

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 (June 2010 and September 2012) throughout the period.

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 aims to achieve this through the establishment and delivery of the Group's strategy and ongoing monitoring of its progress. Following the divestment of the Services Segment the Board refined its strategy around four growth drivers:

- Product Development;
- Portfolio Focus;
- Geographical Expansion; and
- Acquisition.

Accompanying KPI's have been developed over the year in order to monitor progress of the implementation and delivery of the strategic plan. Further details are provided on pages 44 to 45.

Board Membership

Details of the Directors together with their biographical details can be found on pages 64 to 65.

The Chairman

The primary role of the Chairman, Mike Redmond, is to:

- 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; and
- lead the Board in the determination of its strategy and the achievement of its objectives.

The Chairman maintains a strong working relationship with Ian Page, the Chief Executive Officer, and works closely with him to ensure that Board decisions and strategy are implemented throughout the Group. There is a clear division of the two roles and their corresponding responsibilities, which were reviewed and updated during the year.

The Chairman, at the time of his appointment, met and continues to meet the independence criteria defined within the Code. Further details in relation to the tenure of the Chairman can be found in the Nomination Committee Report on pages 84 to 85.

Non-Executive Directors

Throughout the year the Non-Executive Directors have provided a solid, independent element to the Board ensuring that decisions are constructively challenged and debated. It is considered that each of the Non-Executive Directors 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.

Senior Independent Director

Following Neil Warner's retirement from the Board in October 2013 Ishbel Macpherson was appointed as the Senior Independent Director. 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. During the course of the forthcoming year Ishbel will take the lead responsibility for the recruitment of the Chairman's successor.

Chief Executive Officer

The Chief Executive Officer, Ian Page, has day-to-day responsibility for the management of the Group. Alongside the SET, he develops the Group strategy and, once approved by the Board, implements this throughout the business.

Ian Page is also 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 Ian Page is not involved in any investment decision made by Sanford it was not considered that any conflict would arise nor would there be any impact on his time commitment.

Chief Financial Officer

The Chief Financial Officer, Anne-Francoise Nesmes, has day-to-day responsibility for financial planning and reporting for the Group. She is also responsible for managing the financial risks and works with the Chief Executive Officer on all strategic matters.

Managing Director of Dechra Veterinary Products EU

The DVP EU Managing Director, Tony Griffin, has responsibility for the majority of the Group's turnover and roll out of the Group's strategy across the EU. He is also the nominated Director for health, safety and environmental matters.

Company Secretary

The Board is assisted by the Company Secretary, Zoe Goulding. The primary role of the Company Secretary is to advise the Board on matters of procedure and governance, ensuring that all required information is made available to the Board on a timely basis. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

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
Financial Reporting	Approval of the Annual and Half-Yearly Reports and dividend policy Approval of development expenditure Approval of budget Approval of treasury 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 and the Anti-Bribery and Anti-Corruption Policy

Board Meetings

Directors are expected to attend all Board and Committee meetings of which they are a member. The Board is scheduled to meet nine times per year. During the year two additional meetings were held; one in relation to the disposal of the Services Segment and one in relation to the acquisition of the trade and assets of PSPC Inc.

Attendance at the Board and Committee meetings during the year to 30 June 2014 is set out in the table below:

	Mike Redmond	Ian Page	Anne-Francoise Nesmes	Tony Griffin	Ishbel Macpherson	Dr Chris Richards	Julian Heslop	Ed Torr [‡]	Neil Warner [†]
Appointment Date	19 April 2001	13 June 1997	22 April 2013	1 November 2012	1 February 2013	1 December 2010	1 January 2013	31 October 1997	2 May 2003
Board	11	11	11	11	11	11	11	5	1
Audit Committee	n/a	n/a	n/a	n/a	4	4	4	n/a	1
Nomination Committee	1	1	n/a	n/a	1	1	1	n/a	n/a
Remuneration Committee	6	n/a	n/a	n/a	6	6	6	n/a	2

[†] Neil Warner attended one out of three Board meetings, two out of two Remuneration Committee meetings and one out of one Audit Committee meetings based on the number of meetings held prior to his date of retirement.

