**47,513**	**11.0**
Dechra Veterinary Products NA	**404**	**–**	**404**	**13.3**
Dechra Pharmaceuticals Manufacturing – Skipton	**2,231**	**–**	**2,231**	**10.1**
	49,326	**822**	**50,148**	

	2014			
Cash generating unit	Goodwill carrying value £000	Indefinite life assets carrying value £000	Total value £000	Pre-tax discount rate %
Dechra Veterinary Products EU	52,368	822	53,190	11.4
Dechra Veterinary Products NA	379	–	379	12.2
Dechra Pharmaceuticals Manufacturing – Skipton	2,231	–	2,231	11.3
	54,978	822	55,800	

Key assumptions

The key assumptions implicit in the impairment review are those regarding the Board-approved business plan, medium and long term growth rates and the discount rate.

The Board-approved business plan incorporates a number of key input assumptions, most notably regarding market growth expectations, the competitive and legislative environments, lifecycle management, selling prices, product margins and direct costs. The assumptions applied in the business plan are based on past experience and the Group's expectation of future market changes and, where applicable, are consistent with external sources of information.

The medium and long term growth rates of 3% and 0% respectively reflect a cautious estimate of expected future growth in the Group's markets, are no higher than those implicit in the Group's strategic planning process, and do not exceed the long term growth rates in the countries in which each CGU operates.

The pre-tax discount rates have been estimated using a market participant rate, which is adjusted after consideration of market information, and risk adjusted dependent upon the specific circumstances of each asset or cash generating unit.

Sensitivity Analysis

We have performed sensitivity analyses around the key assumptions and have concluded that no reasonable changes in key assumptions would cause the recoverable amount to be less than the carrying value. An increase in the pre-tax discount rate of 1% and a reduction in the growth rate to nil would still not result in the requirement for an impairment provision.

Additionally, given the recent sales decline of our FAP products, the value of FAP assets was given particular attention. We stressed tested the FAP intangibles to reflect a cautious estimate of potential changes in the market and this would not result in an impairment due to a combination of continued amortisation of these assets together with a realistic assessment of their value on original acquisition (given expected market declines at the time).

14. Deferred Taxes

(a) Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 £000	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Intangible assets	**–**	–	**(17,235)**	(21,738)	**(17,235)**	(21,738)
Property, plant and equipment	**–**	–	**(1,806)**	(1,641)	**(1,806)**	(1,641)
Inventories	**165**	477	**–**	–	**165**	477
Payables	**480**	303	**–**	–	**480**	303
Share-based payments	**1,210**	719	**–**	–	**1,210**	719
Losses	**99**	90	**–**	–	**99**	90
R&D tax credits	**129**	–	**–**	–	**129**	–
Employee benefit obligations	**667**	292	**–**	–	**667**	292
	2,750	1,881	**(19,041)**	(23,379)	**(16,291)**	(21,498)

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

(b) Unrecognised Deferred Tax

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is £nil (2014: £nil). The estimated unprovided deferred tax liability in relation to these temporary differences is £nil (2014: £nil). Deferred tax assets in relation to losses amounting to £6,000 (2014: £6,000) have not been recognised due to uncertainty over their recoverability.

(c) Movements during the Year

	Balance at 1 July 2013 £000	Recognised in income £000	Disposals £000	Recognised in equity £000	Foreign exchange adjustments £000	Balance at 30 June 2014 £000
Intangible assets	(27,548)	4,147	34	–	1,629	(21,738)
Property, plant and equipment	(1,896)	(42)	193	–	104	(1,641)
Inventories	1,067	(596)	–	–	6	477
Payables	212	71	–	29	(9)	303
Share-based payments	964	(154)	–	(91)	–	719
Losses	–	94	–	–	(4)	90
Employee benefit obligations	17	287	–	–	(12)	292
	(27,184)	3,807	227	(62)	1,714	(21,498)

	Balance at 1 July 2014 £000	Recognised in income £000	Disposals £000	Recognised in equity £000	Foreign exchange adjustments £000	**Balance at 30 June 2015 £000**
Intangible assets	(21,738)	2,072	–	–	2,431	**(17,235)**
Property, plant and equipment	(1,641)	(293)	–	–	128	**(1,806)**
Inventories	477	(342)	–	–	30	**165**
Payables	303	179	–	(4)	2	**480**
Share-based payments	719	172	–	319	–	**1,210**
Losses	90	9	–	–	–	**99**
R&D tax credits	–	129	–	–	–	**129**
Employee benefit obligations	292	315	–	97	(37)	**667**
	(21,498)	2,241	–	412	2,554	**(16,291)**

15. Inventories

	2015 £000	2014 £000
Raw materials and consumables	**10,131**	7,031
Work in progress	**1,159**	2,507
Finished goods and goods for resale	**20,454**	20,135
	31,744	29,673

16. Trade and Other Receivables

	2015 £000	2014 £000
Trade receivables	**27,705**	28,325
Other receivables	**1,268**	857
Available for sale financial assets (note 22)	**579**	–
Prepayments and accrued income	**1,380**	706
	30,932	29,888

17. Cash and Cash Equivalents

	2015 £000	2014 £000
Cash at bank and in hand	**45,948**	26,773

18. Trade and Other Payables

	2015 £000	2014 £000
Trade payables	**10,370**	12,867
Other payables	**7,813**	8,682
Derivative financial instruments	**138**	161
Other taxation and social security	**3,861**	680
Accruals and deferred income	**8,843**	4,975
	31,025	27,365

19. Current Tax Liabilities

	2015 £000	2014 £000
Corporation tax payable	**8,659**	6,463

20. Borrowings

	2015 £000	2014 £000
Current liabilities:		
Finance lease obligations	**8**	103
Bank loans	**–**	–
	8	103
Non-current liabilities:		
Finance lease obligations	**–**	7
Bank loans	**32,519**	31,653
	32,519	31,660
Total borrowings	**32,527**	31,763

In September 2014, the Group refinanced its existing bank facility, which gave rise to a loss on extinguishment of debt of £0.4 million in the year ending 30 June 2015. The Group's revised borrowing facility comprises a £90.0 million revolving credit facility and a £30.0 million Accordion facility committed until September 2019 and various finance lease obligations.

Resetting of foreign currency borrowings within the prior year Consolidated Statement of Cash Flows relates to the cash adjustment required to ensure the movements in foreign exchange rates do not result in the committed revolving credit facility being exceeded.

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

	2015 £000	2014 £000
Bank overdraft facility	**–**	–

The revised borrowing facility is not secured on any specific assets of the Group but is supported by a joint and several cross-guarantee structure. Interest will be charged at 1.30% over LIBOR. All covenants were met during the year ended 30 June 2015.

The maturity of the bank loans and overdrafts is as follows:

	2015 £000	2014 £000
Payable:		
Within one year	**–**	–
Between one and two years	**–**	31,653
Between two and five years	**32,519**	–
	32,519	31,653

20. Borrowings continued

The minimum lease payments and the present value of minimum lease payments payable under finance lease obligations are:

	Minimum lease payments		Present value of minimum lease payments	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Within one year	**8**	103	**8**	103
Between one and two years	**–**	7	**–**	7
Between two and five years	**–**	–	**–**	–
Total minimum lease payments	**8**	110	**8**	110
Future finance charges	**–**	–	**–**	–
Present value of lease obligations	**8**	110	**8**	110

Further information on the interest profile of borrowings is shown in note 22.

21. Employee Benefit Obligations

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

The other defined benefit pension arrangements operated by the Company are unfunded: Jubilee awards of £53,000 (2014: £182,000) for employees in the Netherlands are recognised within other payables in the Consolidated Statement of Financial Position as at 30 June 2015.

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

The major actuarial assumptions used by the actuary were:

	2015	2014
Discount rate	**2.80%**	3.40%
Inflation assumption	**1.80%**	1.80%
Salary growth	**2.30%**	2.30%
Rate of increase in accrued pensions of active members	**1.00%**	1.20%
Rate of increase in pensions in payment	**0.00%**	0.00%
Rate of increase in pensions in deferment	**0.00%**	0.00%

In valuing the liabilities of the pension scheme at 30 June 2015 and 30 June 2014, mortality assumptions have been made as indicated below.

The mortality assumption follows the Prognosetafel AG2014 (2014: AG Prognosetafel 2012-2062) mortality tables with an experience adjustment in line with the ES-P2 tables as published by the Dutch Alliance of Insurers.

