

Notes to the Consolidated Financial Statements

continued

29. Operating Leases

At the balance sheet date the Group had outstanding commitments for future minimum rentals payable under non-cancellable operating leases as follows:

	Land and buildings		Other assets		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Within one year	-	1.8	-	1.9	-	3.7
Between one and five years	-	4.5	-	2.5	-	7.0
In five years or more	-	5.7	-	-	-	5.7
	-	12.0	-	4.4	-	16.4

The Group leases properties, plant, machinery and vehicles for operational purposes. Property leases vary in length up to a period of 20 years. Plant, machinery and vehicle leases typically run for periods of up to five years.

30. Foreign Exchange Rates

The following primary exchange rates have been used in the translation of the results of foreign operations:

	Average rate for 2019	Closing rate at 30 June 2019	Average rate for 2020	Closing rate at 30 June 2020
Australian Dollar	1.8097	1.8118	1.8784	1.7913
Brazilian Real	4.9686	4.8532	5.6245	6.6986
Danish Krone	8.4651	8.3248	8.5080	8.1681
Euro	1.1345	1.1154	1.1396	1.0960
US Dollar	1.2945	1.2693	1.2601	1.2273

31. Acquisitions

Acquisition of Ampharmco

On 28 August 2019, Dechra acquired 100% of the share capital of Ampharmco LLC and its associated companies Dragon Fire Holdings LLC and Black Griffin Holdings LLC (collectively Ampharmco), together with its manufacturing site based in Fort Worth, Texas. The Group paid £24.3 million (USD29.6 million) consideration in cash.

	Fair value £m
Recognised amounts of identifiable assets acquired	
Property, plant and equipment	3.4
Inventory	1.2
Trade and other receivables	0.4
Trade and other payables	(0.3)
Cash	-
Lease liabilities	(0.1)
Provisions	(0.4)
Intangible assets	15.0
Current tax liabilities	(1.5)
Net identifiable assets	17.7
Goodwill	6.6
Total consideration	24.3
Satisfied by:	
Cash	24.3
Total consideration transferred and net cash outflow arising on acquisition	24.3

The fair value adjustments made principally relate to harmonisation with Group IFRS accounting policies, including the application of fair values on acquisition, principally the recognition of intangible assets in accordance with IFRS 3. The impact of increasing the discount rates used to calculate the acquired intangibles by 1.0% is to reduce the value of the acquired intangible by £1.0 million, with a corresponding increase in goodwill.

31. Acquisitions continued

Acquisition of Ampharmco continued

The goodwill of £6.6 million arising from the acquisition predominantly relates to the future benefits of an FDA registered facility to manufacture solid doses, liquids, creams and ointments, which will significantly strengthen the manufacturing capability for the North American market. No deferred tax arises on acquisition because the tax elections available in the US enable a tax base to be recognised for certain assets identified at that point in time.

Acquisition related costs (included in non-underlying operating expenses) amounted to £1.2 million. Ampharmco's results are reported within the NA Pharmaceuticals Segment.

Ampharmco contributed £2.6 million revenue and £0.6 million loss to the Group's underlying operating profit for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first date of the financial year, the contribution to Group revenues for the period would have been £3.4 million and the contribution to the Group's underlying operating profit would have been £0.7 million loss. The reported operating loss after taking into account non-underlying items for the amortisation of intangible assets would have been £1.7 million.

Acquisition of Mirataz

On 16 March 2020, Dechra acquired the worldwide rights to the *Mirataz* product portfolio from Kindred Biosciences Incorporated for cash consideration of £34.9 million (USD43.0 million) and a royalty on future sales. The acquisition completed on 16 April 2020. The Net Present Value of the future sales royalties has been valued at £10.9 million, and is included within the contingent consideration liability at year end (refer to note 32). The Group has early adopted the amendments to IFRS3 'Business Combinations' and applied the optional concentration test for this transaction. Accordingly, it has been concluded that substantially all the value arising from the transaction relates to the product rights which are recognised as an intangible asset. The total intangible asset recognised in relation to this acquisition is £45.8 million (refer to note 12). A payment of £0.6 million was also made for inventory.

Prior Year Acquisitions

Following the acquisition of Dechra Brazil in December 2018, the fair value of the assets and liabilities acquired have been reconsidered since the Annual Report as at 30 June 2019 as part of the measurement period. In relation to the 30 June 2019 balance sheet, hindsight adjustments have been made as detailed in the table below;

	Reported June 2019 £m	Opening Balance sheet adjustments £m	Restated June 2019 £m
Intangible assets	687.0	(6.4)	680.6
Inventory	104.0	(0.5)	103.5
Trade and other receivables	99.9	(0.1)	99.8
Deferred tax due after more than one year	(81.5)	7.0	(74.5)

A hindsight adjustment has been made within tangible fixed assets to reclassify £0.1 million from Plant & Fixtures to Freehold Land & Buildings.

During the measurement period the deferred tax position in respect of the acquisition has been concluded, taking into account elections available and contemplated at the acquisition date which enable a tax base to be established in Brazil for certain assets identified on acquisition. While enacted during the measurement period, this is based on information and facts that existed at the acquisition date. The disclosure of the final fair values of the assets and liabilities acquired have been included in the financial statements for the year ended 30 June 2020.

Following the acquisition of the trade and assets of Caledonian Holdings Ltd in October 2018, the disclosure of final fair values of the assets and liabilities acquired has been included in the financial statements for the year ended 30 June 2019.