Dechra®
Pharmaceuticals PLC

Annual Report and Accounts
for the year ended 30 June 2022

Company Number: 3369634

Celebrating **25 years** of Continuous Growth
and Improvement in Animal Health and Welfare

Dechra®
Pharmaceuticals PLC

Celebrating 25 Years

of Continuous Growth and Improvement in Animal Health and Welfare

Read more about our Top Ten Key Strategic Developments on pages 04 to 06

Dechra®
Pharmaceuticals PLC

Welcome to our Annual Report and Accounts

Overview

Strategic Report

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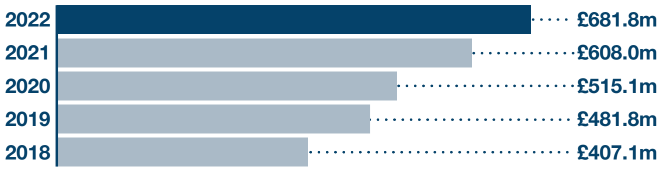
Additional Information

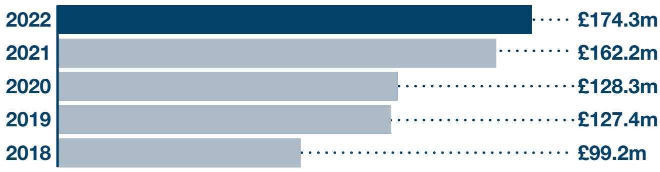
View our online Annual Report at:
dechra.annualreport2022.com

Highlights

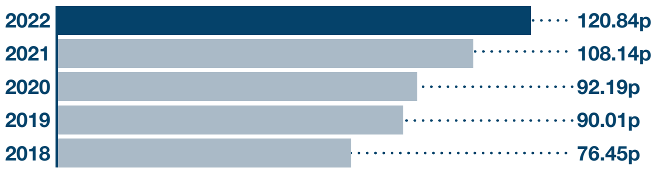
Revenue
£681.8m
AER: +12.1.0% CER: +13.8%



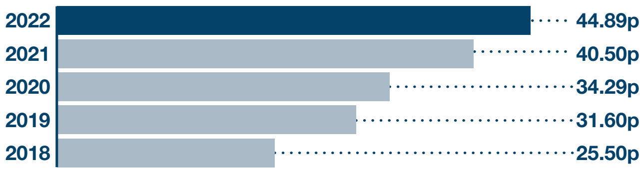
Underlying Operating Profit
£174.3m
AER: +7.5% CER: +9.4%



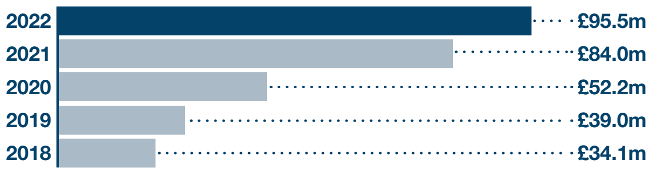
Underlying Diluted Earnings Per Share
120.84p
AER: +11.7% CER: +14.0%



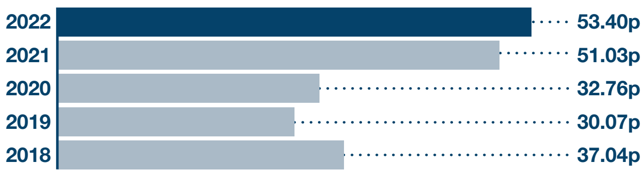
Dividend Per Share
44.89p
AER: +10.8% CER: +10.8%



Reported Operating Profit
£95.5m
AER: +13.7% CER: +16.2%



Reported Diluted Earnings Per Share
53.40p
AER: +4.6% CER: +7.5%



Strategic Progress

- Strong organic growth in all key markets and across all therapeutic segments
- Pipeline strengthened through own innovation and acquisition
- International portfolio strengthened through numerous product approvals
- Successfully completed two material company acquisitions post year-end: Piedmont and Med-Pharmex
- Executed numerous bolt-on product acquisitions to complement existing equine and CAP portfolios

Financial Performance

- Revenue growth of 13.8% to £681.8 million
- Underlying operating profit increased by 9.4% to £174.3 million
- Reported operating profit increased by 16.2% to £95.5 million
- Strong cash generation of £163.3 million representing cash conversion of 93.7%
- Underlying diluted EPS increase of 14.0% to 120.84 pence
- Full year dividend increased by 10.8% to 44.8 pence

Our Product Pipeline

A key strategic priority for the Group is the delivery and strength of the pipeline. We currently have 41 projects in the product development process:

Chair's View

// We have delivered another strong set of financial results and we continue to execute our strategy successfully."