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

	2015 £000	2014 £000
Present value of funded defined benefit obligations	**(7,210)**	(5,927)
Fair value of scheme assets	**5,899**	4,857
Net pension scheme deficit	**(1,311)**	(1,070)

21. Employee Benefit Obligations continued

Movements in Present Value of Defined Benefit Obligations

	2015 £000	2014 £000
Defined benefit obligation at beginning of the period	**5,927**	4,722
Service cost	**702**	590
Interest cost	**203**	207
Employee contributions	**158**	152
Remeasurement loss	**900**	619
Foreign exchange difference on translation	**(680)**	(363)
Defined benefit obligations at end of the period	**7,210**	5,927

Movements in Fair Value of Scheme Assets

	2015 £000	2014 £000
Fair value of scheme assets at beginning of the period	**4,857**	3,726
Interest income	**167**	159
Additional charges	**(116)**	(99)
Employer contributions	**594**	731
Employee contributions	**158**	152
Remeasurement gain	**789**	483
Foreign exchange difference on translation	**(550)**	(295)
Fair value of scheme assets at end of the period	**5,899**	4,857

Analysis of the Amount Charged to the Income Statement

	2015 £000	2014 £000
Service cost	**702**	590
Net interest cost	**36**	40
Additional charges	**116**	99
Net pension expense	**854**	737

Analysis of the Amount Charged to the Other Statement of Consolidated Income

	2015 £000	2014 £000
Amounts charged in previous periods	**908**	772
Actuarial loss on defined benefit pension scheme	**111**	136
Net pension expense	**1,019**	908

Scheme Assets

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

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

	2015 £000	2014 £000
Discount rate used to value assets	**2.80%**	3.40%
Total fair value of assets	**5,899**	4,857
Actual return on scheme assets	**167**	159

21. Employee Benefit Obligations continued

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

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

The employer has a contract with the insurance company Nationale-Nederlanden to cover the committed pension benefits.

The employer contributions expected to be paid into the scheme for the next financial period amount to £621,000 (2014: £694,000).

History of Amounts in the Current Period

	2015 £000	2014 £000	2013 £000
Present value of funded defined benefit obligations	**(7,210)**	(5,927)	(4,722)
Fair value of scheme assets	**5,899**	4,857	3,726
Deficit in the scheme	**(1,311)**	(1,070)	(996)

22. Financial Instruments and Related Disclosures

The Group's financial instruments comprise cash deposits, bank loans and overdrafts, finance lease obligations, derivatives used for hedging purposes and trade receivables and payables.

Treasury Policy

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

The Board of Directors has approved a policy which governs all treasury activities.

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

The Group does not hold or issue derivative financial instruments for speculative purposes and the Group's treasury policy specifically prohibits such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

Capital Management

The capital structure of the Group consists of net borrowings and shareholders' equity. At 30 June 2015, net cash was £13.4 million (2014: net borrowings of £5.0 million), whilst shareholders' equity was £194.5 million (2014: £204.8 million).

The Group maintains a strong capital base so as to maintain investors', creditors' and market confidence and to sustain future development of the business.

The Group manages its capital structure to maintain a prudent balance between debt and equity that allows sufficient headroom to finance the Group's product development programme and appropriate acquisitions. There were no changes in the Group's approach to capital management during the year.

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

There are financial covenants associated with the Group's borrowings, which are interest cover, and net debt to EBITDA. The Group comfortably complied with these covenants in 2015 and 2014.

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

The Group's policy is to maintain borrowing facilities centrally which are then used to finance the Group's operating subsidiaries, either by way of equity investments or loans.

22. Financial Instruments and Related Disclosures continued

Financial Risk Management

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

- liquidity risk
- market risk
- credit risk

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

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities as they fall due. Cash flows and covenants of the Group are monitored quarterly. These are reviewed to ensure sufficient financial headroom exists for at least a 12 month period.

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

- £90.0 million revolving credit facility, of which £32.5 million was drawn down at 30 June 2015;
- an Accordion facility of £30.0 million, of which £nil was drawn down at 30 June 2015; and
- various finance leases.

The Group's undrawn borrowing facilities at 30 June 2015 and details of its revised facility are detailed in note 20.

Market Risk

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

Interest Rate Risk Management

The majority of the Group's borrowings bear interest at floating rates linked to base rate or LIBOR and are consequently exposed to cash flow interest rate risk.

The Group has hedged interest rate risk on a proportion of its revolving credit facility by means of an interest rate swap arrangement whereby the Group's exposure to fluctuations in LIBOR is fixed at a rate of 0.88% on the revolving credit facility. The amount of the revolving credit outstanding at 30 June 2015 was £32.5 million (2014: £31.7 million). The hedge is in place until 31 October 2016.

Foreign Exchange Risk Management

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

The Group hedges selectively expected currency cash flows outside normal trading activities, principally using foreign currency options.

22. Financial Instruments and Related Disclosures continued

Credit Risk

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

The Group considers its maximum credit risk to be £29.6 million (2014: £29.2 million), which is the total carrying value of the Group's financial assets excluding cash and cash equivalents.

Cash is only deposited with highly rated banks in line with our treasury policy.

The Group offers trade credit to customers in the normal course of business. Trade and bank references are obtained prior to extending credit.

The principal customers of the Pharmaceuticals Segments are European, US, Canadian and Rest of World wholesalers and distributors. The failure of a large wholesaler could have a material adverse impact on the Group's financial results.

The largest customer of the Group accounted for approximately 13.8% of gross trade receivables at 30 June 2015 (2014: 8.4%). No customer accounted for more than 10% of total Group revenues.

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

Fair Value of Financial Assets and Liabilities

The following table presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 30 June 2015 and 30 June 2014.

The following assumptions were used to estimate the fair values:

- Cash and cash equivalents — approximated to the carrying amount.
- Forward exchange contracts — based on market price and exchange rates at the balance sheet date.
- Available for sale financial instruments — based on the market rates at 30 June 2015.
- Interest rate swaps — based upon the amount that the Group would receive or pay to terminate the instrument at the balance sheet date, being the market price of the instrument.
- Receivables and payables — approximated to the carrying amount.
- Bank loans and overdrafts — based upon discounted cash flows using discount rates based upon facility rates renegotiated after the 30 June 2015 year end.
- Finance lease obligations — based upon discounted cash flows using discount rates based upon the Group's cost of borrowing at the balance sheet date.

22. Financial Instruments and Related Disclosures continued

Analysis of Financial Instruments

The financial instruments of the Group are analysed as follows:

	2015		2014	
	Carrying value £000	**Fair value £000**	Carrying value £000	Fair value £000
Financial assets				
Cash and cash equivalents	**45,948**	**45,948**	26,773	26,773
	45,948	**45,948**	26,773	26,773
Available for sale financial instruments	**579**	**579**	—	—
Loans and receivables				
— trade receivables	**27,705**	**27,705**	28,325	28,325
— other receivables	**1,268**	**1,268**	857	857
	28,973	**28,973**	29,182	29,182
Total financial assets	**75,500**	**75,500**	55,955	55,955
Financial liabilities				
Bank loans and overdrafts	**(32,519)**	**(32,519)**	(31,653)	(31,653)
Held for trading financial liabilities				
— derivatives designated as hedges	**(138)**	**(138)**	(161)	(161)
Finance lease liabilities	**(8)**	**(8)**	(110)	(110)
Trade payables	**(10,370)**	**(10,370)**	(12,867)	(12,867)
Other payables	**(7,813)**	**(7,813)**	(8,682)	(8,682)
Deferred and contingent consideration	**(7,829)**	**(7,829)**	(7,809)	(7,809)
Total financial liabilities	**(58,677)**	**(58,677)**	(61,282)	(61,282)
Net financial liabilities	**16,823**	**16,823**	(5,327)	(5,327)

In March 2015, the Group made an investment of US$1 million in Jaguar Animal Health Inc. (Jaguar) to potentially gain access to the EU marketing rights for a companion animal product. At 30 June 2015, the Company holds 178,571 shares in Jaguar following its IPO. The Company also holds 89,286 warrants, which are valid for three years. The shares and warrants have been classified as available for sale financial instruments and have been valued at fair value at the period end, with any gains or losses being recognised in the Consolidated Statement of Comprehensive Income.

Fair Value Hierarchy

The table below analyses the Group's financial instruments carried at fair value, by valuation method. Where possible, quoted prices in active markets are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3.

30 June 2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Available for sale financial instruments	**579**	**—**	**—**	**579**
Derivative financial liabilities	**—**	**(138)**	**—**	**(138)**
Deferred and contingent consideration for business combinations	**—**	**—**	**(7,829)**	**(7,829)**
Total	**579**	**(138)**	**(7,829)**	**(7,388)**

30 June 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available for sale financial instruments	—	—	—	—
Derivative financial liabilities	—	(161)	—	(161)
Deferred and contingent consideration for business combinations	—	—	(7,809)	(7,809)
Total	—	(161)	(7,809)	(7,970)

At 30 June 2015, the deferred and contingent consideration balance is made up of £3.1 million in relation to the *DermaPet* acquisition, £2.0 million for a US generic pharmaceutical product, and £2.7 million in relation to the *Phycox* acquisition. Movements in deferred and contingent consideration consist of: a £0.6 million payment in the period and £0.2 million increase due to foreign exchange differences in relation to the *DermaPet* acquisition; £0.2 million increase due to foreign exchange differences in relation to the US generic pharmaceutical; and a payment of £0.3 million, £0.3 million of unwinding of discount and £0.2 million increase due to foreign exchange differences in relation to the *Phycox* acquisition.

