

Notes to the Company Financial Statements

(i) Principal Accounting Policies of the Company

Accounting Principles

The Company Statement of Financial Position has been prepared on a going concern basis, under the historical cost convention, in accordance with applicable UK accounting standards and the Companies Act 2006. The principle accounting policies applied in the preparation of these financial statements are set out below, and have been applied consistently.

Basis of Preparation

No income statement 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 £11,829,000 (2016: loss £5,772,000).

The following exemptions have been taken in preparing the financial statements;

(a) Exemption for fair value as deemed cost

The Company has elected to measure certain items of property, plant and equipment at fair value at the date of transition and has used those values as the deemed cost at that date.

(b) Exemption for borrowing costs

The Company has elected to apply the requirements of IAS 23 only with effect from 1 July 2014. Borrowing costs incurred on or after 1 July 2014 are accounted for in accordance with IAS 23, that is borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being one that takes a substantial amount of time to get ready for its intended use, are capitalised as part of the cost of the asset.

(c) Business combinations

Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations' as the equivalent disclosures are included in the consolidated financial statements of the Group.

(d) Share-based payments

Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods and services received was determined).

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 year end 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 income statement.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the instrument at the statement of financial position date. The fair value of forward exchange contracts and options is their quoted market price at the year end 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 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 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 FRS 101 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 101 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 8 and 33 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 other than distributions in the period (see note 10 of the Consolidated Financial Statements).

Employee Benefits**(a) Pensions**

The Company operates a Group stakeholder personal pension scheme for certain employees. Obligations for contributions are recognised as an expense in the income statement as incurred.

(b) 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 income statement 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 income statement 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 statement of financial position date.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recharges the expense to those subsidiaries.

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 income statement.

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 IAS 12 'Income Taxes'.

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.

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(ii) Directors and Employees

Total emoluments of Directors (including pension contributions) amounted to £4,936,000 (2016: £4,911,000). Information relating to Directors' emoluments, share options and pension entitlements is set out in the Directors' Remuneration Report on pages 81 to 101. Tony Griffin's remuneration is paid by Dechra Veterinary Products EU in Euros but reported in Sterling for the purposes of these figures. The exchange rate used was 1.1681 (2016: 1.3432).

	2017 Number	2016 Number
Administration	31	24
Total	31	24

The costs incurred in respect of these employees were:

	2017 £000	2016 £000
Wages and salaries	4,273	3,063
Social security costs	579	457
Other pension costs	161	126
Share-based payments charge (see note 28)	2,825	2,386
Total	7,838	6,032

Related party transactions — the remuneration of key management was as follows:

	2017 £000	2016 £000
Short term employee benefits	3,666	2,984
Post-employment benefits	179	168
Share-based payments charge	1,368	1,095
	5,213	4,247

Key management comprises the Board and the Senior Executive Team.

The Group operates a stakeholder personal pension scheme for certain employees and contributed between 4% and 14% of pensionable salaries. Total pension contributions amounted to £161,000 (2016: £126,000).

(iii) Profit/(loss) Before Taxation

The following items have been included in arriving at profit/(loss) before taxation of continuing operations:

	2017 £000	2016 £000
Depreciation of property, plant and equipment		
— owned assets	79	74
Amortisation of intangible assets	612	524
Operating lease rentals payable	142	119
Auditor's remuneration — audit of these financial statements	22	22

(iv) Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 July 2016	425,443
Additions	34,290
At 30 June 2017	459,733
Impairment	
At 30 June 2016	12,244
Charge for the period	—
At 30 June 2017	12,244
Net book value	
At 30 June 2017	447,489
At 30 June 2016	413,199

A list of subsidiary undertakings is given in note (xii). During the year, the Company invested in Dechra Investments Limited and Dechra Finance Ireland DAC, both wholly owned subsidiaries.

(v) Intangible Assets

	Acquired Intangibles £000	Software £000	Total Intangible assets £000
Cost			
At 1 July 2016	5,114	2,883	7,997
Additions	—	2,601	2,601
At 30 June 2017	5,114	5,484	10,598
Accumulated Amortisation			
At 30 June 2016	2,259	12	2,271
Charge for the year	512	100	612
At 30 June 2017	2,771	112	2,883
Net book value			
At 30 June 2017	2,343	5,372	7,715
At 30 June 2016	2,855	2,871	5,726
		2017	2016
		£000	£000
Software assets in the course of construction included above		4,728	2,494

(vi) Tangible Assets

	Tangible assets £000
Cost	
At 1 July 2016	394
Additions	4
At 30 June 2017	398
Accumulated Depreciation	
At 1 July 2016	197
Charge for the year	79
At 30 June 2017	276
Net book value	
At 30 June 2017	122
At 30 June 2016	197

(vii) Trade and Other Receivables

	2017	2016
	£000	£000
Amounts owed by subsidiary undertakings	10,067	11,853
Group relief receivable	3,230	4,726
Deferred taxation (see note (x))	1,362	1,351
Available for sale financial assets	—	129
Other receivables	336	476
Prepayments and accrued income	134	82
	15,129	18,617

Included in debtors are amounts of £1,362,000 (2016: £1,351,000) 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 (2016: £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 2017, the Company holds 178,571 shares in Jaguar following its IPO. The Company also holds 89,286 warrants, which are valid for three years. During the year this investment has been impaired.