Alison Platt

Introduction
Welcome to our 2022 Annual Report, which is my first report as Chair of the Company.

This year marks Dechra's 25th anniversary. Our Values, our Culture, people, and strategy have established Dechra as one of the leading and fastest growing global animal health companies in the world. It was a privilege to meet the 100 colleagues who attended the Global Team Meeting in Cheshire to celebrate this milestone, where it was evident that the culture at Dechra is a major asset in attracting and retaining high quality professionals and people spoke openly of the empowerment they feel, the ability to operate at pace that affords and the support they feel from the Group.

During the year, we were able to recommence site visits as pandemic-related restrictions eased. The visit to Uldum, Denmark not only provided an opportunity to meet the employees at this site, but also to see the new warehouse recently commissioned. I look forward to further site visits over the coming year.

Board Changes
There have been a number of Board changes in the 2022 financial year, which included the retirement of Tony Rice on 31 December 2021and the appointment of John Shipsey on 1 June 2022. Julian Heslop will retire on 5 September 2022. I would, on behalf of the Board, like to express our thanks and gratitude for the huge contribution both Tony and Julian have made to the Board over their tenure as Non-Executive Directors.

Diversity
Dechra is committed to building high performing diverse teams at all levels in the organisation. It was always our plan to meet, and prior to our recent elevation to the FTSE 100 (in December 2021), to exceed the Parker Recommendations for FTSE 250 companies. We remain cognisant of the ongoing requirements regarding diversity targets, and the Committee has retained an executive search firm for diverse talent to assist with the succession plan for our Remuneration Chair.

Progress this Year
Like all businesses, we have had to overcome a number of challenges this year, from post-COVID-19 normalisation to rising inflation. However, we have delivered another strong set of financial results and we continue to execute our strategy successfully. We have made a number of excellent acquisitions, have strengthened our development pipeline and have increased our geographical footprint.

ESG
The external world is constantly changing, and the role businesses play in tackling global and societal change is increasingly articulated through codes of corporate governance and investor sentiment. As Dechra Chair, I feel a key part of the role is to enable the whole Board to help the business navigate the right path in terms of creating shareholder value and positively impacting the animals, people and areas of our planet touched by our operations. Our focus on human rights through a commitment to a living wage globally and our significant investment in a credible environmental sustainability programme are solid examples of our ability to have a positive impact by living our Values. Further information in relation to our Sustainability strategy and ambitions can be found in our inaugural Sustainability Report on our website.

Looking Ahead
The acquisition of Piedmont Animal Health and Med-Pharmex together with the new equity raise and refinancing of debt facilities, which took place after the year end, all provide reasons to be optimistic for the year ahead and beyond. The global animal health market remains resilient, and Dechra is well positioned to continue its sustainable growth strategy.

Alison Platt
Non-Executive Chair
5 September 2022

Dechra marks its 25th year anniversary since its inception in 1997. The last 25 years were marked by many milestones, the completion of a number of acquisitions and growth of its footprint across the globe.

25 years

of Improving Animal Health and Welfare

Revenue

1998* → 2022

£137.2m **£681.8m**

Underlying Operating Profit

1998* → 2022

£5.5m **£174.3m**

Employees†

1998* → 2022

343 **2,036**

Read more about our Top Ten Key Strategic Developments on pages 04 to 06

Read more about Dechra at a Glance on pages 08 and 09

* For the year ended 30 June 1998.
† Monthly average.

Countries Distributed to

1998 → 2022

1 → **63**

Manufacturing Locations

1998 → 2022

1 → **7**

Sales and Marketing organisations

1998 → 2022

1 → **25**

Top Ten

Key Strategic Developments Over 25 Years

The Company was incorporated in May 1997 to effect the management buyout from Lloyds Chemist plc.

Three years later, in 2000, the issued ordinary share capital of Dechra was listed on the London Stock Exchange. Since 2000, the Company has grown strongly through a combination of innovation, organic growth and acquisition.