22. Financial Instruments and Related Disclosures continued

Credit Risk — Overdue Financial Assets

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

	2015 £000	2014 £000
Overdue by:		
Up to one month	**3,858**	5,206
Between one and two months	**389**	270
Between two and three months	**—**	324
Over three months	**42**	11
	4,289	5,811

The movement in the impairment provision was as follows:

	2015 £000	2014 £000
At start of period	**176**	148
Impairment provision recognised	**97**	48
Impairment provision utilised	**(10)**	(20)
At end of period	**263**	176

Liquidity Risk — Contracted Cash Flows of Financial Liabilities

The following table shows the cash flow commitments of the Group in respect of financial liabilities excluding derivatives at 30 June 2015 and 30 June 2014. Where interest is at floating rates, the future interest payments have been estimated using current interest rates:

At 30 June 2015	Deferred and contingent consideration £000	Bank loans and overdrafts £000	Finance leases £000	Trade and other payables £000	Total £000
Carrying value	**(7,829)**	**(32,519)**	**(8)**	**(18,183)**	**(58,539)**
Future interest	**(1,658)**	**(1,109)**	**—**	**—**	**(2,767)**
Total committed cash flow	**(9,487)**	**(33,628)**	**(8)**	**(18,183)**	**(61,306)**
Payable:					
Within 6 months	**(3,386)**	**(132)**	**(8)**	**(18,183)**	**(21,709)**
Between 6 months and 1 year	**(1,161)**	**—**	**—**	**—**	**(1,161)**
Between 1 and 2 years	**(434)**	**—**	**—**	**—**	**(434)**
Between 2 and 3 years	**(456)**	**—**	**—**	**—**	**(456)**
Between 3 and 4 years	**(479)**	**—**	**—**	**—**	**(479)**
Between 4 and 5 years	**(462)**	**(33,496)**	**—**	**—**	**(33,958)**
Over 5 years	**(3,109)**	**—**	**—**	**—**	**(3,109)**
	(9,487)	**(33,628)**	**(8)**	**(18,183)**	**(61,306)**

22. Financial Instruments and Related Disclosures continued

At 30 June 2014	Deferred and contingent consideration £000	Bank loans and overdrafts £000	Finance leases £000	Trade and other payables £000	Total £000
Carrying value	(7,809)	(31,653)	(110)	(21,549)	(61,121)
Future interest	(1,952)	(588)	—	—	(2,540)
Total committed cash flow	(9,761)	(32,241)	(110)	(21,549)	(63,661)
Payable:					
Within 6 months	(773)	(202)	(73)	(21,549)	(22,597)
Between 6 months and 1 year	(183)	—	(30)	—	(213)
Between 1 and 2 years	(4,221)	(32,039)	(7)	—	(36,267)
Between 2 and 3 years	(403)	—	—	—	(403)
Between 3 and 4 years	(423)	—	—	—	(423)
Between 4 and 5 years	(445)	—	—	—	(445)
Over 5 years	(3,313)	—	—	—	(3,313)
	(9,761)	(32,241)	(110)	(21,549)	(63,661)

The contractual undiscounted cash flows in respect of derivative financial instruments are as follows:

	2015 £000	2014 £000
Due:		
Within 6 months	**52**	34
Between 6 months and 1 year	**52**	34
Between 1 and 2 years	**34**	69
Between 2 and 5 years	**—**	24
	138	**161**

The Group has a contractual obligation to pay £44,000 (2014: £34,000) under its interest rate swap arrangement covering the period from 30 June to 30 September 2015.

With the exception of the above disclosed, there are no other assets that have been impaired during the year.

22. Financial Instruments and Related Disclosures continued

Foreign Currency Exposure

The Sterling equivalents of financial assets and liabilities denominated in foreign currencies at 30 June 2015 and 30 June 2014 were:

At 30 June 2015	Danish Krone £000	Euro £000	US Dollar £000	Other £000
Financial assets				
Trade receivables	**–**	**1,755**	**–**	**83**
Other receivables	**–**	**–**	**1,001**	**–**
Cash balances	**10,286**	**–**	**791**	**1,154**
	10,286	**1,755**	**1,792**	**1,237**
Financial liabilities				
Bank loans and overdrafts	**–**	**(8,282)**	**(28,616)**	**–**
Trade payables	**(11)**	**(1,979)**	**(726)**	**(288)**
Other payables	**–**	**(1,864)**	**(148)**	**(1,183)**
Derivatives	**–**	**(63)**	**(76)**	**–**
	(11)	**(12,188)**	**(29,566)**	**(1,471)**
Net balance sheet exposure	**10,275**	**(10,433)**	**(27,774)**	**(234)**

At 30 June 2014	Danish Krone £000	Euro £000	US Dollar £000	Other £000
Financial assets				
Trade receivables	1,530	4,825	349	8,377
Other receivables	48	110	–	234
Cash balances	409	5,300	721	3,940
	1,987	10,235	1,070	12,551
Financial liabilities				
Bank loans and overdrafts	–	(6,258)	(28,321)	–
Trade payables	(630)	(1,444)	(503)	(97)
Other payables	–	–	(2,457)	–
Derivatives	–	(86)	(75)	–
	(630)	(7,788)	(31,356)	(97)
Net balance sheet exposure	1,357	2,447	(30,286)	12,454

Sensitivity Analysis

Interest Rate Risk

A 2.0% increase in interest rates compared to those ruling at 30 June 2015 would reduce Group profit before taxation and equity by £143,000 (2014: £138,000).

22. Financial Instruments and Related Disclosures continued

Foreign Currency Risk

The Group has significant cash flows and net financial assets and liabilities in Danish Krone, US Dollar and Euro. The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of non-Sterling businesses.

The following table shows the impact on the Group's profit after taxation of a 10% appreciation of Sterling against each of these currencies. In this analysis, financial assets and liabilities are only considered sensitive to foreign exchange rates where they are not in the functional currency of the entity that holds them. There is no impact on other equity reserves.

	Profit after taxation £000
Danish Krone	731
US Dollar	(1,977)
Euro	(743)

The sensitivities above represent the Directors' view of reasonably possible changes in each risk variable, not worst case scenarios or stress tests. The outputs from the sensitivity analysis are estimates of the impact of the effect of changes in market risks assuming that the specified changes occur at the year end and are applied to the risk exposures at that date. Accordingly, they show the impact on profitability and the balance sheet from such movements.

Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring and to further developments in global financial markets. As such, this table should not be considered as a projection of likely future gains and losses.

Hedges

Cash Flow Hedges

The Group has entered into interest rate swaps on the revolving credit facility of £32.5 million. The Group has designated these as cash flow hedges. The risk being hedged is the variability of cash flows arising from movements in interest rates. During the period, £20,000 was written off to the Consolidated Income Statement as an ineffective hedge. All other hedges remained effective throughout the period.

The hedges are in place until 31 October 2016. The amounts recognised in equity are recycled to the Consolidated Income Statement to offset gains and losses in the period in which the cash flows occur.

The amount recognised in equity in the year ended 30 June 2015 was a liability of £94,000 including an income tax credit of £4,000 (2014: £132,000 including an income tax credit of £29,000).

23. Share Capital

	Ordinary shares of 1p each			
	2015		2014	
	£000	**Number**	£000	Number
Allotted, called up and fully paid at start of year	**877**	**87,712,564**	872	87,157,444
New shares issued	**3**	**258,599**	5	555,120
Allotted, called up and fully paid at end of year	**880**	**87,971,163**	877	87,712,564

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital. At the 2009 Annual General Meeting, the 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, 258,599 new ordinary shares of 1p (2014: 555,120 new ordinary shares of 1p) were issued following the exercise of options under the Long Term Incentive Plan, and the Approved, Unapproved and SAYE Share Options Schemes. The consideration received was £375,035 (2014: £949,503). 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.

24. Own Shares

	2015 £000	2014 £000
At beginning of the period	**606**	–
Recycled to profit and loss account	**(303)**	606
At end of period	**303**	606

The own shares reserve represents the cost of shares in Dechra Pharmaceuticals PLC purchased in the market and held by the Group's Employee Benefit Trust to satisfy options under the Group's share options schemes (see note 25 for details). The number of ordinary shares held by the Employee Benefit Trust at 30 June 2015 was 41,739 (2014: 83,478).

25. Share-based Payments

During the year, the Company operated the Unapproved Share Option Scheme, the Approved Share Option Scheme, the Long Term Incentive Plan and the Save As You Earn (SAYE) Share Option Scheme as described below:

Unapproved and Approved Share Option Schemes

Under these Schemes, options are granted to certain Executives and employees of the Group (excluding Executive Directors) to purchase shares in the Company at a price fixed at the average market value over the three days prior to the date of grant. For the options to vest, there must be an increase in earnings per share of at least 12% above the growth in the UK Retail Prices Index (RPI) over a three year period. Once vested, options must be exercised within ten years of the date of grant.

Long Term Incentive Plan

For Awards granted before 5 March 2013: Vesting is dependent on an underpin condition based on the Company's adjusted diluted earnings per share performance. No Awards will vest unless adjusted diluted earnings per share has grown by at least 3% per annum above the retail prices index over the three year measurement period. Provided this condition is met, then the number of shares that vest depends on the Company's TSR performance against the FTSE Small Cap Index over the three year measurement period. 100% of the shares vest if the Company achieves an upper quartile performance, 25% of the shares vest at median performance, and awards vest on a straight-line basis for performance in between. No shares vest if performance is below median.

For Awards granted on and after 5 March 2013: Vesting is dependent on two performance conditions which must be satisfied over a three year performance period commencing from the start of the financial year within which the award is granted. 50% of the Award will vest dependent on the Company's TSR performance against an appropriate comparator group. 50% of the Award will vest subject to a performance condition based on annual earnings per share targets. Each of the TSR and EPS elements is subject to an additional ROCE underpin. Unless the Company's ROCE is 10% or more in the final year of the performance period, the award will lapse in full.