[‡] Ed Torr attended five out of six Board meetings based on his date of resignation.

Corporate Governance continued







It is understood that there may be situations, either due to prior commitments or circumstances beyond their control, which mean a Director is unable to attend a Board or Committee meeting. In this situation the Board papers are still provided allowing the Director to raise any queries or discussion points either through the Chairman or Company Secretary, thereby allowing their views to be fully discussed at the meeting. Following the meeting any Director who was unable to attend is provided with the opportunity to discuss the meeting with either the Chairman, Company Secretary or any Executive Director.

The Company Secretary ensures that an accurate record of each Board meeting is made which is circulated to the Board as soon as practicable after the meeting. 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. On resignation, should a Non-Executive Director have any concerns, they have a right to provide a written statement for circulation to the Board.

Board Meeting Agenda and Papers

The Directors are supplied in a timely manner with all relevant documentation and financial information to assist them in the discharge of their duties. Prior to all Board meetings an agenda and supporting documentation are circulated to the Board.

During the year, in addition to its routine business, the Board considered the following matters:

 5 July 2013 (Northwich)	 9 July 2013 (Special meeting via telephone conference)	 29 August 2013 (Northwich)	 17/18 October 2013 (Northwich)	 6 December 2014 (London)	 9 January 2014 (Northwich)
<ul style="list-style-type: none"> Product Development presentation by Susan Longhofer Review of the consolidated budget 2014 Services Segment disposal update Risk Assessment Review 	<ul style="list-style-type: none"> Approval of the disposal of the Services Segment 	<ul style="list-style-type: none"> Review year end results Board evaluation 	<ul style="list-style-type: none"> Review quarter one results and approval of amended budget process Review and approval of the capex for the Liquids, Creams and Ointments facilities upgrade at Skipton Strategy discussion Product Pipeline review 	<ul style="list-style-type: none"> Product Development presentation by Susan Longhofer Update on internal controls/risk management project Post Eurovet acquisition review Review of Dechra's Operating Segments Review of delegated authorities Six monthly health and safety review HR Director recruitment update 	<ul style="list-style-type: none"> Review quarter two results HR Director recruitment update Update on key financial projects 5+7 re-forecast and review of pre-close trading statement Review and approval of DVP EU strategic plan Review and approval of DVP Italy business plan

Every meeting agenda comprises reports from the following individuals:






- Chief Executive Officer;
- Chief Financial Officer;
- Managing Director and Finance Director of each Business Unit;
- Group HR Director;
- Product Development and Regulatory Affairs Director; and
- Group IT Director.

In addition, a health and safety update is received at each meeting.

Each year an annual strategic agenda is drawn up and approved by the Board. This enables the Board to focus on

and discuss key strategic areas on a regular basis and also ensures that a review of the risks surrounding that area, along with the appropriate mitigating actions, is carried out. This provides an opportunity for each member of the SET, along with other senior managers in the business, to present to the Board in respect of their individual areas of responsibility. It also ensures that the Board gains a more in-depth understanding of the overall business and how the Group strategy is deployed and monitored.

The Chairman and the Non-Executive Directors generally meet the night before each Board meeting which allows them time to review and discuss any matters arising from the agenda without the Executive Directors being present. The Chairman also meets regularly with the Chief Executive Officer outside of the scheduled Board meetings.