1997 ▶

Read more about our Product Development on pages 35 to 39

Read more about our Acquisitions on pages 29 and 31

Key to Strategic Growth Drivers:

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

01
2000

IPO

Although it could be argued that the management buyout in 1997 should be the first key strategic development, it was not until our UK market listing in 2000 that the strategic vision for Dechra's future started to materialise. We were predominantly operating services through National Veterinary Services (NVS), a veterinary distribution business; at the time our strategy was not as clearly defined and was broad in its objectives. In the placing prospectus for the IPO, one strand of our strategy that has remained to this day, was to invest cash, which at the time was mainly derived from services, into developing novel products.

02
2001

Clear Focus on Product Development to Increase our Presence as a Pharmaceutical Company

At this time over 80% of the Group's profits and over 95% of Group turnover was derived from NVS. Also in the Group were Dales Pharmaceuticals that manufactured a few pharmaceutical products and Arnolds Veterinary Products (prior to re-branding as DVP), which sold these products alongside instruments and consumables. At the time NVS had to sell many human products to fulfil demand for new pet treatments as veterinarians' capabilities in specialised areas of medicine proliferated and pet expenditure increased due to the strengthening of pet/human bond. Using this distribution data we identified product usage trends and key therapeutic sectors in which to focus our development spend, mainly on niche, novel products, initially with an emphasis on endocrinology.

Strategic Growth Driver:

03
2003

Acquisition Strategy

Although we had made acquisitions prior to 2003, they were of diagnostic laboratories, which complemented the Services segment of our business. This provided excellent experience in the acquisition process helping us to form a strategy to strengthen our pharmaceutical business. The first successes were the acquisitions of the Vetivex® range of products and the rights to Equidone® Gel for the US market. At the same time, our early product development efforts started to produce results, with Vetoryl® and Felimazole® gaining approval in the EU. At this time, however, we were only able to sell them directly within the UK; we had to sell them through third party companies within the EU, giving up a lot of margin. We therefore started to research target acquisitions that would provide us with reach into Europe.

Strategic Growth Driver:

04
2005

Geographical Expansion

As our product development portfolio expanded it became evident that we needed to find a way to operate within the world's largest companion animal market, the USA. Our first sales, marketing and regulatory office outside of the UK was opened in Kansas City in 2005, as a future platform to market products we had under The US Food and Drug Administration (FDA) review at the time: *Vetoryl*, *Felimazole* and *Equidone*. Although this was our first new market, geographical expansion really took a greater priority with the formation of our International team in 2016.

Strategic Growth Driver:

05
2008

Acquisition of VetXX

At this point in our development we had successfully registered products across Europe but needed a platform to sell them ourselves. With our burgeoning pipeline we found a solution to retain margin in-house through the acquisition of VetXX, a business we had been pursuing as an acquisition target for two years. It provided a platform into 14 European countries, significantly strengthened our Companion Animal Market (CAP) portfolio and gave us critical mass. We now had the ability to market and sell our own development products across Europe.

Strategic Growth Driver:

06
2008

US Trading Commences

Shortly prior to the approval of *Vetoryl* and *Felimazole* by the FDA, we completed a long term licensing deal to sell the veterinary products of Pharmaderm. The combined portfolio gave us sufficient sales volumes to merit the development of a sales, marketing, regulatory and technical support infrastructure, providing a platform to grow and strengthen our presence in this critical market.

Strategic Growth Driver:

07
2012

Acquisition of Eurovet

Although prior to 2012 we had acquired Dermapet, Gentrix and HY-50®, the acquisition of Eurovet was the first deal that could be classed as truly transformational. It gave us a significant presence in Germany, a country in which we were not operating; it added significant critical mass to our CAP portfolio and provided an entrance and a footprint in Europe for FAP. Most significantly, it took us to a point where we were no longer dependent on the services business with the majority of profits now being derived from the pharmaceutical business.

Strategic Growth Driver:

08
2013

Divestment of Services

Following the successful integration of Eurovet and a number of other smaller acquisitions, although a very tough decision for management to make, it became evident that NVS and NationWide Laboratories were no longer relevant to our future strategy. We managed the successful divestment of the services businesses to a US acquirer, which cleared the debt off our balance sheet, providing cash to make further acquisitions and cemented our strategy as a fully focused veterinary pharmaceutical company.