SAYE Option Scheme

This scheme is open to all UK employees. Participants save a fixed amount of up to £500 per month for either three or five years and are then able to use these savings to buy shares in the Company at a price fixed at a 20% discount to the market value at the start of the savings period. Prior to 16 October 2012, participants were able to save for a seven year period. The SAYE options must ordinarily be exercised within six months of the completion of the relevant savings period. The exercise of these options is not subject to any performance criteria.

25. Share-based Payments continued

Year ended 30 June 2015

	Exercise Period	Exercise price per share* Pence	At 1 July 2014 Number	Exercised Number	Granted Number	Lapsed Number	At 30 June 2015 Number
Unapproved Share Option Scheme							
2 April 2008†	2011–2018	336.15	9,915	–	–	–	**9,915**
10 October 2008†	2011–2018	364.62	20,142	(8,166)	–	–	**11,976**
30 March 2009†	2012–2019	381.15	27,214	(6,531)	–	–	**20,683**
1 March 2010†	2013–2020	418.81	20,674	(6,531)	–	–	**14,143**
28 February 2011†	2014–2021	461.97	36,919	(18,458)	–	–	**18,461**
10 September 2012	2015–2022	541.00	65,244	–	–	(2,000)	**63,244**
16 September 2013	2016–2023	721.00	51,842	–	–	(4,000)	**47,842**
5 March 2014	2017–2024	698.00	2,000	–	–	–	**2,000**
11 September 2014	2017–2024	763.00	–	–	62,817	(2,000)	**60,817**
			233,950	(39,686)	62,817	(8,000)	**249,081**
Approved Share Option Scheme							
19 March 2007†	2010–2017	265.43	7,620	–	–	–	**7,620**
2 April 2008†	2011–2018	336.15	9,766	–	–	–	**9,766**
1 March 2010†	2013–2020	418.81	7,510	(2,150)	–	–	**5,360**
28 February 2011†	2014–2021	461.97	10,477	(4,932)	–	–	**5,545**
10 September 2012	2015–2022	541.00	10,756	–	–	–	**10,756**
16 September 2013	2016–2023	721.00	15,158	–	–	–	**15,158**
11 September 2014	2017–2024	763.00	–	–	15,183	–	**15,183**
			61,287	(7,082)	15,183	–	**69,388**
Long Term Incentive Plan							
7 September 2011	2014–2015	–	161,041	(161,041)	–	–	**–**
5 March 2013	2016–2016	–	226,168	–	–	–	**226,168**
27 September 2013†	2014–2015	–	83,478	(41,739)	–	–	**41,739**
27 November 2013	2016–2017	–	276,012	–	–	–	**276,012**
15 September 2014	2017–2018	–	–	–	275,332	–	**275,332**
			746,699	(202,780)	275,332	–	**819,251**
SAYE Option Scheme							
13 October 2008	2011–2015	315.02	5,306	–	–	–	**5,306**
12 October 2009	2012–2016	304.92	19,423	(16,005)	–	–	**3,418**
13 December 2010	2013–2017	375.64	16,379	–	–	–	**16,379**
17 October 2011	2014–2018	365.54	41,610	(34,785)	–	–	**6,825**
16 October 2012	2015–2019	471.00	59,981	–	–	(382)	**59,599**
7 April 2014	2017–2019	552.00	111,078	–	–	(8,821)	**102,257**
13 October 2014	2017–2023	614.00	–	–	124,033	(3,531)	**120,502**
			253,777	(50,790)	124,033	(12,734)	**314,286**
Total			1,295,713	(300,338)	477,365	(20,734)	**1,452,006**
Weighted average exercise price*			207.91p	124.87p	284.21p	612.96p	**244.39p**

* Adjusted to reflect the bonus element of the Rights Issue – there has been no impact on the overall fair value of options in issue.

† Total share options exercisable at 30 June 2015 are 145,208.

25. Share-based Payments continued

Year ended 30 June 2014

	Exercise Period	Exercise price per share* Pence	At 1 July 2013 Number	Exercised Number	Granted Number	Lapsed Number	At 30 June 2014 Number
Unapproved Share Option Scheme							
19 March 2007†	2010–2017	265.43	7,120	(7,120)	–	–	–
2 April 2008†	2011–2018	336.15	17,201	(7,286)	–	–	9,915
10 October 2008†	2011–2018	364.62	20,142	–	–	–	20,142
30 March 2009†	2012–2019	381.15	34,355	(7,141)	–	–	27,214
1 March 2010†	2013–2020	418.81	29,672	(8,998)	–	–	20,674
28 February 2011†	2014–2021	461.97	52,683	(12,526)	–	(3,238)	36,919
10 September 2012	2015–2022	541.00	90,772	(1,307)	–	(24,221)	65,244
16 September 2013	2016–2023	721.00	–	–	54,842	(3,000)	51,842
5 March 2014	2017–2024	698.00	–	–	2,000	–	2,000
			251,945	(44,378)	56,842	(30,459)	233,950
Approved Share Option Scheme							
5 April 2005†	2008–2015	185.98	8,709	(8,709)	–	–	–
15 March 2006†	2009–2016	231.45	14,151	(14,151)	–	–	–
19 March 2007†	2010–2017	265.43	30,845	(23,225)	–	–	7,620
2 April 2008†	2011–2018	336.15	23,334	(13,568)	–	–	9,766
10 October 2008†	2011–2018	364.62	2,722	(2,722)	–	–	–
30 March 2009†	2012–2019	381.15	5,922	(5,922)	–	–	–
1 March 2010†	2013–2020	418.81	21,486	(13,976)	–	–	7,510
28 February 2011†	2014–2021	461.97	15,888	(4,550)	–	(861)	10,477
10 September 2012	2015–2022	541.00	17,228	–	–	(6,472)	10,756
16 September 2013	2016–2023	721.00	–	–	15,158	–	15,158
			140,285	(86,823)	15,158	(7,333)	61,287
Long Term Incentive Plan							
22 December 2010	2013–2014	–	207,339	(207,339)	–	–	–
7 September 2011	2014–2015	–	245,722	(68,878)	–	(15,803)	161,041
5 March 2013	2016–2016	–	279,323	(4,047)	–	(49,108)	226,168
27 September 2013	2014–2015	–	–	–	83,478	–	83,478
27 November 2013	2016–2017	–	–	–	309,718	(33,706)	276,012
			732,384	(280,264)	393,196	(98,617)	746,699
SAYE Option Scheme							
12 October 2006	2009–2013	179.77	3,909	(3,909)	–	–	–
17 October 2007	2010–2014	257.16	8,546	(6,694)	–	(1,852)	–
13 October 2008	2011–2015	315.02	36,422	(30,909)	–	(207)	5,306
12 October 2009	2012–2016	304.92	27,814	(6,321)	–	(2,070)	19,423
13 December 2010	2013–2017	375.64	92,291	(61,906)	–	(14,006)	16,379
17 October 2011	2014–2018	365.54	88,145	(23,852)	–	(22,683)	41,610
16 October 2012	2015–2019	471.00	115,059	(10,064)	–	(45,014)	59,981
7 April 2014	2017–2019	552.00	–	–	111,078	–	111,078
			372,186	(143,655)	111,078	(85,832)	253,777
Total			1,496,800	(555,120)	576,274	(222,241)	1,295,713
Weighted average exercise price*			205.61p	171.04p	195.40p	254.63p	207.91p

* Adjusted to reflect the bonus element of the Rights Issue – there has been no impact on the overall fair value of options in issue.
† Total share options exercisable at 30 June 2014 were 191,976.

The weighted average exercise price of options eligible to be exercised at 30 June 2015 was 276.48p (2014: 312.8p).

For options exercised during the year, the weighted average market price at the date of exercise was 791p (2014: 694p). The weighted average remaining contractual lives of options outstanding at the Consolidated Statement of Financial Position date was four years (2014: four years).

25. Share-based Payments continued

Outstanding options on all Long Term Incentive Plan, Approved and Unapproved plans prior to 30 June 2012 were exercisable at 30 June 2015. 41,739 options granted on 27 September 2013 under the Long Term Incentive Plan were exercisable at 30 June 2015.

No options issued under SAYE plans were exercisable at 30 June 2015.

The fair values for shares granted under the Unapproved, Approved and SAYE Option Schemes have been calculated using the Black–Scholes option pricing model. The fair values of shares awarded under the Long Term Incentive Plan have been calculated using a Monte Carlo simulation model which takes into account the market-based performance conditions attaching to those shares.

The assumptions used in calculating fair value are as follows:

Long Term Incentive Plan

Date of grant	15/09/14	27/11/13	27/09/13
Number of shares awarded	275,332	309,718	83,478
Share price at date of grant	764p	681p	715p
Exercise price	Nil	Nil	Nil
Expected life	2.83 years	2.58 years	1-2 years
Risk-free rate	1.16%	0.73%	0.38%
Volatility	23%	25%	25%
Dividend yield	1.83%	2.05%	1.97%
Fair value per share	596p	461p	617p

Unapproved and Approved Share Option Schemes

Date of grant	11/09/14	16/09/13 and 05/03/14
Number of shares awarded	78,000	72,000
Share price at date of grant	765p	738p
Exercise price	763p	721p
Expected life	5 years	5 years
Risk-free rate	1.78%	1.69%
Volatility	27%	33%
Dividend yield	1.83%	1.90%
Fair value per share	164p	197p

25. Share-based Payments continued

Save As You Earn Option Scheme

Date of grant	13/10/14	07/04/14
Number of shares awarded	124,033	111,078
Share price at date of grant	716p	675p
Exercise price	614p	552p
Expected life		
– three year scheme	3.25 years	3.25 years
– five year scheme	5.25 years	5.25 years
Risk-free rate		
– three year scheme	1.09%	1.21%
– five year scheme	1.55%	1.87%
Volatility		
– three year scheme	24%	24%
– five year scheme	26%	27%
Dividend yield	1.96%	2.13%
Fair value per share		
– three year scheme	150p	158p
– five year scheme	186p	193p

Expected volatility was determined by calculating the historical volatility of the Group's share price over its entire trading history.

