

Dechra Finance Limited

**Annual Report and Financial
Statements**

**Registered number 09129928
For the year ended 30 June 2018**

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Strategic Report

Business review

The Company acts as a financing company. The functional currency is Euro as the majority of transactions entered into by the Company are transacted in Euros.

Financial Review

Results

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

Review of operating performance

Company performance

The Company received interest income of €5,122,000 (2017: €3,849,000) and had interest payable of €1,212,000 (2017: €455,000) during the year.

The financial position at the end of the year was strong with equity shareholders' funds standing at €144,568,000 (2017: €49,622,000).

During the year, the Company has issued share capital for a total consideration of €132,552,000.

Funding

The Company is principally funded by investment from the Company's parent and external debt of €178,000,000.

Risks and uncertainties

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.

On behalf of the board



RJ Cotton
Director

30 October 2018

Directors' Report

The directors present their report and the audited financial statements for the year ended to 30 June 2018.

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 date of signing the financial statements were:

ID Page
RJ Cotton
MJ Hall – Company secretary (appointed 1 July 2017)

Political and charitable contributions

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

Dividends

An interim dividend of €41,849,290 was paid during the year, of which €20,000,000 was in specie (2017: €10,000,000).

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

Directors' Report *(continued)*

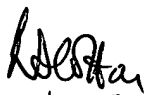
Directors' and officers' liability

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 benefited 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

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



RJ Cotton
Director

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

30 October 2018

Independent auditors' report to the members of Dechra Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion, Dechra Finance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework"; and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 October 2018

Income statement
for the year ended 30 June 2018

	<i>Note</i>	Year ended 30 June 2018 €000	Year ended 30 June 2017 €000
Income from shares in group undertakings		1,038	-
Finance income	4	5,122	3,849
Finance costs	5	(1,212)	(455)
Profit on ordinary activities before taxation	2	4,948	3,394
Income tax on profit on ordinary activities	6	(706)	(444)
Profit for the financial year		4,242	2,950

All amounts relate to continuing operations.

There are no other comprehensive income recognised in either the current or preceding year other than the profit for this year.

The notes on pages 9 to 14 form part of the financial statements.

Statement of financial position
as at 30 June 2018

	Note	2018 €000	2018 €000	2017 €000	2017 €000
Non-current assets					
Investments	7		-		511
Current assets					
Trade and other receivables	8	320,690		76,190	
Cash		9,854		1,374	
		<u>330,544</u>		<u>77,564</u>	
Trade and other payables	9	(7,976)		(453)	
Net current assets			<u>322,568</u>		<u>77,111</u>
Total assets less current liabilities			<u>322,568</u>		<u>77,622</u>
Non-current liabilities					
Borrowings	10		(178,000)		(28,000)
Net assets			<u>144,568</u>		<u>49,622</u>
Equity					
Issued share capital	11		112,203		-
Share Premium			20,349		-
Retained earnings			12,016		49,622
Total shareholders' funds			<u>144,568</u>		<u>49,622</u>

The notes on pages 9 to 14 form part of the financial statements.

The financial statements on pages 6 to 14 were approved by the board of directors on 30 October 2018 and were signed on its behalf by:



RJ Cotton
Director

Company number: 09129928

Statement of changes in equity
for the year ended 30 June 2018

	Share Premium €000	Issued share capital €000	Retained Earnings €000	Total shareholders' funds €000
For the year ended 30 June 2017				
Balances at 1 July 2016	-	51,138	5,534	56,672
Capital Reduction	-	(51,138)	51,138	-
Profit for the financial year	-	-	2,950	2,950
Dividends Paid	-	-	(10,000)	(10,000)
Balances at 30 June 2017	-	-	49,622	49,622
For the year ended 30 June 2018				
Balances at 1 July 2017	-	-	49,622	49,622
Shares Issued	20,349	112,203	-	132,552
Profit for the financial year	-	-	4,242	4,242
Dividends Paid	-	-	(41,849)	(41,849)
Balances at 30 June 2018	20,349	112,203	12,016	144,568

Notes to the financial statements

1 Principal accounting policies

General information

Dechra Finance Limited acts as a financing 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.

Basis of preparation

The financial statements of Dechra Finance 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 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 or estimates given the nature of the entity.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- 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'.
- Under FRS 101, the Company has taken advantage of the requirements of paragraphs 30 and 31 of IAS *Accounting Policies, Changes in Accounting Estimates and Errors*.