09
2015-2022

Rapid Development

Although there was no one single event during this period, it has been a hugely important time in our development. We added the fourth pillar to our strategy, Portfolio Focus, which is about maximising the return from our key products in all the major markets. Our four pillar strategy has served us well as we accelerated our acquisition activity, which included Putney, Genera, Apex, Brovel, Venco, AST Farma and Le Vet and the acquisition of the products Mirataz®, Osurnia® and Laverdia®. We expanded geographically into Poland, Canada, Austria, Italy, Mexico, Brazil, Australia and New Zealand. We have also put greater emphasis on novel product development and have significantly increased investment in our pipeline.

Strategic Growth Driver:

2022

10
2022

ANNIVERSARY

After 25 years our Strategy, our Values and our Strategic Enablers, (People, Manufacturing and Supply Chain, Technology and ESG) have established us as one of the leading and fastest growing global animal health companies. The evolution of our strategic objectives and the strengthening of the business through all four pillars have served us well and will continue to be the main drivers of future growth.

Strategic Growth Driver:

Dechra is a global specialist in veterinary pharmaceuticals and related products business.

Our expertise is in the development, manufacture, marketing and sales of high quality products to improve animal welfare, exclusively for veterinarians worldwide.

Dechra at a Glance

Our Purpose

What we do

The sustainable improvement of animal health and welfare globally

Our Strategy

How we achieve our Purpose

Strategic Growth Drivers

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

Read more about our Strategic Drivers on pages 26, 28 to 32

Strategic Enablers

- Manufacturing & Supply Chain
- Technology
- People
- ESG

Read more about our Strategic Enablers on pages 27, 29, 33 and 34

Our Approach to ESG

Our new ESG strategy is based on our Purpose and Values

We have chosen to support the United Nations Sustainable Development Goals (SDGs) listed below.

Our Structure

EU Pharmaceuticals

Dechra Veterinary Products EU (DVP EU)

Markets and sells Dechra's products in 19 countries. The key products are predominately CAP, Equine and FAP. DVP EU markets a range of specialist, therapeutic pet diets, branded Specific.

Dechra Veterinary Products International (DVP International)

Markets and sells Dechra's veterinary products in Australia, New Zealand, and Brazil through our own legal entities and via distributors to countries worldwide (including Eastern Europe). DVP ANZ manufactures, markets and sells branded non-proprietary prescription and other related companion animal products. DVP Brazil predominately manufactures, markets and sells vaccines in Brazil, other South American markets and some Asian countries.

Dechra Pharmaceuticals Manufacturing and Supply (DPM&S)

Manufactures and supplies Dechra's product range efficiently to the highest quality standards maintaining a reliable supply chain. Approximately 40% of Dechra's pharmaceuticals are produced within our own manufacturing sites with the remaining 60% managed through external supply relationships.

North America Pharmaceuticals

Dechra Veterinary Products NA (DVP NA)

Markets and sells Dechra's veterinary products in Canada, Mexico and the US. DVP US and Canada currently market CAP and Equine medicines. DVP Mexico markets CAP, FAP and Equine medicines, mainly in Mexico and also exports to Central America countries.

Product Development and Regulatory Affairs (PDRA)

Develops Dechra's own branded veterinary product portfolio of novel, generic and generic plus pharmaceuticals and related medical products. It obtains licences for our products, manages post approval adverse event reporting, periodic product renewals and other activities required to maintain the product licences.

Our Products

Our products can be divided into four categories. All are targeted at providing veterinary professionals with solutions for their customers' needs.

Companion Animal Products (CAP)

Species: Dogs and cats.

Key Therapeutic Sectors: Endocrinology, dermatology, analgesia and anaesthesia, antibiotics, cardiovascular and critical care.

Percentage of Revenue

74.6%

Food producing Animal Products (FAP)

Species: Poultry, pigs and an increasing presence in cattle.

Key Therapeutic Sectors: Water soluble antibiotics, vaccines, locomotion (lameness) and pain management.

Percentage of Revenue

11.6%

Equine

Species: Horses and ponies.

Key Therapeutic Sectors: Locomotion (lameness) and pain management.

Percentage of Revenue

7.2%

Nutrition

Species: Dogs and cats.