National Insurance contributions are payable by the Company in respect of some of the share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments and are therefore treated as cash settled awards. The Group had an accrual at 30 June 2015 of £735,000 (2014: £429,000), of which £123,000 (2014: £50,000) related to vested options. The total charge to the Consolidated Income Statement in respect of share-based payments was:

	2015 £000	2014 £000
Equity settled share-based transactions	**1,767**	1,616
Cash settled share-based transactions	**481**	378
	2,248	1,994

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

26. Analysis of Net Cash/(Borrowings)

	2015 £000	2014 £000
Bank loans	**(32,519)**	(31,653)
Finance leases and hire purchase contracts	**(8)**	(110)
Cash and cash equivalents	**45,948**	26,773
Net cash/(borrowings)	**13,421**	(4,990)

27. Operating Leases

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

	Land and buildings		Other assets		Total	
	2015 £000	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Within one year	**784**	785	**1,131**	1,264	**1,915**	2,049
Between one and five years	**3,074**	2,735	**1,280**	1,217	**4,354**	3,952
In five years or more	**2,392**	2,254	**–**	–	**2,392**	2,254
	6,250	5,774	**2,411**	2,481	**8,661**	8,255

The Group leases properties, plant, machinery and vehicles for operational purposes. Property leases vary in length up to a period of 20 years. Plant, machinery and vehicle leases typically run for periods of up to five years.

28. Foreign Exchange Rates

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

	Average rate for 2014	Closing rate at 30 June 2014	Average rate for 2015	Closing rate at 30 June 2015
Danish Krone	8.9378	9.3051	9.7175	10.4869
Euro	1.1981	1.2480	1.3045	1.4057
US Dollar	1.6259	1.6938	1.5834	1.5728

29. Acquisitions

Acquisition of Phycox

On 20 May 2014, the Group acquired certain trade and assets of PSPC Inc. for a maximum total consideration of US$14.2 million. PSPC's principal product is *Phycox*, a patented nutraceutical which competes in the US veterinary joint health supplement market. Additionally, a new product was in the final phase of development and has been launched in the 2015 financial year under the trade name of *Levocrine*. The acquisition enhances our US product portfolio and adds further critical mass to our US business.
US$8.5 million of the consideration was payable on completion, US$1.5 million was contingent upon the successful registration of the new product, which occurred in June 2014, and US$4.2 million is contingent on future sales. During the year ended 30 June 2015, US$0.5 million (£0.3 million) of the contingent consideration was paid.

	Book value £000	Fair value £000
Recognised amounts of identifiable assets acquired and liabilities assumed		
Identifiable assets		
Property, plant and equipment	701	319
Trade and other receivables	86	86
Inventory	617	436
Identifiable intangible assets	—	7,483
Net identifiable assets	**1,404**	**8,324**
Goodwill		**84**
Total consideration		**8,408**
Satisfied by:		
Cash		5,047
Contingent consideration arrangement — paid on 20 June 2014		891
Contingent consideration		2,470
Total consideration transferred		**8,408**
Net cash outflow arising on acquisition		
Cash consideration		5,047
Contingent consideration arrangement — paid on 20 June 2014		891
		5,938

The fair value adjustments mostly relate to harmonisation with the Group IFRS accounting policies, including the application of fair values on acquisition, principally the recognition of product rights in accordance with IFRS 3. No deferred tax has been recognised on the identifiable intangible assets as no temporary differences arise between the carrying amounts of the assets for financial purposes and the amounts used for taxation purposes (the tax base).

The book value of receivables in the table above represents the gross contractual amounts receivable.

The goodwill of £0.1 million arising from the acquisition consists of the assembled workforce and technical expertise. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition related costs (included in operating expenses) amounted to £0.2 million. *Phycox*'s results are reported within the NA Pharmaceuticals Segment.

Contingent consideration of US$1.5 million was paid on 20 June 2014 following the successful registration of *Levocrine*. The remaining contingent consideration of US$4.2 million (£2.5 million) is dependent on 10% of future global net sales (with a further 2.5% payable on sales over US$7.5 million, and a further 2.5% payable on sales over US$12.5 million). $0.5 million (£0.3 million) was paid during the year.

29. Acquisitions continued

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.

During the period, the Group paid a further US$1.0 million (£0.6 million) in respect of the acquisition of *DermaPet*, Inc.; this related to deferred consideration which was paid on the fourth anniversary of the completion date.

The maximum further consideration payable is US$5.0 million, which is contingent upon revenue exceeding US$20.0 million in any rolling 12 month period ending on the sixth anniversary of the completion date. After the year end, in August 2015, this US$5.0 million has been paid. leaving no further consideration outstanding for this acquisition.

30. Discontinued Operations

The divestment of the Services Segment was completed on 16 August 2013 for sale proceeds of £91.2 million. The costs to sell were £1.6 million (of which £1.5 million was incurred in the prior year), with an associated tax deduction of £0.1 million.

The Services businesses constituted a reporting segment in accordance with IFRS 8.

The results of the discontinued operations included in the profit for the prior year are set out below. The Segment was classified as discontinued operations and as held for sale at 30 June 2013.

Profit for the Year from Discontinued Operations

	2015 £000	2014 £000
Revenue	–	48,259
Cost of sales	–	(44,519)
Gross profit	–	3,740
Distribution costs	–	(1,669)
Administrative expenses	–	(755)
Non-underlying expenses*	–	–
Operating profit	–	1,316
Net finance expense	–	–
Profit before taxation from operating activities	–	1,316
Income tax expenses	–	(296)
Profit for the year from operating activities	–	1,020
Profit on disposal and related expenses	–	38,711
Tax on profit on disposal and related expenses	–	(100)
Total profit for the year from discontinued operations attributable to owners of the parent	–	39,631

* Non-underlying items comprise amortisation of acquired intangibles and rationalisation costs.

See note 10 for the Earnings per Share split between continued and discontinued operations.

30. Discontinued Operations continued

Cash Flows from Discontinued Operations

	2015 £000	2014 £000
Net cash outflow from operating activities	–	(14,210)
Net cash inflow from investing activities	–	89,626
Net cash outflow from financing activities (including repayment of inter company funding)	–	–

Effect of the Disposal on the Financial Position of the Group

	2014 £000
Goodwill	(2,621)
Intangible assets	(1,049)
Property, plant and equipment	(1,677)
Inventories	(29,274)
Trade and other receivables	(73,330)
Trade and other payables	55,569
Net assets sold	(52,382)
Consideration received	87,500
Working capital adjustment	3,702
Expenses related to disposal (including those accrued in the previous year)	(1,576)
Net cash inflow	89,626

31. Related Party Transactions

Subsidiaries

The Group's ultimate Parent Company is Dechra Pharmaceuticals PLC. A listing of subsidiaries is shown within the financial statements of the Company on page 158.

Transactions with Key Management Personnel

The details of the remuneration, Long Term Incentive Plans, shareholdings, share options and pension entitlements of individual Directors are included in the Directors' Remuneration Report on pages 81 to 95. The remuneration of key management is disclosed in note 7.

32. Off Balance Sheet Arrangements

The Group has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

33. Events after the Reporting Period

On 3 August 2015, Dechra announced that it had signed a conditional share purchase agreement (SPA) to acquire 63.3% of the authorised shares (equivalent to 69% voting rights) in Genera d.d. (Genera), a Croatian listed pharmaceutical business. Under the Croatian Takeover Rules, the conditional offer requires Dechra to make a mandatory offer for the remaining issued share capital of Genera and is subject to approval by the Croatian Financial Services Agency (HANFA). The SPA is conditional on total aggregate shareholder acceptances reaching 75% of the voting share capital.

Dechra has offered HRK179.60 per share, which was equivalent to €51.4 million, based on exchange rates in effect on the date of signing, for the entire share capital on a cash free, debt free basis. This will be wholly payable in cash and is to be funded from Dechra's existing debt facilities.

Genera is the oldest and largest manufacturer of animal health products in the Republic of Croatia with a strong market share in its local market and neighbouring countries. It operates three main divisions: Animal Health, which represents the majority of revenue; Agrochemicals; and Human Pharmaceuticals. It operates from one manufacturing location in Kalinovica, Croatia and during 2014 employed 287 people.