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(viii) Trade and Other Payables

	2017 £000	2016 £000
Amounts due to subsidiary undertakings	61,536	30,631
Derivative financial instruments	—	50
Current tax liabilities	272	—
Other taxation and social security	175	132
Accruals and deferred income	4,090	3,932
	66,073	34,745

In accordance with IAS 10 'Events after the Balance Sheet Date', the proposed final dividend for the year ended 30 June 2017 of 15.33 pence per share (2016: 12.91 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 2017. The total cost of the proposed final dividend is £14,288,000 (2016: £11,974,000).

(ix) Borrowings

	2017 £000	2016 £000
Borrowings due within one year		
Bank overdraft	11,334	32,133
Borrowings due after more than one year		
Aggregate bank loan instalments repayable:		
— between two and five years	152,144	128,505
Arrangement fees netted off	(351)	(342)
	151,793	128,163
Total borrowings	163,127	160,296

In October 2016, the Group increased its existing facility from £150.0 million plus an accordion of £30 million to a multi-currency revolving credit facility of £205.0 million with no accordion until September 2019. During the year £25.0 million was drawn from this revised facility. On 25 July 2017, the Company refinanced this facility. Refer to note 21 and 35 of the Consolidated Financial Statements for further details. No interest has been capitalised during the year (2016: £nil).

The Company guarantees certain borrowings of other Group companies, which at 30 June 2017 amounted to £nil (2016: £nil).

(x) Deferred Tax

	£000
At 1 July 2016 (included in trade and other receivables)	1,351
Additions to the income statement	(109)
Additions to statement of changes in equity	120
At 30 June 2017 (included in trade and other receivables)	1,362

The amounts provided for deferred taxation at 18% (2016: 19%) are as follows:

	2017 £000	2016 £000
Short term timing differences	1,593	1,453
Accelerated capital allowances	(231)	(102)
	1,362	1,351

(xi) Called up Share Capital

	Ordinary shares of 1p each	
	£000	Number
Issued share capital		
Allotted, called up and fully paid at 1 July 2016	927	92,746,998
New shares issued	5	431,758
Allotted, called up and fully paid at 30 June 2017	932	93,178,756

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 notes 25 and 28 to the Consolidated Financial Statements.

Share Options

Details of outstanding share options over ordinary shares of 1p at 30 June 2017 under the various Group share option schemes are shown in note 28 to the Consolidated Financial Statements.