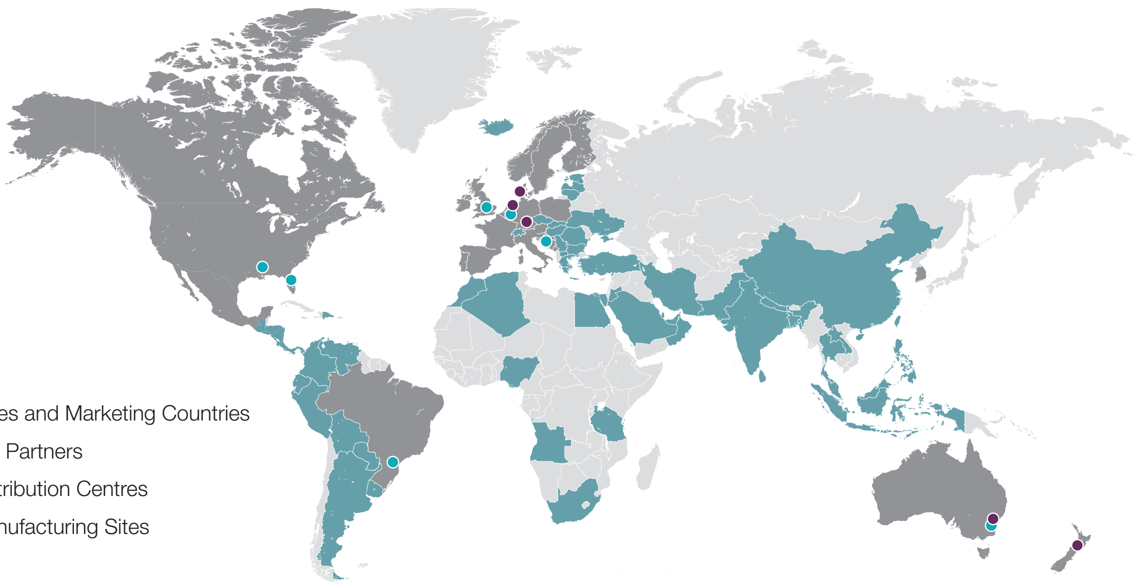
Key Therapeutic Sectors: Our pet diets are available to support the wellbeing of animals with numerous therapeutic conditions.

Percentage of Revenue

5.1%

Our Global Footprint

We currently have sales and marketing organisations in 25 countries and market our products in 63 other countries worldwide through distributors or marketing partners.



Key to map

- Dechra Sales and Marketing Countries
- Distribution Partners
- Dechra Distribution Centres
- Dechra Manufacturing Sites

North America

Dechra Veterinary Products markets and sells Dechra's products via its own sales and marketing organisations or via distributors in Canada, Mexico and the USA, the latter being the world's largest animal health market. In addition, there are manufacturing sites in Florida and Texas. Product Development and Regulatory Affairs teams are also located in the three countries.

Major geographies: United States

Percentage of Revenue

40.0%

Europe

Dechra Veterinary Products markets and sells Dechra's products in 39 countries either via its own sales and marketing organisations or via distributors. Its main distribution centre is in Denmark. There are manufacturing sites and Product Development and Regulatory Affairs teams in Croatia, the Netherlands and the UK.

Major geographies: France, Germany, the Netherlands and the UK

Percentage of Revenue

49.0%

Rest of the World

Dechra Veterinary Products markets and sells Dechra's products in 39 countries either via its sales and marketing organisations (Australia, New Zealand (ANZ) and Brazil) or via distributors. Dechra has manufacturing facilities and a Product Development and Regulatory Affairs presence in Australia and Brazil.