Company Balance Sheet
At 30 June 2015

	Note	2015 £000	2014 £000
Fixed assets			
Investments	iii	**282,416**	242,065
Intangible assets	iv	**3,367**	3,879
Tangible assets	v	**682**	208
		286,465	246,152
Current assets			
Debtors (includes amounts falling due after more than one year of £647,000 (2014: £501,000))	vi	**14,430**	16,560
Cash at bank and in hand		**–**	–
		14,430	16,560
Creditors: amounts falling due within one year	vii	**(55,355)**	(48,841)
Net current liabilities		**(40,925)**	(32,281)
Total assets less current liabilities		**245,540**	213,871
Creditors: amounts falling due after more than one year	vii	**(32,519)**	(31,653)
Net assets		**213,021**	182,218
Capital and reserves			
Called up share capital	x	**880**	877
Share premium account	xi	**124,801**	124,429
Own shares	xi	**(303)**	(606)
Hedging reserve	xi	**(91)**	(132)
Profit and loss account	xi	**87,734**	57,650
Total equity shareholders' funds		**213,021**	182,218

The financial statements were approved by the Board of Directors on 7 September 2015 and are signed on its behalf by:

Ian Page
Chief Executive Officer
7 September 2015

Anne-Francoise Nesmes
Chief Financial Officer
7 September 2015

Company number: 3369634

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 June 2015

	2015 £000	2014 £000
At start of year	**182,218**	142,650
Profit for the financial year	**42,514**	50,320
Effective portion of changes in fair value of cash flow hedges	**(137)**	(273)
Cash flow hedges recycled to profit and loss account	**178**	141
Losses arising in the period on available for sale financial assets	**(37)**	–
Share-based payments charge	**1,767**	1,616
Dividends paid	**(13,857)**	(12,579)
New shares issued	**375**	949
Own shares purchased	**–**	(606)
At end of year	**213,021**	182,218

Notes to the Company Financial Statements

(i) Principal Accounting Policies of the Company

Accounting Principles

The Company Balance Sheet has been prepared under the historical cost convention except for derivatives which are stated at fair value in accordance with applicable UK accounting standards and the Companies Act 2006.

Basis of Preparation

No profit and loss account is presented for the Company as permitted by Section 408(2) and (3) of the Companies Act 2006. The profit dealt with in the accounts of the Company was £42,514,000 (2014: £50,320,000). Fees paid to KPMG LLP and its associates for audit and non-audit services to the Company itself are not disclosed in the individual financial statements of Dechra Pharmaceuticals PLC because the Group financial statements are required to disclose such fees on a consolidated basis.

Investments

Investments held as fixed assets are stated at cost less any impairment losses. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of section 612 of the Companies Act 2006 apply, cost represents the nominal value of the shares issued together with the fair value of any additional consideration given and costs. Where investments are denominated in foreign currencies, they are treated as monetary assets and revalued at each balance sheet date.

Intangible Assets

Product rights that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Product rights are amortised over the period of their useful lives.

Derivative Financial Instruments

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value of instruments that do not qualify for hedge accounting is recognised immediately in the profit and loss account.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the instrument at the balance sheet date. The fair value of forward exchange contracts and options is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Hedging

Cash Flow Hedges

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised as profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Cash Flow Statement

As the ultimate holding company of the Group, the Company has relied upon the exemption in Financial Reporting Standard (FRS) 1 (Revised) not to present a cash flow statement as part of its financial statements.

(i) Principal Accounting Policies of the Company continued

Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid. Dividends receivable from subsidiaries are recognised when either received in cash or applied to reduce a creditor balance with the subsidiary.

Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Related Parties

Under FRS 8 the Company is exempt from the requirement to disclose related party transactions with other Group undertakings as they are all wholly owned within the Group and are included in the Dechra Pharmaceuticals PLC Consolidated Financial Statements.

Transactions with Key Management Personnel

There were no material transactions with key management personnel except for those relating to remuneration (see notes 7 and 31 to the Consolidated Financial Statements) and shareholdings.

Transactions with Other Related Parties

There are no controlling shareholders of the Company. There have been no material transactions with the shareholders of the Company.

Employee Benefits

(i) **Pensions**

The Company operates a Group stakeholder personal pension scheme for certain employees. Obligations for contributions are recognised as an expense in the profit and loss account as incurred.

(ii) **Share-based Payment Transactions**

The Company operates a number of equity settled share-based payment programmes that allow employees to acquire shares of the Company. The Company also operates a Long Term Incentive Plan for Directors and Senior Executives.

The fair value of shares or options granted is recognised as an employee expense on a straight-line basis in the profit and loss account with a corresponding movement in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares or options (the vesting period). The fair value of the shares or options granted is measured using a valuation model, taking into account the terms and conditions upon which the shares or options were granted. The amount recognised as an expense in the profit and loss account is adjusted to take into account an estimate of the number of shares or options that are expected to vest together with an adjustment to reflect the number of shares or options that actually do vest except where forfeiture is only due to market-based conditions not being achieved.

The fair values of grants under the Long Term Incentive Plan have been determined using the Monte Carlo simulation model. The fair values of options granted under all other share option schemes have been determined using the Black–Scholes option pricing model.

National Insurance contributions payable by the Company on the intrinsic value of share-based payments at the date of exercise are treated as cash settled awards and revalued to market price at each balance sheet date.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recharges the expense to those subsidiaries.

Notes to the Company Financial Statements
continued

(i) Principal Accounting Policies of the Company continued

Foreign Currency

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the closing rate at the reporting date. Foreign exchange gains and losses are recognised in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply and have been substantively enacted in the periods in which the timing differences reverse and is provided in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'.

Financial Guarantee Contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(ii) Directors and Employees

Total emoluments of Directors (including pension contributions) amounted to £2,906,000 (2014: £3,061,000). Information relating to Directors' emoluments, share options and pension entitlements is set out in the Directors' Remuneration Report on pages 81 to 95.

(iii) Fixed Asset Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 July 2014	254,309
Additions	40,351
At 30 June 2015	**294,660**
Impairment	
At 1 July 2014	12,244
Charge for the period	—
At 30 June 2015	**12,244**
Net book value	
At 30 June 2015	**282,416**
At 30 June 2014	242,065

A list of subsidiary undertakings is given in note (xii).

During the year, the Company invested in Dechra Finance Limited, a wholly owned subsidiary incorporated in England and Wales.

(iv) Intangible Assets

	Intangible assets £000
Cost	
At 1 July 2014	5,114
At 30 June 2015	**5,114**
Amortisation	
At 1 July 2014	1,235
Charge for the year	512
At 30 June 2015	**1,747**
Net book value	
At 30 June 2015	**3,367**
At 30 June 2014	3,879

(v) Tangible Assets

	Tangible assets £000
Cost	
At 1 July 2014	274
Additions	531
At 30 June 2015	**805**
Depreciation	
At 1 July 2014	66
Charge for the year	57
At 30 June 2015	**123**
Net book value	
At 30 June 2015	**682**
At 30 June 2014	208

(vi) Debtors

	2015 £000	2014 £000
Amounts owed by subsidiary undertakings	**11,284**	14,072
Group relief receivable	**1,775**	1,975
Deferred taxation (see note (ix))	**647**	501
Available for sale financial instruments	**579**	–
Other debtors	**96**	11
Prepayments and accrued income	**49**	1
	14,430	16,560

Included in debtors are amounts of £647,000 (2014: £501,000) due after more than one year relating to deferred tax assets. Of the amounts owed by subsidiary undertakings, £nil is due after more than one year (2014: £nil).

In March 2015, the Group made an investment of US$1.0 million in Jaguar Animal Health Inc. (Jaguar) to potentially gain access to the EU marketing rights for their companion animal products. At 30 June 2015, the Company holds 178,571 shares in Jaguar following its IPO. The Company also holds 89,286 warrants, which are valid for three years. The shares and the warrants have been valued at fair value at the period end, with any gains or losses being recognised in the statement of recognised gains and losses.

(vii) Creditors

	Falling due within one year	
	2015 £000	2014 £000
Bank loans and overdrafts (see note (viii))	**2,016**	3,485
Amounts due to subsidiary undertakings	**50,275**	42,642
Derivative financial instruments	**139**	161
Other taxation and social security	**–**	129
Accruals and deferred income	**2,925**	2,424
	55,355	48,841

In accordance with FRS 21 'Events after the Balance Sheet Date', the proposed final dividend for the year ended 30 June 2015 of 11.82 pence per share (2014: 10.65 pence per share) has not been accrued for in these financial statements. It will be shown in the financial statements for the year ending 30 June 2016. The total cost of the proposed final dividend is £10,398,000 (2014: £9,341,000).

	Falling due after more than one year	
	2015 £000	2014 £000
Bank loans (see note (viii))	**32,519**	31,653
	32,519	31,653

(viii) Borrowings

	2015 £000	2014 £000
Borrowings due within one year		
Bank overdraft	**2,016**	3,485
	2,016	3,485
Borrowings due after more than one year		
Aggregate bank loan instalments repayable:		
– between one and two years	**–**	32,039
– between two and five years	**33,496**	–
	33,496	32,039
Arrangement fees netted off	**(977)**	(386)
	32,519	31,653
Total borrowings	**34,535**	35,138

In September 2014, the Company refinanced its existing bank facility. The Company's revised borrowing facility comprises a £90.0 million revolving credit facility and a £30.0 million Accordion facility committed until September 2019. Refer to note 20 to the Consolidated Financial Statements for further details. No interest has been capitalised during the year (2014: £nil).

The Company guarantees certain borrowings of other Group companies, which at 30 June 2015 amounted to £8,000 (2014: £110,000).