 21 February 2014 (Northwich)	 3 April 2014 (Birmingham)	 1 May 2014 (Northwich)	 14 May 2014 (Special meeting via telephone conference)	 6 June 2014 (Sansaw, Shrewsbury)
<ul style="list-style-type: none"> • Review of half-yearly results • IT Strategy and Cyber Risk presentation by Allen Mellor • Strategic plan update • Board evaluation tender update • Review of delegated authorities • Review of PSPC Inc. trade and assets acquisition 	<ul style="list-style-type: none"> • <i>Vetoryl</i> marketing presentation by Giles Coley • DVP US Strategy presentation by Mike Eldred and Nancy Zimmerman • Review and approval of revised KPIs • Update on key financial Projects • Update on change of Registrar 	<ul style="list-style-type: none"> • Review quarter three results • Six monthly review of strategic plan • Review and approval of strategic milestones • 8+4 re-forecast • Review of <i>Phycax</i> acquisition 	<ul style="list-style-type: none"> • Review of the acquisition of the trade and assets of PSPC Inc. • Establishment of a committee to finalise and approve the acquisition 	<ul style="list-style-type: none"> • DVP Canada Business Plan presentation by Mike Eldred and Paul Ray • DVP UK Strategy and Product Marketing presentations by Mark Floyd and Ellie Rothnie • Six monthly health and safety review • Review and approval of treasury policy • Review of new banking facilities • Review and approval of Terms of Reference for the Chief Executive Officer and the Chairman • Review and approval of matters reserved for the Board

Corporate Governance continued

Board Committees

The Board has formally delegated specific responsibilities to Committees, in particular the Audit, Remuneration and Nomination Committees. A summary of the terms of reference of each of the Committees is set out in the table below. The full terms of reference for each of these Committees are available on the Company's website or on request from the Company Secretary.

Committee	Role and Terms of Reference	Membership Required under the Terms of Reference	Committee Report on Pages
Audit	<p>The main responsibilities are:</p> <ul style="list-style-type: none"> 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 controls systems as described on pages 81 to 82; to oversee the relationship with the external auditor, monitor their independence and objectivity, and set the policy for non-audit work; and to make recommendations to the Board on the requirement for an internal audit function. 	<ul style="list-style-type: none"> At least three Non-Executive Directors. All members should be independent Non-Executive Directors. 	78 to 83
Remuneration	<p>The main responsibilities are:</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> At least three Non-Executive Directors. All members should be independent Non-Executive Directors. 	87 to 105
Nomination	<p>The main responsibilities are:</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> At least three. A majority of the members should be independent Non-Executive Directors. 	84 to 85

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. 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. 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.

Effectiveness

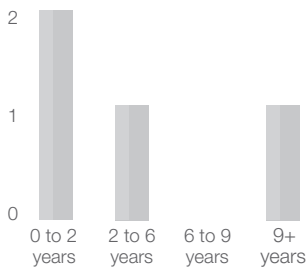
Board Balance and Independence

The Board recognises and understands the importance of balance and refreshment in terms of its composition. The following changes have taken place at Board level over the past 12 months:

- The retirement of Neil Warner as Senior Independent Director and Chairman of the Audit Committee: 17 October 2013
- The resignation of Ed Torr as Business Development Director: 31 January 2014

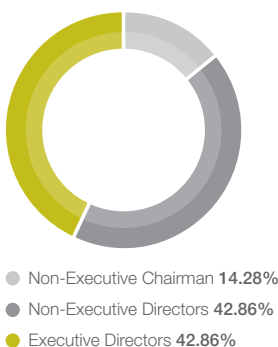
As stated earlier in this report, the Chairman will stand down at the 2016 Annual General Meeting. The search for his successor will commence in early 2015.

Length of Tenure of Chairman and Non-Executives Directors



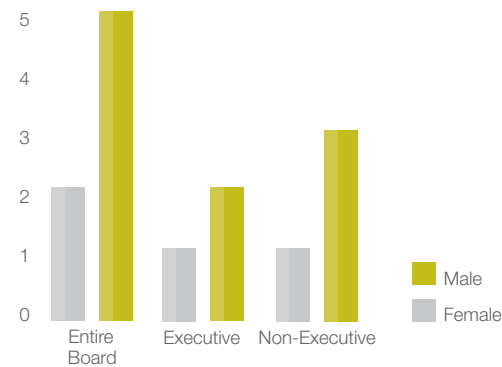
Board Composition

The Board considers that all the Non-Executive Directors are independent of management and free of any business or other relationship which could materially interfere with, or compromise, their ability to exercise independent judgement. This independence of mind provides them with the ability to challenge decisions and think strategically which is integral to the decision making process of the Board.