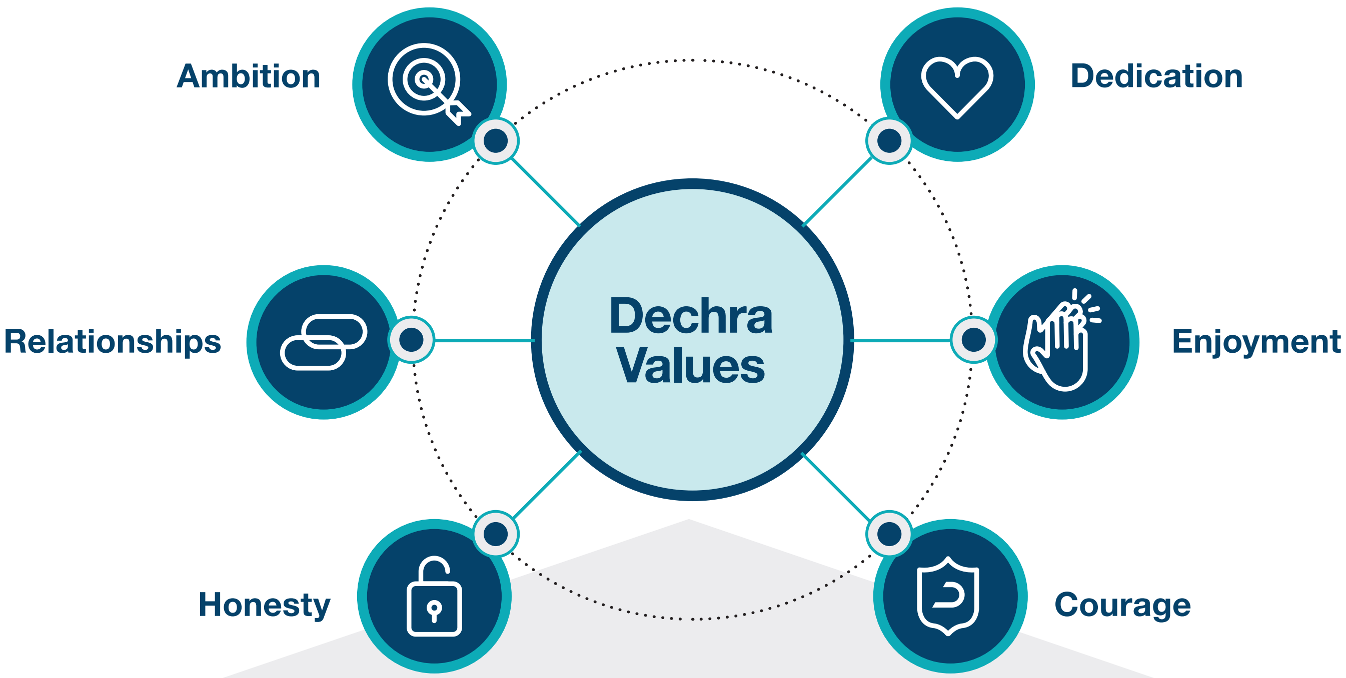
Major geographies: Australia, New Zealand, Asia and Brazil

Percentage of Revenue

11.0%

Our Values and Culture

Our Values, entrepreneurial attitude and agile approach to the way we do things are the backbone of our Culture.



Everything we do is underpinned by our **Culture and Values**. They are important to us and have helped drive the Group's success. We believe that our Values encapsulate our business ethics and set out the standards that we wish to achieve and ultimately exceed. They outline the type of people we are, the services we provide and the way we aim to do business. We deliver high quality products and services to veterinarians worldwide through our employees and a network of third parties with the aim of sustainably improving global animal health and welfare.

Global Policies that Support Culture:

- Code of Conduct and Third Party Code of Conduct
- Dignity at Work
- Anti-Bribery and Anti-Corruption Policy
- How to Raise a Concern Procedure
- Health and Safety Policy

Dechra Values:

Our Values are a consistent part of how we lead the Dechra business. From recruitment through to investment in development and growth of our employees we use our Values to describe what matters at Dechra. To maintain that integrity we have formed a small group of communications ambassadors who have helped us build the content for the Group intranet, further enabling us to demonstrate how the Values are being lived every day. As the Dechra business grows through acquisition, we have recognised the importance of onboarding.

Our Key Strengths

As well as our ability to impact the animal health and welfare industry globally with our breadth of products and strong and innovative product pipeline, we have a key set of strengths, summarised below:

1

Well Recognised Brand

We are recognised as a global animal healthcare company with a strong and growing reputation as a provider of high quality, specialist veterinary medicines and related products.

2

Balance Sheet Strength

The Group targets 100% cash generation as strong cash generation allows us to pay down debt quickly, resulting in a strong balance sheet, which enables us to fund internally many of our strategic opportunities.

3

Successful Acquisition History

In January 2008 we made our first major acquisition which, at the time, was transformational to our EU Pharmaceuticals business. We have successfully replicated the model since then on several occasions and have consistently delivered pre-acquisition strategic and financial expectations on significant transactions.

4

Manufacturing Capabilities

Our manufacturing sites offer a wide range of dosage forms and packaging capabilities, which can be produced in small to large-scale production batches. This flexibility is a key requirement in producing our varied product portfolio.

5

Skilled People

We have attracted and retained a qualified and skilled workforce throughout the organisation. This stable and motivated team has many years' experience within the markets we serve. Our people strategy is underpinned by the Dechra Values.