The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The directors intend that the Company will take advantage of the above disclosure exemptions for the year ended 30 June 2019. The Company is a wholly owned subsidiary of Dechra Pharmaceuticals PLC, which is the ultimate parent. It is included in the consolidated financial statements of Dechra Pharmaceuticals PLC which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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 the financial statements.

Adoption of new and revised standards

There are no new standards, amendments to standards or interpretations mandatory for the first time for the year ended 30 June 2018.

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

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Current and deferred income tax (continued)

regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

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 held as non-current assets are stated at cost less any 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Share capital

Ordinary 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.

Notes to the financial statements *(continued)*

2 Profit before taxation

No directors received any emoluments in respect of services as director of this Company during the year (2017: *£nil*).

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

3 Employees and directors

Excluding directors, the Company did not employ any persons during the year (2017: *£nil*).

4 Finance income

	2018 €000	2017 €000
Other interest receivable	5,115	3,849
Foreign exchange movements	7	-
	<hr/>	<hr/>
Total finance income	5,122	3,849
	<hr/> <hr/>	<hr/> <hr/>

5 Finance costs

	2018 €000	2017 €000
External bank interest	1,211	377
Other interest payable	1	78
	<hr/>	<hr/>
Total finance costs	1,212	455
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements *(continued)*

6 Income tax expense

Tax expense included in the income statement

	2018 €000	2017 €000
<i>Current tax</i>		
UK Corporation tax on profits for the year	733	57
Adjustment in respect of prior period	(27)	387
	<hr/>	<hr/>
Total current tax	706	444
	<hr/>	<hr/>
Income tax expense	706	444
	<hr/>	<hr/>

The current tax expense is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained below:

	2018 €000	2017 €000
Profit on ordinary activities before taxation	4,948	3,394
	<hr/>	<hr/>
Current tax charge at 19% (2017: 19.75%)	940	670
<i>Effects of:</i>		
Income not taxable	(223)	(613)
Adjustments in respect of prior periods	(11)	387
	<hr/>	<hr/>
Total income tax expense	706	444
	<hr/>	<hr/>

The Government announced in the Finance Act 2016 that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020, this was substantively enacted in September 2016. The Finance Act 2015 (No. 2) which was substantively enacted in October 2015 included provisions to reduce the rate of corporation tax to 19% with effect from April 2017.

Notes to the financial statements *(continued)*

7 Investments

	Shares in group undertakings €000
At 1 July 2017	511
Disposals	(511)
At 30 June 2018	-

On 29 June 2018 the Cooperative Dechra Finance Netherlands was liquidated, there was no gain or loss realised on this liquidation in Dechra Finance Limited. The Company has no other investments in group undertakings.

8 Trade and other receivables

	2018 €000	2017 €000
Amounts owed by group undertakings	320,690	76,190

Amounts owed by group undertakings are unsecured, and attract interest of up to 5.88% depending on the agreement. €48,677,504 of the balance is repayable on demand, with the remainder due before 2020.

9 Trade and other payables

	2018 €000	2017 €000
Amounts owed to group undertakings	6,935	-
Accruals and deferred income	307	52
Corporation tax	734	401
	<u>7,976</u>	<u>453</u>

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

10 Borrowings

	2018 €000	2017 €000
<i>Borrowings due within one year:</i>		
Bank overdraft	-	-
<i>Borrowings due after one year:</i>		
Bank loan	<u>178,000</u>	<u>28,000</u>

This facility is not secured on any specific assets of the Company but is supported by a joint and several cross-guarantee structure. Interest is charged at 1.8% over LIBOR. All covenants were met during the year ended 30 June 2018.

Notes to the financial statements *(continued)*

11 Issued share capital

	Ordinary shares of €1 each	
	Number	€000
<i>Allotted and fully paid</i>		
At 1 July 2017	1	-
Shares Issued	112,202,637	112,203
	<hr/>	<hr/>
At 30 June 2018	112,202,637	112,203
	<hr/>	<hr/>

On 6 February 2018, one ordinary share was allotted to Dechra Finance Sterling Limited for €20,349,289. On the 13 February 2018, 112,202,636 ordinary shares were issued for €112,202,636 to Dechra Pharmaceuticals PLC.

12 Dividend distribution

	2018	2017
	€000	€000
Paid during the year (€41,849,290.07 per share (2017: €0.20 per share))	41,849	10,000
	<hr/>	<hr/>

13 Contingent liabilities

The Company guarantees the borrowings of certain other group companies which at 30 June 2018 amounted to €328,028,000 (2017: €233,126,000).

14 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.