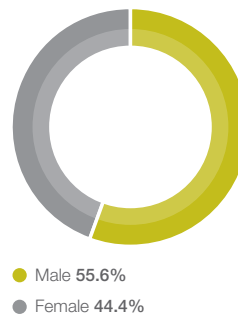


Diversity

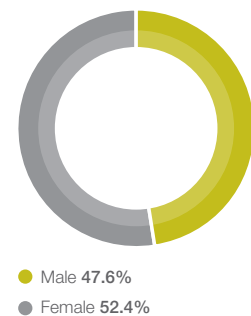
The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background and experience. However, the Board does not have a formal diversity policy and is generally opposed to the idea of stated quotas for females. The Board believes 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.



SET



Overall Workforce



In terms of female representation below Board level 44.4% of the SET and 52.4% of the overall workforce are female.

Conflicts of Interest

Pursuant to the Companies Act 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 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. Firstly, 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.

Corporate Governance continued

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. During the year a Board meeting was held at Dechra Veterinary Products UK in Sansaw. This provided the Board with an informal opportunity to meet with senior management based at this site.

Any newly appointed Directors are provided with comprehensive documentation aimed at providing information in relation to the remit and obligations of the role, current areas under consideration for the Board and the latest broker reports. New Directors are also offered the opportunity to visit the various business units in order to allow them to meet with the executive teams and to be shown around the operations. Field visits with members of the UK sales team are currently being organised for each of the Non-Executive Directors and the Chairman. This will give them the opportunity to observe the sales teams activity in the field and their day-to-day interaction with practising veterinarians.

The Chairman and Company Secretary are aware of the ongoing requirement to review and agree with each Director their training needs. In order to assist with these training requirements the Company Secretary provides briefings for the Directors, where necessary, that cover a number of legal and regulatory changes and developments relevant to the Director’s areas of responsibility. During the year these briefings included an update on the Directors’ Remuneration Report Regulations, changes to the Code and the new strategic report proposals. 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 adequately discharge their duties. 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

The Board undertakes an annual evaluation of its performance and that of its Committees.

- The 2013 Board evaluation:
An internal evaluation was completed during 2012/2013 focusing on the following areas: (i) Board composition; (ii) strategy review 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 then discussed at the August 2013 Board Meeting. Overall it was noted that no new issues of material significance had been raised during the review, rather input revolved around progress of the previous year’s action points. The main action points were as follows:

Action

Following the divestment of the Services Segment a refinement of the Group strategy was required.

Progress

A refinement of the Group strategy commenced with a SET workshop which highlighted the main areas of strategic focus. Following this the Chief Executive Officer and Chief Financial Officer drafted a comprehensive strategic plan for discussion with the Board at its October meeting. The plan was approved by the Board, following which, strategic milestones and KPI’s were established to enable that progress of the strategy could be appropriately monitored.



More detail in relation to the strategy can be found on pages 20 to 22 and the KPI’s on pages 44 to 45.

Review of the internal controls and risk assessment process was to be undertaken.

Following a successful tender, Deloitte LLP was appointed in December 2013 to assist with a review and strengthening of the current controls and risk assessment process.



More detail in relation to the project can be found in the Audit Committee Report on page 81.

Recruitment of a Group HR Director.

An independent specialist HR recruitment company, Frazer Jones LLP, was retained in November 2013 to assist with the search for a new Group HR Director. Following a successful selection process, Katy Clough was appointed to the position at the end of April 2014.



More detail in relation to the Group HR Director’s strategic plan can be found on page 34.

