

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 2014. 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 on pages 6 to 61 along with the Corporate Governance Report, Board Committee Reports, and Social, Ethical and Environmental Responsibilities Report. They are incorporated by reference into this Directors' Report and include:

- Details in respect of the Board of Directors (and changes made during the year);
- Directors' Indemnities;
- Statement of Directors' Responsibilities;
- Review of the Group's business during the year and any likely future developments;
- Employees with disabilities and employee involvement; and
- Greenhouse Gas Emissions.

Information in relation to post-balance sheet events and details of the Group's financial risk management objectives (including the exposure to price, credit and liquidity risk) can be found on pages 153 to 169 of the Financial Statements.

The Board reviews its work on corporate governance, including its statement of compliance, in the Corporate Governance Report on pages 66 to 77.

Acquisitions and Disposals

On 20 May 2014 Dechra acquired the trade and assets of PSPC Inc. (PSPC) for a consideration of up to US\$14.2 million, of which US\$8.5 million was paid in cash, US\$1.5 million was contingent upon the successful registration of a new product (which was achieved in June 2014), and US\$4.2 million which is contingent on future sales. Furthermore, in June 2014 Dechra acquired PSPC's facility for a further US\$3.0 million. Further detail in relation to this acquisition can be found on pages 11 and 61 of the Strategic Report.

The disposal of the Services Segment was completed on 16 August 2013. Further detail in relation to this can be found at note 30 of the Accounts.

Amendment of the Articles of Association

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

Change of Control/Significant Agreements

As detailed in the Going Concern Statement on page 75 the Group has entered into a new facilities agreement with a syndicate of banks comprising HSBC Bank plc, The Royal Bank of Scotland plc and Barclays Bank PLC (the Banks). Under the terms of these facilities the Banks can give notice to the Company to repay all amounts outstanding under the facilities and cancel the commitments where there is a change of control of the Company. 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 provides 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. The Remuneration Committee has confirmed that it would exercise its own discretion to vest in full should a change of control of the Company occur before the LTIP awards vest. In relation to the recruitment award granted to Anne-Francoise Nesmes (further details of which can be found on page 100 of the Directors' Remuneration Report) the Remuneration Committee has confirmed that it will exercise its discretion and allow full vesting of the award should there be a change of control of the Company prior to the vesting date.

The Directors consider that there are no contracted or other 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 constitutional documentation. 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 has no overseas branches.

Political Donations and Expenditure

No political donations were made during the year ended 30 June 2014. 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 23 to 25. The expense on this activity for the year ended 30 June 2014 was £8,248,000 (2013: £7,961,000) and a further £1,065,000 (2013: £1,584,000) was capitalised as development costs.

Results and Dividends

The results for the year and financial position at 30 June 2014 are shown in the Consolidated Income Statement on page 121 and Consolidated Statement of Financial Position on page 123. The Directors recommend the payment of a final dividend of 10.65 pence per share which, if approved by shareholders, will be paid on 21 November 2014 to shareholders registered at 7 November 2014. The shares will become ex-dividend on 6 November 2014. An interim dividend of 4.75 pence per share was paid on 8 April 2014, making a total dividend for the year of 15.40 pence (2013: 14.00 pence). The total dividend payment is £13,500,000 (2013: £12,199,000).

Share Capital

The issued share capital of the Company for the year is set out in note 23 to the Consolidated Financial Statements on page 160. As at the end of the financial year 87,712,564 fully paid ordinary shares were in issue which included 555,120 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 being the Trustees of the Dechra Employee Benefit Trust, who hold 83,478 shares and have waived their rights to dividends and in accordance with ABI guidelines they abstain from voting at general meetings.

At the Annual General Meeting of the Company held on 17 October 2013, the Company was authorised to purchase up to 8,715,744 of its ordinary shares, representing 10% of the issued share capital of the Company as at 16 September 2013. 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 2013 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2014 Annual General Meeting.

Directors' Report – Other Disclosures 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 2014		20 August 2014	
	Aggregate voting rights	Percentage	Aggregate voting rights	Percentage
Schroders	9,022,410	10.29	9,136,910	10.42
Fidelity Management & Research	8,566,217	9.77	8,338,300	9.51
Aberdeen Group	8,149,643	9.29	8,133,896	9.27
Legal & General Group	4,158,087	4.74	4,158,087	4.74
Norges Bank	3,520,489	4.01	3,471,309	3.96
BlackRock Inc	3,382,050	3.86	3,373,421	3.85
Aviva plc	3,025,919	3.45	2,996,127	3.42
Rathbone plc	2,997,616	3.42	2,812,164	3.21
Neptune Investment Management	2,981,023	3.40	3,260,041	3.72

Auditor

A resolution to re-appoint KPMG LLP as external auditor and to authorise the Directors 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:

Zoe Goulding

Company Secretary
8 September 2014