6

Key Relationships

Our relationships with all key stakeholders are very important to the Group. Our sales approach revolves around partnership with key practice groups, individual veterinarians, key opinion leaders and distributors. The relationship with our supply chain partners is also important to establish continuity of supply. Furthermore, our networking within the industry is a key driver in finding new product development and acquisition opportunities.

7

Strong Product Development Pipeline

We have a strong pipeline of novel, generic and generic plus pharmaceuticals, vaccines and a specialist nutrition range. We have a strong track record of pipeline delivery.

We are proactive and innovative in recognising new development opportunities to extend our portfolio.

8

Breadth of Products

We are a global leader in veterinary endocrinology and topical dermatology, have a broad portfolio of analgesia, anaesthetics and products for the treatment of pain. We are also recognised as innovators in other specialisations such as the treatment of equine lameness, nutrition and differentiated generics (generic plus).

Strategic Report

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Dechra Pharmaceuticals PLC

Chief Executive Officer's Statement

// We have continued to progress on all aspects of our strategy; the product development pipeline was strengthened, material acquisitions were completed post year-end and a new subsidiary was established in South Korea as we continue our geographical expansion."

Ian Page

Introduction

I am pleased to report that the Group has delivered strong growth throughout our financial year as we continue to outperform the major international markets in which we operate. After a very strong start to the year, revenue in the second half started to return to more normalised historical levels of growth as the benefit of increased spending on pets seen during the COVID-19 restrictions slowed down. This growth was delivered across all product categories, all major therapeutic areas and in all the international markets in which we trade. We have continued to progress on all aspects of our strategy; the product development pipeline was strengthened, material acquisitions were completed post year-end and a new subsidiary was established in South Korea as we continue our geographical expansion. Excellent progress has been made on systems and quality in our supply chain, which remained robust throughout the year. Information technology implementations strengthened the infrastructure of the Group and provided better management information. ESG is integrated into the way we work and our people remain highly engaged, motivated and dedicated in achieving our strategic goals.

Glossary

AER: Actual Exchange Rates

ANZ: Australia and New Zealand

CAP: Companion Animal Products

CER: Constant Exchange Rates

EMA: European Medicines Agency

ERP: Enterprise Resource Planning

EU Pharmaceuticals: European Pharmaceuticals Segment comprising DVP EU, DVP International and Dechra Pharmaceuticals Manufacturing

FAP: Food producing Animal Products

FDA: US Food and Drug Administration; a federal agency of the US Department of Health and Human Services

NA Pharmaceuticals: North American Pharmaceuticals Segment comprising DVP US, Canada and Mexico

* All numbers in this report are at CER unless otherwise stated.

Operational Review

EU Pharmaceuticals Segment

In the period our total European (EU) Pharmaceuticals Segment revenue increased by 8.2% at CER (4.7% at AER). This includes a 12 month contribution from the acquisition of Tri-Solfen® ANZ acquired in February 2021 and an additional month's contribution from *Osurnia* acquired on 27 July 2020. Existing net revenues increased by 6.4% at CER (3.0% at AER). This Segment includes our International business, which is detailed below. It also includes non-core business, such as the Agricultural Chemical business, which was originally acquired as part of the Genera acquisition in 2015 and was divested in January 2022; annual sales from this business were approximately £6.0 million.

The EU growth was delivered across all product segments and all countries with Iberia, Poland, Italy and Austria all achieving double digit growth. The main driver of growth was CAP; however, it is pleasing that FAP remains in growth in a challenging market and that Equine and Nutrition continue to perform well.

Education continues to be the main tool to engage our veterinary customers. Throughout the year we provided technical support for 6,000 clinical cases in the UK alone and have provided over 85,000 hours of continuing professional development (CPD) training across Europe to veterinarians through our Lunch and Learn programmes and educational seminars. Digital communication has also been an area of focus with 13,500 veterinarians and veterinary nurses in Europe and 17,600 globally, utilising our online Dechra Academy, which now has 596 educational modules in our key therapeutic areas.

International Pharmaceuticals

It is five years since we established a team to focus purely on international expansion. During this time, we have established Dechra Australia as the second largest company in CAP pharmaceuticals, have significantly strengthened our New Zealand operation through two small acquisitions and have established a strong foothold in South America through our Brazilian subsidiary. Our ANZ and Brazilian businesses delivered good growth in the year.