- The 2014 Board evaluation
During the year Independent Audit Limited (Independent Audit) was commissioned to carry out an external evaluation of the Board and its Committees. The process undertaken by Independent Audit involved:
 - a review of the Board and Committee minutes, agenda papers and ancillary documents; and
 - one to one meetings with each member of the Board and the Company Secretary. Prior to the meetings a list of 'focus items' was forwarded to each interviewee which included the role of the Board and its Committees, focus on strategic versus operational matters, the Chairman's leadership, relationships between Executive and Non-Executive Board members along with areas for discussion such as risk, Board composition and succession planning

Following the interviews a comprehensive report was compiled for initial discussion with the Chairman and Company Secretary, after which there was a presentation to the Board in relation to the various findings and suggested actions.

The findings were presented to the Board in July, at which it was agreed that time be set aside at the Board meeting to be held on 1 September to establish an implementation plan and time frame in relation to the various findings.

The actions and progress made will be reported in next year's Annual Report.

The Board will perform a further external evaluation in three 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 115, and 118 to 120 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 61. The principal risks that may affect the Group's future performance are set out on pages 46 to 49.

During the year being reported, trading has been resilient with an improvement in profitability being achieved. The net proceeds from the disposal of the Services Segment to Patterson Companies, Inc. in August 2013 were used to reduce the Group's debt through the payment and cancellation of the Group's then existing £50.0 million term loan facility and the reduction in amounts drawn under the Group's then existing £65.0 million revolving credit facility.

In order to ensure that the ongoing funding requirements of the Group are aligned to its strategic objectives, the Group has 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 (the Banks) 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 2014 the Group had cash balances of £26.8 million and net debt 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.

Corporate Governance continued

Internal Control and Risk Management

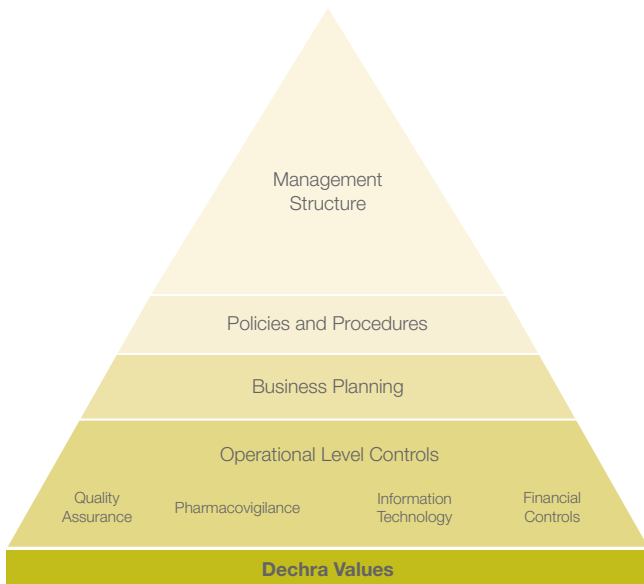
The Directors are responsible for maintaining the Group's system of internal control and risk management and for reviewing its effectiveness from a financial, operational and compliance perspective. These systems aim to:

- safeguard the Company's assets;
- ensure that proper accounting records are maintained;
- ensure compliance with statutory and regulatory requirements; and
- ensure the effectiveness and efficiency of operations.

The system of internal control is designed to mitigate rather than eliminate risk of failure of delivery of the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has an established, ongoing and embedded framework of internal financial and operational controls for identifying, evaluating and managing the significant risks faced by the Group. A framework has been in place throughout the year under review, and has continued up to the date of approval of the Annual Report.

The Group's control framework comprises the following tiers and is underpinned by the Dechra Values.



• Management Structure

The Board, assisted by the SET, ultimately sets the tone in relation to the level of risk and control which it is willing to take in achieving the Group's strategic goals.

The Group is organised into Operating Segments within which there are a number of business units. Each business unit has its own Managing Director and executive team; there are clear reporting lines and delegated authorities embedded within all of the business units.

