Independent Auditor's Report to the Members of Dechra Pharmaceuticals PLC

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Dechra Pharmaceuticals PLC for the year ended 30 June 2014 set out on pages 121 to 178. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of Goodwill and Acquired Intangible Assets (£187.9 million)

Refer to page 80 (Audit Committee Report), notes 1(g) and 1(j) (accounting policies) and note 13 (financial disclosures) of the Consolidated Financial Statements.

The risk:

- The Group balance sheet includes a significant amount of goodwill and other acquired intangible assets that have arisen as a result of acquisitions. There is a risk that below forecast performance of the business, or the cash generating unit (CGU), to which the assets are allocated will result in impairment. This could be due to weaker than forecast demand, product obsolescence or other factors.
- The recoverable amounts of the CGU's to which these intangible assets are allocated is determined on the basis of value in use calculations. Due to the inherent uncertainty involved in forecasting future cash flows and in determining appropriate discount rates, which are the basis of the assessment of recoverability, this is one of the key judgemental areas that our audit is concentrated on.

Our response — Our audit procedures in this area included, among others:

- Performing certain procedures to identify indicators for impairment of amortising intangible assets. These included reviewing Board meeting minutes, reviewing forecast performance and enquiring of management as to whether they are aware of any indicators of impairment;
- Checking that the valuation methodology, including the mathematical accuracy, used and allocation of cash flows between cash generating units is consistent year-on-year;
- Agreeing the cash flows in the models to detailed forecasts prepared by the Group and assessing the appropriateness of the assumptions used in the forecasts in light of historical results;
- Assessing whether the growth rates and the assumed asset lives used in the models are reasonable in light of historical growth rates and ensuring long term growth rates in the models do not exceed industry published data;
- Performing our own assessments of the key estimates and assumptions used to estimate the discount rate applied and challenging the Group's judgements if there are differences; and
- Performing a number of sensitivities to the key assumptions including growth and discount rates to challenge the Group's judgements.

We also assessed whether the Group's disclosures in respect of the impairment review and the sensitivity of the outcome of the impairment review to changes in key assumptions reflected the risks inherent in the valuation.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £1,709,000. This has been determined with reference to a benchmark of Group profit before taxation, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 8.0% of Group profit before tax from continuing operations and 4.5% of Group profit before tax adjusted for amortisation of acquired intangibles as disclosed in the non-underlying note (note 5).

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £85,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by component auditors at the key reporting components in the following countries: the UK, US, Netherlands, Denmark and Germany. These audits covered 97% of total Group revenue from continuing operations; 95% of Group profit before taxation from continuing operations; and 97% of total Group assets. The segment disclosures in note 2 sets out the individual significance of a specific country.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by the Group audit team. These materiality levels were set individually for each component and ranged from £400,000 to £1,500,000.

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits and set out the information required to be reported back to the Group audit team. The Group audit team visited the following locations: the UK, US, Netherlands and Denmark. Telephone meetings were also held with the auditors at these locations and the majority of the other locations that were not physically visited.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' Statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

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- the Directors' Statement, set out on page 75, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 68 to 77 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 115, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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