(ix) Deferred Tax

	£000
At 1 July 2014	501
Amounts recognised in profit and loss	147
Amounts recognised in equity	(1)
At 30 June 2015 (included in debtors)	**647**

The amounts provided for deferred taxation at 20% (2014: 20%) are as follows:

	2015 £000	2014 £000
Short term timing differences	**662**	503
Accelerated capital allowances	**(15)**	(2)
	647	501

(x) Called up Share Capital

	Ordinary shares of 1p each	
Issued share capital	£000	Number
Allotted, called up and fully paid at 1 July 2014	877	87,712,564
New shares issued	3	258,599
Allotted, called up and fully paid at 30 June 2015	**880**	**87,971,163**

Details of new ordinary shares issued following the exercise of options under the Long Term Incentive Plan and the Approved, Unapproved and SAYE Share Option Schemes are shown in note 25 to the Consolidated Financial Statements.

Share Options
Details of outstanding share options over ordinary shares of 1p at 30 June 2015 under the various Group share option schemes are shown in note 25 to the Consolidated Financial Statements.

(xi) Reserves

	Share premium account £000	Own shares £000	Hedging reserve £000	Profit and loss account £000
At 1 July 2014	124,429	(606)	(132)	57,650
New shares issued	372	–	–	–
Own shares recycled to profit and loss account	–	303	–	(303)
Profit for the financial year	–	–	–	42,514
Effective portion of changes in fair value of cash flow hedges	–	–	(137)	–
Cash flow hedges recycled to profit and loss account	–	–	178	–
Losses arising in the period on available for sale financial assets	–	–	–	(37)
Dividend (see note 9 to the consolidated financial statements)	–	–	–	(13,857)
Share-based payments charge	–	–	–	1,767
At 30 June 2015	**124,801**	**(303)**	**(91)**	**87,734**

The net assets of the Employee Benefit Trust have been included in the Company balance sheet in accordance with FRS. Refer to note 24 to the Consolidated Financial Statements for details of the shares held by the Employee Benefit Trust.

Notes to the Company Financial Statements
continued

(xii) Subsidiary Undertakings

Dechra Pharmaceuticals PLC is the ultimate parent and controlling party of the Group. The subsidiary undertakings of the Company, all of which are wholly owned, are:

Company	Country of Incorporation	Principal Activity
Operating subsidiaries		
Albrecht GmbH∞	Germany	Marketer of veterinary pharmaceuticals and distributor of veterinary pharmaceuticals and equipment
Cooperatieve Dechra Finance Netherlands W.A.^	The Netherlands	Activities of financial services holding companies
Dechra LimitedΩ	England & Wales	Developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals
Dechra Development LLC**	USA	Regulatory and product development
Dechra Finance B.V.***	The Netherlands	Financial services
Dechra Finance Limited	England & Wales	Activities of financial services holding companies
Dechra Veterinary Products Inc**	Canada	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products A/S	Denmark	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products OY#	Finland	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products SAS#	France	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products Srl**	Italy	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products AS#	Norway	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products Sp z.o.o.**	Poland	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products SLU#	Spain	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products AB#	Sweden	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products BV#	The Netherlands	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products Limited#	England & Wales	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products LLC**	USA	Marketer of veterinary pharmaceuticals and pet diets
Eurovet NV∞	Belgium	Marketer of veterinary pharmaceuticals and pet diets
Eurovet Animal Health BV	The Netherlands	Manufacturer of veterinary pharmaceuticals and marketer of veterinary pharmaceuticals and pet diets
Scanimal Health ApS∞	Denmark	Marketer of veterinary pharmaceuticals and pet diets
Other subsidiaries		
Anglian Manufacturing Chemists Limited‡	England & Wales	In liquidation
Anglian Pharma Manufacturing Limited†	England & Wales	In liquidation
Anglian Pharma Limited	England & Wales	In liquidation
Arnolds Veterinary Products Limited*	England & Wales	Non-trading
Broomco 4263 Limited*	England & Wales	Non-trading
Cambridge Specialist Laboratory Services Limited§	England & Wales	In liquidation
Dales Pharmaceuticals Limited*	England & Wales	Non-trading
Dechra Investments Limited	England & Wales	Holding company
Eurovet Animal Health Limited+	England & Wales	In liquidation
Farvet Laboratories BV∞	The Netherlands	Non-trading
Leeds Veterinary Laboratories Limited	England & Wales	In liquidation
North Western Laboratories Limited	England & Wales	In liquidation
Veneto Limited	England & Wales	Holding company
DermaPet, Inc.¶	USA	Non-trading

* 100% of ordinary share capital held by Veneto Limited.
Ω 100% of ordinary share capital held by Dechra Investments Limited.
§ 100% of ordinary share capital held by North Western Laboratories Limited.
† 100% of ordinary share capital held by Anglian Pharma Limited.
‡ 100% of ordinary share capital held by Anglian Pharma Manufacturing Limited.
# 100% of ordinary share capital held by Dechra Veterinary Products A/S.
¶ 100% of ordinary share capital held by Dechra Veterinary Products LLC.
** 100% of ordinary share capital held by Dechra Limited.
∞ 100% of ordinary share capital held by *Eurovet* Animal Health B.V.
^ Sole member being Dechra Finance Limited.
*** 100% of ordinary share capital held by Cooperatieve Dechra Finance Netherlands W.A.
\+ 100% of ordinary share capital held by Dechra Veterinary Products Limited.

Financial History

	2015 £000	2014 £000	2013 £000	2012 (Restated)† £000	2012 £000	2011 £000
Consolidated Income Statement						
Revenue	**203,480**	193,571	189,176	124,330	426,041	389,237
Underlying operating profit	**44,351**	42,168	39,108	25,545	36,601	31,823
Underlying profit after taxation	**35,307**	31,849	25,464	16,029	24,302	22,748
Underlying earnings per share						
– basic (pence)	**40.17**	37.61	38.98	–	32.37*	31.53*
– diluted (pence)	**39.90**	37.48	38.71	–	32.27*	31.43*
Continuing underlying earnings per share						
– basic (pence)	**40.17**	36.45	29.27	21.35*	–	–
– diluted (pence)	**39.90**	36.32	29.07	21.28*	–	–
Dividend per share (pence)	**16.94**	15.40	14.00	12.27*	12.27*	11.12*
Operating profit	**25,980**	24,996	18,336	10,272	20,890	21,718
Profit after taxation	**19,459**	19,416	10,850	3,905	11,749	14,134
Earnings per share						
– basic (pence)	**22.14**	67.57	20.59	–	15.65*	19.59*
– diluted (pence)	**21.99**	67.33	20.45	–	15.60*	19.53*
Continuing earnings per share						
– basic (pence)	**22.14**	22.22	12.47	5.20	–	–
– diluted (pence)	**21.99**	22.14	12.39	5.18	–	–
Consolidated Statement of Financial Position						
Non-current assets	**183,506**	214,440	235,670	237,132	242,592	132,819
Current assets	**108,624**	86,334	89,672‡	86,863‡	161,829	137,549
Current liabilities	**(44,109)**	(35,715)	(49,558)‡	(48,217)‡	(103,461)	(88,952)
Non-current liabilities	**(53,533)**	(60,253)	(136,991)	(147,278)	(147,278)	(83,083)
Net assets held for sale	**–**	–	35,823	25,182	–	–
Shareholders' funds	**194,488**	204,806	174,616	153,682	153,682	98,333
Consolidated Statement of Cash Flows						
Net cash inflow from operating activities	**40,983**	11,472	36,865	–	19,242	16,754
Net cash (outflow)/inflow from investing activities	**(4,651)**	76,575	(19,368)	–	(120,344)	(36,178)
Net cash (outflow)/inflow from financing activities	**(14,819)**	(92,148)	(18,266)	–	103,708	18,867

* Restated to reflect the impact of the bonus element of the Rights Issue.
† Restated to reflect the Services Segment as discontinued operations.
‡ Excluding net assets held for sale.

2000

Dechra floated on the London Stock Exchange in 2000 at £1.20 per share with a market capitalisation of £60.0 million

To learn more about Delivering Our Strategy read pages 14 to 17.