Each business unit is represented at the SET by their respective Managing Director, along with the Executive Directors, Company Secretary, Group IT and HR Director. Together they aim to ensure that the Group policies, procedures and authority levels are consistently embedded across the Group and reviewed on a regular basis. Any amendments or actions arising from these reviews are then communicated by the SET to the Board.

• Policies and Processes

There are a number of centrally defined financial, legal and compliance policies and procedures which are embedded across the Group:

- Delegated Authorities:** This document establishes both operational and financial levels of authority below Board level and is reviewed on an annual basis along with the schedule of matters reserved to the Board. The document aims to ensure that the authority levels in place provide a robust level of control but without hindering the day-to-day administration of the business.
- Anti-Bribery and Corruption:** This policy has been implemented across the Group alongside training to all relevant employees. The policy aims to ensure that:
 - no bribes or facilitation payments are made;
 - all gifts and hospitality given or received are maintained within agreed limits and are recorded by the employees; and
 - all third party arrangements are reviewed in order to ascertain whether or not they could be deemed to be a significant bribery risk.
- Whistleblowing:** This policy establishes a confidential channel of communication for employees to bring matters of concern about the running of the business to the attention of senior management. Upon being notified of such a concern, the policy sets out a defined process which allows a full investigation to take place and, where necessary, corrective action to be taken.
- Code of Business Conduct:** This policy sets out the standards of conduct to be adopted by all employees when acting on behalf of the Group. In setting these standards the Board aims for Dechra to maintain a reputation for acting responsibly and with integrity. More information in relation to the Code of Business Conduct is provided within the Social, Ethical and Environmental Responsibilities Report on page 107.
- Charitable Donations Policy:** This policy sets out the authorised limits and types of charities to which charitable donations may be made. There are strict limitations on giving donations to businesses which Dechra may have had a previous commercial relationship with. More information in relation to the Charitable Donations Policy is provided within the Social, Ethical and Environmental Responsibilities Report on page 106.

• Business Planning

Business Plans and Strategy Discussion: We have established a five year strategic plan which is reviewed and updated by the Board twice a year. This provides a framework within which a two year budget and forecasts are set with each business unit. The plans are reviewed by the Executive Directors, and then by the Board for ultimate approval. The businesses' performance during the financial year is monitored monthly against budget, forecasts and previous year. Relevant KPI's are also established which allow transparency of progress of both the Group's and business units' strategic goals.

Pipeline Review: The pipeline is reviewed on a regular basis with a view to (i) ensuring that products within the pipeline are progressing according to schedule; and (ii) adding new ideas to the pipeline, after an initial exploratory review, to ensure a consistent flow of new products in Dechra's product portfolio; and (iii) measuring returns.

Operational Level Controls

Quality Assurance: Across the Dechra Manufacturing sites there is an established Quality Management System which, at the Skipton site, is accredited to BS 9001. This system of processes and procedures aims to ensure that all products leaving our manufacturing facilities have been manufactured to the highest standard.

Pharmacovigilance: Dechra has invested heavily over several years on establishing a robust pharmacovigilance system with a view to ensuring that any adverse event reactions related to the use of our products are reported and dealt with promptly.

Information Technology: Dechra first established Oracle at the Skipton site over seven years ago. Following the appointment of a Group IT Director, in 2012, there is a schedule and plan to implement the system across the Group.

Financial Controls: Work has been carried out during the year to strengthen the financial controls across the Group. The financial control element is split into three stages:

- Entity Control Levels: controls performed by Head Office and senior management across the Group;
- Month End and Year End Procedures: controls performed by business unit management; and
- Transactional Level Controls: Controls operated on a day-to-day basis.

Together, these three levels of controls set the structure of Dechra's financial control framework which aims to prevent and detect misstatement or fraud.

• Dechra Values

It is the Board's aim that the Dechra Values should underpin all actions and behaviour of the Group's employees providing an important role in ensuring that they understand what is expected of them and how they can assist in achieving the Group's strategic objectives.

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 are 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. 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 media. The Company also organises site visits on a periodic basis.

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.