

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 2017. 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 8 to 61 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;
- Details in respect of Directors' Indemnities;

- Statement of Directors' Responsibilities;
- Review of the Group's business during the year and any likely future developments;
- Going concern and viability statements;
- Employees with disabilities and employee involvement; and
- Details in respect of 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 24 and 35 to the Financial Statements.

Acquisitions and Disposals

The acquisitions during the year under review are as follows:

Date of acquisition	Detail	Consideration
October 2016	Business and assets of Apex Laboratories Pty Limited.	A business that manufactures, markets and sells branded non-proprietary prescription and other related companion animal products in Australia and New Zealand.
March 2017	33.0% of the issued share capital in Medical Ethics Pty Ltd (Medical Ethics).	Parent company of Animal Ethics Pty Ltd (Animal Ethics), an Australian based company focused on developing ethical pain relief products in animal health.

Amendment of the Articles of Association

The Company's Articles of Association may be amended by a special resolution of its shareholders.

Significant Agreements/Change of Control

As detailed in the Going Concern Statement on page 72, the Group has bank facilities with a group of banks comprising Bank of Ireland (UK) plc, BNP Paribas, Fifth Third Bank, HSBC Bank plc, Lloyds Bank plc, Raiffeisen Bank International AG and Santander UK 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 Long Term Incentive Plan 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, through its subsidiary Genera d.d., has established branches in Bosnia-Herzegovina and Serbia.

Political Donations and Expenditure

No political donations were made during the year ended 30 June 2017 (2016: 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 44 and 45. The expense on this activity for the year ended 30 June 2017 was £14,978,000 (2016: £10,355,000) and a further £1,258,000 (2016: £570,000) was capitalised as development costs.

Results and Dividends

The results for the year and financial position at 30 June 2017 are shown in the Consolidated Income Statement on page 115 and Consolidated Statement of Financial Position on page 117. The Directors are recommending the payment of a final dividend of 15.33 pence per share which, if approved by shareholders, will be paid on 17 November 2017 to shareholders registered at 27 October 2017. The shares will become ex-dividend on 26 October 2017. An interim dividend of 6.11 pence per share was paid on 7 April 2017, making a total dividend for the year of 21.44 pence per share (2016: 18.46 pence per share). The total dividend payment is £19,973,000 (2016: £16,865,000).

Share Capital

The issued share capital of the Company for the year is set out in note 25 to the Consolidated Financial Statements. As at the end of the financial year 93,178,756 fully paid ordinary shares were in issue, which included 431,758 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 is the Trustees of the Dechra Employee Benefit Trust, who hold 42,066 shares and have waived their rights to dividends and in accordance with the Investment Association guidance they abstain from voting at general meetings.

At the Annual General Meeting of the Company held on 21 October 2016, the Company was authorised to purchase up to 9,275,208 of its ordinary shares, representing 10% of the issued share capital of the Company as at 9 September 2016. 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 2016 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2017 Annual General Meeting.

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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 2017		14 August 2017	
	Aggregate voting rights	Percentage	Aggregate voting rights	Percentage
Fidelity Management & Research	8,563,921	9.19	8,666,431	9.30
Standard Life Aberdeen	—	—	7,041,399	7.56
BlackRock Inc	6,419,020	6.89	6,492,125	6.97
Standard Life	4,770,145	5.12	—	—
The Capital Group Companies, Inc	4,160,036	4.46	3,890,018	4.17
Schroders	4,135,440	4.44	4,017,465	4.31
Aviva plc	3,730,200	4.00	3,902,307	4.19
Old Mutual	3,575,190	3.84	3,255,911	3.49
Legal & General Group	3,486,988	3.74	3,355,126	3.60
AEGON	3,361,786	3.61	3,479,454	3.73
Aberdeen Group	3,127,481	3.36	—	—
Hargreave Hale Ltd Stockbrokers	2,955,497	3.17	2,966,698	3.18

Auditor

A resolution to re-appoint PricewaterhouseCoopers LLP as external auditor and to authorise the Audit Committee 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:

Melanie Hall

Company Secretary
4 September 2017