View further content on our website: www.dechra.com

Company Information

Glossary

The following is a glossary of a number of the terms and acronyms which can be found within this document:

API
Active Pharmaceutical Ingredient

APP
Actinobacillis pleuropneumonia (APP) is a bacterial infection that affects the respiratory system of pigs

APSP
Approved Performance Share Plan

Bioequivalence
The demonstration that the proposed formulation has the same biological effects as the pioneer product to which it is being compared. This is usually demonstrated by comparing blood concentrations of the active over time, but can be compared using a clinical endpoint (e.g. lowering of a worm count) for drugs that are not absorbed or for which blood levels cannot be determined

CAGR
Compound Annual Growth Rate

CAP
Companion Animal Products

CER
Constant Exchange Rate

CMC
Chemistry and Manufacturing Controls

CSOP
Company Share Option Plan

Cushing's Syndrome
A condition caused by excess cortisol (see above) and is named after the physician who first described the condition in humans in the early twentieth century

Dechra Values or Values
Dedication, Enjoyment, Courage, Honesty, Relationships and Ambition

DPM
Dechra Pharmaceuticals Manufacturing

DVP
Dechra Veterinary Products

DVP EU
Dechra Veterinary Products EU or Dechra Veterinary Products Europe

DVP NA
Dechra Veterinary Products North America

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortisation

EPS
Earnings Per Share

ERP
Enterprise Resource Planning

Executive Directors
The Executive Directors of the Company, currently Ian Page, Anne-Francoise Nesmes and Tony Griffin

FAP
Food producing Animal Products

FDA
US Food and Drug Administration; a federal agency of the US Department of Health and Human Services

FRC
Financial Reporting Council

FRS
Financial Reporting Standards

FTSE250/350 Index
An index comprising the 101st to 350th largest companies listed on the London Stock Exchange in terms of their market capitalisation

FTSE Small Cap Index
An index comprising the 351st to 619th largest listed companies on the London Stock Exchange in terms of their market capitalisation

GAAP
Generally Accepted Accounting Practices

GHG
Greenhouse Gas

GMP
Good Manufacturing Practice

HANFA
Hrvatska agencija za nadzor financijskih usluga (Croatian Financial Services Agency)

HR
Human Resources

Hyperthyroidism
Occurs when the thyroid glands produce excessive amounts of thyroid hormone. This causes an increase in the animal's metabolism (the rate at which energy is utilised)

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

Intertrigo
Refers to a bacterial, fungal or viral infection that has developed at the site of broken skin due to inflammation of body folds. This infection is common in dogs with folds, such as Pugs or Shar Peis

IT
Information Technology

KPI
Key Performance Indicator

LIBOR
The London Inter-Bank Offered Rate

LTAFR
Lost Time Accident Frequency Rate

LTIP
Long Term Incentive Plan

MAT
Moving Annual Total

Malassezia
Yeasts that cause a secondary inflammatory skin disease. Malassezia is often found in otitis externa

MHRA
Medicines and Healthcare products Regulatory Agency; an executive agency of the Department of Health

MPLS
Multiprotocol Label Switching

Maximum Residue Limit (MRL)
The maximum acceptable concentration of a substance that may be found in a food product obtained from an animal that has received a veterinary medicine

NADA
New Animal Drug Application

Non-Executive Directors
The Non-Executive Directors of the Company, currently Michael Redmond, Dr Chris Richards, Julian Heslop and Ishbel Macpherson

Ordinary Shares
An ordinary share of 1 pence in the share capital of the Company

Otitis Externa
A condition which causes inflammation of the external ear canal (the tube between the outer ear and the ear drum)

Oracle Programme
Enterprise Resources Planing (ERP) software

PDRA
Dechra's Product Development and Regulatory Affairs team

QC
Quality Control

R&D
Research and Development

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Rights Issue
The three for ten rights issue of 20,040,653 shares, details of which are set out in the prospectus of the Company dated 25 April 2012

ROCE
Return On Capital Employed

ROI
Return On Investment

RPI
Retail Price Index

S&OP
Sales and operations planning

SAYE
Save As You Earn Share Scheme

SET
Senior Executive Team

SG&A
Selling, General and Administrative Expenses

S.suis
Streptococcus suis is a bacterial infection which occurs primarily in nursing or recently weaned pigs

Staphylococcal Infections
Communicable conditions caused by the Staphylococcus type of bacteria and generally characterised by pyoderma or the formation of abscesses

Surface Pyoderma
Pyoderma is the medical term used to denote infections of the skin caused by bacteria. Surface Pyoderma is a bacterial infection which is confined to the surface of the skin; one of the commonest types is known as Pyotraumatic Dermatitis (acute moist dermatitis, or 'hot spots'). It is typified by localised itching, moist reddened skin patches and ulcerated lesions

TSR
Total Shareholder Return

VMD
Veterinary Medicines Directorate

Shareholder Information

Financial Calendar

Interim Management Statement	23 October 2015
2015 Annual General Meeting	23 October 2015
Final Dividend Ex-Dividend Date	29 October 2015
Final Dividend Record Date	30 October 2015
Final Dividend Payment Date	20 November 2015

Annual General Meeting
The 2015 Annual General Meeting of the Company will be held at 1.00pm on 23 October 2015 at the offices of the Company at 24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich CW9 7UA. The notice of meeting (the Notice), which includes special business to be transacted at the Annual General Meeting together with an explanation of the resolutions to be considered at the meeting, is made available on the Company website or mailed to shareholders, if they have elected to receive the Notice in paper format.

Share History
Dechra floated on the London Stock Exchange in September 2000 at £1.20 per share, with a market capitalisation of £60.0 million.

In relation to the acquisition of VetXX Holdings A/S, on 15 January 2008, Dechra undertook a placing and open offer on the basis of 11 Open Offer shares for every 50 existing shares held on 10 December 2007 at an issue price of 303 pence. On 9 January 2008, 11,624,544 shares were issued.

On 5 April 2012, a Rights Issue was announced on the basis of three new ordinary shares for every existing ten shares held on 23 April 2012 at a subscription price of £3.00 per share. The Rights Issue resulted in 20,040,653 shares being issued with dealings commencing on 16 May 2012.

Company Website
The Dechra website (www.dechra.com) is the best source of useful and up-to-date information about Dechra and its activities, including the latest news, financial and product information to help improve understanding of our business. Additionally, the terms of reference of all our Committees, Articles of Association, our Values and a number of our internal policies are published on the website.

Visit us at our website

www.dechra.com

* Calls to the 0871 number are charged at 10 pence per minute (excluding VAT) plus telephone company access charges. Lines are open from 8.30am to 5.30pm (London time) Monday to Friday (except UK public holidays).

Electronic Communications
Shareholders now have the opportunity to receive shareholder communications electronically, e.g. Annual Reports, Notice of the Annual General Meeting and Proxy Forms. You can elect to receive email notifications of shareholder communications by registering at www.shareview.co.uk, where you can also set up a bank mandate to receive dividends directly to your bank account and to submit proxy votes for shareholder meetings. Receiving the Company's communications electronically allows the Company to communicate with its shareholders in a more environmentally friendly, cost effective and timely manner.

Registrar
Dechra's Registrar is Equiniti Limited.

Equiniti should be contacted for any matters relating to your shareholding, including:

- Notification of change in name and address
- Enquiries about dividend payments
- Submission of proxy form for voting at the Annual General Meeting

Shareholders who receive duplicate sets of Company mailings because they have multiple accounts should contact Equiniti to have their accounts amalgamated.

Equiniti offers a facility whereby shareholders are able to access their shareholdings in Dechra via their website (www.shareview.co.uk).

Alternatively, Equiniti can be contacted at:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registrars' Shareholder Helpline for Dechra: 0871 384 2030* or +44(0) 121 415 7047, if calling from outside of the UK.

Please have your Shareholder Reference Number to hand whenever you contact the Registrar; this can be found on your share certificate or a recent dividend tax voucher.

Share Dealing Service
Equiniti Financial Services Limited offer a Share Dealing Service to buy or sell shares. Further information can be obtained from www.shareview.co.uk/dealing or by telephoning 0845 603 7037.

	Telephone share dealing	Internet share dealing	Postal share dealing
Fee (on value of transaction)			
up to £50,000	1.5%	1.5%	1.75%
Balance over £50,000	0.2%	0.2%	0.5%
Minimum charge	£50.00	£45.00	£50.00
Stamp duty charge (purchases only)	0.5%	0.5%	0.5%

Equiniti Financial Services Limited and its agents are authorised and regulated by the Financial Conduct Authority.

Please note that the price of shares can go down as well as up, and you are not guaranteed to get back the original amount you originally invested. If you are in any doubt, you should contact an independent financial adviser.

Warning to Shareholders
Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. Previously we were alerted by some of our shareholders to cold calls which they had received. The callers purport to represent various entities, including Drexel-Bearns, a US based firm. The callers stated that they were seeking to gain control of investor shareholdings held in the Company and/or personal financial information. We believe these to be boiler room scams.

These types of calls are typically from overseas based 'brokers' who target UK shareholders and are commonly referred to as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive. While high profits are promised, those who buy or sell shares in this way usually lose their money.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- check the FCA Register at www.fca.org.uk/firms/systems-reporting/register to ensure they are authorised;
- confirm that the firm is genuine by asking them for their firm reference number and contact details. Always use the details on the FCA Register to contact the firm. You should only access the Register from the FCA website at www.fca.org.uk;
- call the FCA Consumer Helpline on 0800 111 6786 if there are no contact details on the Register or you are told they are out of date;
- make additional checks to confirm that you are dealing with the firm direct, for example, checking the details on the firm's website with directory enquiries or Companies House;
- search the FCA unauthorised firms list; and
- remember: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

If you are approached about a share scam, you should tell the FCA by contacting their Consumer Helpline on 0800 111 678. If you have been offered, bought or sold shares, you can use the share fraud reporting form at www.fca.org.uk/scams.

If you have already paid money to share fraudsters or suspect fraud, you should contact Action Fraud on 0300 123 2040.

Protecting your Identity
Suggestions for safeguarding your shares:

- ensure all your share certificates are kept in a safe place or hold your shares electronically in CREST via a nominee;
- keep all correspondence relating to your shares in a safe place or destroy the correspondence by shredding;
- notify the Registrar of a change of address in writing or via their website (as detailed on page 164);
- consider having your dividend paid directly into your bank account to eliminate the risk of a lost dividend cheque;
- notify the Registrar of bank account detail changes in writing or via their website; and
- if you decide to sell or buy shares, use only brokers registered in your own country or the UK.

Advisers

Auditor
KPMG LLP
One Snowhill
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