

Dechra Investments Limited

**Annual Report and Financial
Statements**

**Registered number 05008503
For the year ended 30 June 2016**

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Strategic Report

Business review

The Company acts as an intermediate holding company.

Financial Review

Results

The results for the year are set out on page 6.

Review of operating performance

Company performance

The Company received dividend income of £10,000,000 during the year (2015: £nil) from its subsidiary Dechra Limited.

The financial position at the end of the year was strong with equity shareholders' funds standing at £133,380,000 (2015: £60,613,000).

Key performance indicators

The directors of the Dechra Pharmaceuticals plc manage the group's operations on a segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Dechra Investments Limited. The development, performance and position of the Company's segment of Dechra Pharmaceuticals Group, which includes the Company, is discussed on page 121 of the group's annual report which does not form part of this report.

Funding

The Company is funded through equity.

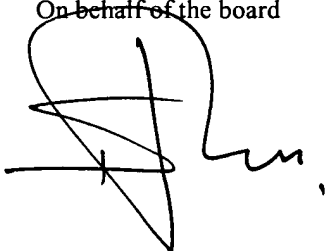
Risks and uncertainties

As we have stated in the previous reports, the Company, like every business, faces risks and uncertainties in both its day to day operations and through events relating to the achievement of its long term strategic objectives.

The Board has ultimate responsibility for risk management within the Company and there is an ongoing and embedded process of assessing, monitoring, managing and reporting on significant risks faced by the Company.

The key risks to the Company are inextricably linked to those of its sole-investment and subsidiary, Dechra Limited. Its performance will impact the dividend income and potential value of the Company's investment. Both companies are under common control and the potential risks are monitored on a periodic basis. For further details, refer to the Dechra Limited statutory accounts.

On behalf of the board



ID Page
Director

15 December 2016

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 June 2016.

Future developments

These are detailed within the Strategic Report on page 1.

Directors

The directors who were in office during the year and up to the date of signing the financial statements were:

ID Page

AF Nesmes (*resigned 29 July 2016*)

S Cross (*appointed 12 July 2016*)

Political contributions

The company made no political or charitable contributions during the year.

Dividends

An interim dividend of £10,000,000 was paid during the year (*2015: £nil*). The directors recommend the payment of a final dividend of £nil (*2015: £nil*), making a total dividend of £10,000,000 (*2015: £nil*), for the year.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with applicable law and UK Accounting Standards and (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 Company and of the profit or loss of the Company for that period. In preparing these 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;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Director's Report *(continued)*

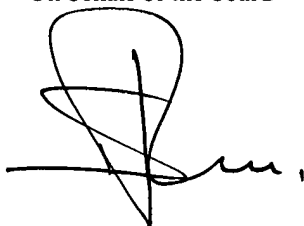
Directors' and officers' liability

The Company maintains an appropriate level of directors' and officers' insurance whereby directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act 2006. The directors also benefitted from qualifying third party indemnity provisions in place during the financial year and at the date of this report. A copy of the indemnity provisions will be available for inspection upon request at the registered office.

Independent auditors

Following a competitive tender in 2015, PwC were appointed as the Company's external auditor for the 2016 audit, replacing KPMG who had been the Company's external auditor since 1997. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was approved at the Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, consisting of a large, stylized loop at the top and a series of horizontal strokes at the bottom.

ID Page
Director

24 Cheshire Avenue
Cheshire Business Park
Lostock Gralam
Northwich
CW9 7UA

15 December 2016

Independent auditors' report to the members of Dechra Investments Limited

Our Opinion

In our opinion, Dechra Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 30 June 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Dechra Investments Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

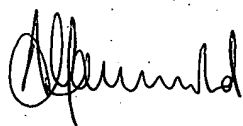
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

16 December 2016

Income statement
for the year ended 30 June 2016

	<i>Note</i>	2016 £000	2015 £000
Income from shares in group undertakings		10,000	-
Profit on ordinary activities before taxation	2	10,000	-
Income tax on profit on ordinary activities	4	-	-
Profit for the financial year		10,000	-

All amounts relate to continuing operations.

There is no other comprehensive income recognised in either the current or preceding year other than the profit for these years.