(xii) Subsidiary Undertakings**Operating subsidiaries**

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Albrecht GmbH	Germany	Marketer of veterinary pharmaceuticals and distributor of veterinary pharmaceuticals and equipment	Hauptstr. 6-8, Aulendorf, Germany	Eurovet Animal Health B.V.
Apex Laboratories Pty Limited	Australia	Developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	2 Cal Close, Somersby NSW 2250, Australia	Dechra Holding Australia Pty Limited
Cooperatieve Dechra Finance Netherlands W.A.	The Netherlands	Activities of financial services holding company	Pettelaarpark 38, 5216PD 's-Hertogenbosch, Netherlands	Dechra Finance Limited
Dechra Development LLC	USA	Contract regulatory and product development services for the Group	Principal Place of Business: 7015 College Blvd, Suite 510, Overland Park KS 66211, United States*	Dechra Holdings US Inc
Dechra Limited	England and Wales	Developer, regulatory, product development, manufacturer and marketer of veterinary pharmaceuticals	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Investments Limited
Dechra Finance Australia Limited	England and Wales	Financial Services	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC
Dechra Finance B.V.	The Netherlands	Financial services	Pettelaarpark 38, 5216PD 's-Hertogenbosch, Netherlands	Cooperatieve Dechra Finance Netherlands W.A.
Dechra Finance Ireland Designated Activity Company	Republic of Ireland	Financial services	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland	Dechra Pharmaceuticals PLC
Dechra Finance Limited	England and Wales	Activities of financial services holding company	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC
Dechra Finance Sterling Limited	England and Wales	Financial services	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC
Dechra Veterinary Products, Inc	Canada	Marketer of veterinary pharmaceuticals and pet diets	100 King Street West, Suite 6100, 1 First Canadian Place, Toronto ON M5X 1B8, Canada	Dechra Limited
Dechra Veterinary Products GmbH	Austria	Marketer of veterinary pharmaceuticals and pet diets	Hintere Achmehlerstrasse 1a, 6850 Dornbirn, Austria	Dechra Limited
Dechra Veterinary Products N.V.	Belgium	Marketer of veterinary pharmaceuticals and pet diets	Achterstenhoek 48 2275 Lille, Belgium	Eurovet Animal Health B.V.
Dechra Veterinary Products A/S	Denmark	Marketer of veterinary pharmaceuticals and pet diets	Mekuvej 9, DK-7171 Uldum, Denmark	Dechra Pharmaceuticals PLC
Dechra Veterinary Products Oy	Finland	Marketer of veterinary pharmaceuticals and pet diets	c/o As.ajotoimisto Borenius Oy, Yrjönkatu 13 A, 00120 Helsinki, Finland	Dechra Limited
Dechra Veterinary Products SAS	France	Marketer of veterinary pharmaceuticals and pet diets	60 Avenue du Centre, 78180 Montigny le Bretonneux, France	Dechra Veterinary Products A/S
Dechra Veterinary Products S.r.l.	Italy	Marketer of veterinary pharmaceuticals and pet diets	Via Agostino da Montefeltro 2, 10134 Torino, Italy	Dechra Limited
Dechra Veterinary Products AS	Norway	Marketer of veterinary pharmaceuticals and pet diets	Henrik Ibsens Gate 90, Postboks 2943 Solli, 0230 Oslo, Norway	Dechra Veterinary Products A/S
Dechra Veterinary Products B.V.	Netherlands	Marketer of veterinary pharmaceuticals and pet diets	Handelsweg 25, 5531AE Bladel, Netherlands	Dechra Veterinary Products A/S
Dechra Veterinary Products Sp. z o.o.	Poland	Marketer of veterinary pharmaceuticals and pet diets	1st Floor, 61 Moldlinska Str., 03-199 Warsaw, Poland	Dechra Limited
Dechra Veterinary Products, S.L. Unipersonal	Spain	Marketer of veterinary pharmaceuticals and pet diets	C/Balmes, 202, P.6-08006 Barcelona, Spain	Dechra Veterinary Products A/S
Dechra Veterinary Products AB	Sweden	Marketer of veterinary pharmaceuticals and pet diets	Principal Place of Business: Stora Wäsby Orangeriet 3, Upplands Väsby, 194 37, Sweden	Dechra Veterinary Products A/S
Dechra Veterinary Products Limited	England and Wales	Marketer of veterinary pharmaceuticals and pet diets	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Veterinary Products A/S
Dechra Veterinary Products, LLC	USA	Marketer of veterinary pharmaceuticals and pet diets	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Holding US Inc

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(xii) Subsidiary Undertakings continued

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Dechra-Brovel, S.A. de C.V.	Mexico	Developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	Principal Place of Business: Empresa Numero 66, Colonia Mixcoac, Delegacion Benito Juarez, Ciudad de Mexico, Distrito Federal, Mexico	Dechra Limited
Eurovet Animal Health B.V.	The Netherlands	Holding company, developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	Handelsweg 25, 5531AE Bladel, Netherlands	Dechra Pharmaceuticals PLC
Genera d.d.*	Croatia	Holding company, Developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals and crop protection	Svetonedeljska cesta 2, Kalinovica, 10436 Rakov Potok , Croatia	Eurovet Animal Health B.V.
Genera d.o.o Sarajevo	Bosnia Herzegovina	Marketer of veterinary pharmaceuticals	Hamdije Čemerlića 2, Sarajevo, Bosnia and Herzegovina	Genera d.d.
Genera Pharma d.o.o.	Serbia	Marketer of veterinary pharmaceuticals	Gostivarska 70, Vozdovac, Beograd, Serbia	Genera d.d.
Genera SI d.o.o	Slovenia	Marketer of veterinary pharmaceuticals	Parmova Ulica, Ljubljana, Slovenia	Genera d.d.
Putney, Inc	USA	Developer, regulatory and marketer of veterinary pharmaceuticals	Principal Place of Business: One Monument Square, Suite 400, Portland ME ME 04101, United States	Dechra Holdings US Inc
Scanimalhealth ApS	Denmark	Marketer of veterinary pharmaceuticals	Radhustorvet 5 2, 3520 Farum, Denmark	Eurovet Animal Health B.V.

Other subsidiaries

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Apex Laboratories Pty Limited	New Zealand	Non-trading	Level 12, 55 Shortland Street, Auckland, 1010, New Zealand	Apex Laboratories Pty Limited
Arnolds Veterinary Products Limited	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Broomco 4263 Limited	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Dales Pharmaceuticals Limited	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Dechra Holding Australia Pty Limited	Australia	Holding Company	2 Cal Close, Somersby NSW 2250, Australia	Dechra Limited
Dechra Holdings US Inc	USA	Holding company	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Limited
Dechra Investments Limited	England and Wales	Holding company	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC
DermaPet, Inc	USA	Non-trading	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Veterinary Products LLC
Farvet Laboratories B.V.	The Netherlands	Non-trading	Handelsweg 25, 5531AE Bladel, Netherlands	Eurovet Animal Health B.V.
Veneto Limited	England and Wales	Holding company	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC

* Eurovet Animal Health B.V. holds 85.54%, 10.0% is held as treasury stock and 4.46% is held by minority shareholders