The notes on pages 9 to 13 form part of the financial statements.

Statement of financial position
as at 30 June 2016

	Note	2016 £000	2015 £000
Non-current assets			
Investments	6	108,772	36,001
Current assets			
Trade and other receivables	7	24,612	24,612
Trade and other payables	8	(4)	-
Net current assets		<u>24,608</u>	<u>24,612</u>
Net assets		<u>133,380</u>	<u>60,613</u>
Equity			
Issued share capital	9	108,045	35,278
Share premium account		23,936	23,936
Retained earnings		1,399	1,399
Total shareholders' funds		<u>133,380</u>	<u>60,613</u>

The notes on pages 9 to 13 are an integral part of these financial statements.

The financial statements on pages 6 to 13 were approved by the board of directors on 15 December 2016 and signed on its behalf by:



ID Page
Director

Company number: 05008503

Statement of changes in equity
for the year ended 30 June 2016

	Issued share capital £000	Share premium account £000	Retained earnings £000	Total shareholders' funds £000
For the year ended 30 June 2015				
Balances at 1 July 2014	35,278	23,936	1,399	60,613
Result for the financial year	-	-	-	-
Balances at 30 June 2015	35,278	23,936	1,399	60,613
For the year ended 30 June 2016				
Balances at 1 July 2015	35,278	23,936	1,399	60,613
Profit for the financial year	-	-	10,000	10,000
Dividends paid	-	-	(10,000)	(10,000)
Shares issued	72,767	-	-	72,767
Balances at 30 June 2016	108,045	23,936	1,399	133,380

Notes to the financial statements

1 Principal accounting policies

General information

Dechra Investments Limited acts as an intermediate holding company. The Company is incorporated and domiciled in the UK. The address of the registered office is 24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA.

Adoption of FRS 101

This is the first year in respect of which the Company has prepared its financial statements under FRS 101. The previous financial statements for the year ended 30 June 2015 were prepared under 'old UK GAAP'. The date of transition to FRS 101 for the company is 1 July 2014. Set out below are descriptions of the various implementation options applied by the Company in preparing the financial statements for the year ended 30 June 2016. There is no effect on equity from 'old UK GAAP' to FRS 101 for total equity as at 1 July 2014 and 30 June 2015.

There are no mandatory exceptions to retrospective application or IFRS 1 exemptions options applicable.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Dechra Investments Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The company is a wholly-owned subsidiary of Dechra Pharmaceuticals PLC and is included in this entity's consolidated financial statements which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a high degree of judgement.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101, the directors intend that the Company will take advantage of the above disclosure exemptions for the year ended 30 June 2017.

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Adoption of new and revised standards

There are no new standard, amendments to standards or interpretations mandatory for the first time for the year ended 30 June 2016.

Notes to the financial statements *(continued)*

1 Principal accounting policies *(continued)*

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situation in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other group companies, 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.

Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Trade and other receivables

Trade and other receivables are amounts due from other Group entities. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Creditors

Creditors are amounts due from other Group entities. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid.

Impairment

The carrying amounts of the Company's assets are reviewed at each 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.

2 Profit on ordinary activities before taxation

No directors received any emoluments in respect of services as director of this Company during the year (2015: £nil).

Auditors' remuneration has been borne by the ultimate parent undertaking in both years.

Notes to the financial statements (continued)

3 Employees and directors

Excluding directors, the Company did not employ any persons during the year (2015: £nil).

4 Income tax

Tax expense included in profit or loss

	2016 £000	2015 £000
<i>Current tax</i>		
UK Corporation tax on profits for the year	-	-
Total current tax	-	-

The current tax expense is lower (2015: equal) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.75%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before taxation	10,000	-
Current tax expense at 20.00% (2015: 20.75%)	2,000	-
<i>Effects of:</i>		
Intra group dividends received	(2,000)	-
Total income tax expense	-	-

The Government has announced that it intends to reduce the rate of corporation tax to 17% effective from 1 April 2020. As this legislation was not substantively enacted as at 30 June 2016, the impact of the anticipated rate change is not reflected in the tax provisions reported in these financial statements. Finance Act 2015 (No. 2), which was substantively enacted in October 2015, included provision to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020.

5 Dividend distribution

	2016 £000	2015 £000
Paid during the year ("A" ordinary shares: £nil (2015: £nil), ordinary shares: £10,000,000 (2015: £nil))	10,000	-
Proposed ("A" ordinary shares: £nil (2015: £nil), ordinary shares £nil (2015: £Nil))	-	-

The holders of the "A" ordinary shares has waived all right and entitlement to the proposed final dividend in respect of the year ended 30 June 2016 and 30 June 2015.

Notes to the financial statements (continued)

6 Investments

	Shares in group undertakings £000
At 1 July 2015	36,001
Additions	72,771
	<hr/>
At 30 June 2016	108,772
	<hr/>

During the year, the company has made an additional investment of £72,767,000 into Dechra Limited and taken a 5% share holding of Dechra-Brovel for £4,000.

Investments comprise equity shares in:

Company	Country of incorporation	Principal activity	Percentage of ordinary shares held
Dechra Limited	England and Wales	Developer, regulatory, manufacturer of veterinary products.	100%
Dechra-Brovel, S.A. de C.V.	Mexico	Developer, regulatory, manufacturer and marketer of veterinary products.	5%

During the year, the company received a dividend of £10,000,000 (2015: £nil) from Dechra Limited.

7 Trade and other receivables

	2016 £000	2015 £000
Amounts owed by group undertakings	24,612	24,612
	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayments and are repayable on demand.

8 Trade and other payables

	2016 £000	2015 £000
Amounts owed to group undertakings	4	-
	<hr/>	<hr/>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayments and are repayable on demand.

9 Share capital

	Ordinary shares of £1 each		"A" ordinary shares of £1 each		Total	
	Number	£000	Number	£000	Number	£000
<i>Allotted and fully paid</i>						
At 1 July 2015	241,790	242	35,035,530	35,036	35,277,320	35,278
Issued during the year	72,767,594	72,767	-	-	72,767,594	72,767
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2016	73,009,384	73,009	35,035,530	35,036	108,044,914	108,045
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements *(continued)*

9 Share capital *(continued)*

The ordinary shares and "A" ordinary shares constitute separate classes of shares but, except as expressly provided otherwise in these Articles, rank *pari passu* in all respect. The rights attaching to the "A" ordinary shares are as follows:

(a) Income

Each "A" ordinary share shall confer upon the holder thereof, the right to receive by way of dividend an amount equal to Z times the amount of any dividend declared in respect of each fully paid ordinary share divided by the aggregate number of "A" ordinary shares in issue on the date that such dividend is declared.

(b) Capital

On a liquidation, reduction of capital, dissolution or winding up of the Company, each "A" ordinary share shall confer upon the holder thereof, the right to receive a proportion of the assets of the Company available for distribution among the members equal to Z times the proportion of such assets the holder of each ordinary share shall be entitled to in respect of each fully paid ordinary share on any such distribution, divided by the aggregate number of "A" ordinary share in issue on the date of such distribution.

(c) Voting

Each "A" ordinary share shall confer upon the holder thereof, on a show of hands or a poll declared at a general meeting, a number of votes equal to Z times the number of votes afforded in respect of each fully paid ordinary share to the holder thereof divided by the aggregate number of "A" ordinary shares in issue at the time of the vote.

For the purpose of the above, Z shall be equal to 7.4544.

10 Contingent liabilities

The Company guarantees the borrowings of certain other group companies which at 30 June 2016 amounted to £151,648,000 (2015: £33,495,000).

11 Controlling parties

The immediate and ultimate holding company and the smallest and largest group to consolidate these financial statements is Dechra Pharmaceuticals PLC.

Copies of the group financial statements of Dechra Pharmaceuticals PLC may be obtained from 24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA.

12 Events after the reporting date

The following transactions have taken place after the reporting date of 30 June 2016 and up to the date of signing:

- (a) On 13 October 2016, Dechra Investments Limited issued 34,189,097 shares at £1 per share to Dechra Pharmaceuticals PLC in consideration for £34,189,097.
- (b) On 13 October 2016, Dechra Investments Limited subscribed for 34,189,097 shares at £1 per share in Dechra Limited in consideration for £34,189,097.