We have extended our international footprint by establishing a new subsidiary in South Korea. We terminated the agreement with our previous distributor following their change of ownership. We have appointed a senior management team, whom we have known for many years, to manage this new entity which will commence trading in the second quarter of the new financial year. Having our own operation will give us greater transparency on the opportunities in this fast growing market and will also allow us to better assess our future options for expansion in this region.

NA Pharmaceuticals Segment

Our total North America (NA) Pharmaceuticals Segment revenues increased by 23.8% at CER (25.3% at AER). This revenue includes a contribution from various products we acquired in the year, the majority of which were launched in the second half, and one month of additional *Osurnia* sales on a like-for-like basis over the previous year. Existing net revenues increased strongly by 21.3% at CER (22.7% at AER). This exceptional performance was delivered despite increased competition to three of our branded generics. We did manage to retain market share, albeit at a lower price point, due to our strong relationship with our customers and through a Dechra Rewards Scheme, managed by Vetcove, that now has 9,000 veterinary practice members. We continue to review and assess our relationship with the veterinary distributors (wholesalers) who proactively promote their own generic products that compete with ours.

In the USA we increased the marketing team with four specialists in digital and product management to support the launch of the newly developed and acquired products. We continue to increase the scale of our sales team with the appointment of 18 new representatives in the year, a number of which joined us as part of the *Laverdia* acquisition.

The majority of growth is delivered from the US; however, we also delivered strong performances in Mexico and Canada. In Mexico, we transitioned completely out of our old manufacturing site and relocated to new sales offices. In Canada, we initiated a FAP business unit with the launch of two products and added three internal sales representatives to our sales team.

As with DVP EU, education and technical support are important tools in our relationship with our customers. In the year, our veterinary technical services team dealt with 8,500 technical queries, which involved over 15,000 telephone calls; we also held 413 certified educational presentations to 15,794 attending veterinarians. Furthermore, we continued to invest in our University engagement programme to educate veterinary graduates on our key therapeutic areas.

Product Category Performance

CAP

Companion Animal Products (CAP), which represent 74.6% of Group turnover, grew by 16.0% at CER in the year. Our key therapeutic sectors, endocrinology, dermatology, anaesthesia and analgesia were the main drivers of this growth. At the end of the year, we launched Zenalpha in the USA, a new novel canine sedative, approved by the FDA, which contributed revenue of $1.3 million.

FAP

The strong performance in Food producing Animal Products (FAP) during recent years, which represents 11.6% of Group turnover, slowed to 6.0% at CER. This remains a solid performance as the European market, a key area for our FAP sales, has been challenging due to avian influenza, African swine fever and inflationary costs.

Equine

Equine, which represents 7.2% of Group turnover, grew by 12.1%. This growth was driven by locomotion, a therapeutic sector, which includes *Osphos*, Equipalazone® and *HY-50* and by internal medicine, including Equibactin® and Prednidale Horse. In the second half of the year we also launched three acquired products in the USA, which are detailed later in this report.

Nutrition

Nutrition, which represents 5.1% of Group turnover, continues to perform well and grew by 15.1%. The majority of our Specific branded diet sales are in the EU where we have continued to increase market penetration, especially with our newly launched products, such as the organic range.

Chief Executive Officer's Statement

Product Development and Regulatory Affairs (PDRA)

Pipeline Progress

We have delivered another year of consistent progress on the pipeline. We have generated positive dose range finding data in both the dog and cat for the diabetes drugs being developed in partnership with Akston Biosciences. Using its recently commissioned GMP biologics production facility, Akston Biosciences is currently on track to deliver active ingredient for our planned pivotal efficacy studies. Lifecycle innovation of our key brands, such as *Vetoryl* and *Osurnia*, are ongoing and showing good progress. New opportunities are constantly being identified and new candidates have been added to the pipeline. With the addition of the Piedmont projects (outlined later in this report), our pipeline is stronger than ever and positioned to deliver material products to support future growth.

Product Approvals

Numerous marketing authorisations have been achieved throughout the year. Although only Zenalpha® is material in its own right, they all add depth and breadth to the current product range and strengthen our international portfolio. Major approvals in Dechra territories are:

- in Europe, Metomotyl 10mg chewable tablet for dogs (Metoclopramide hydrochloride), Bupredine® Multidose 0.3mg/ml solution for injection for dogs, cats and horses (Buprenorphine), Canergy 100mg coated tablets for dogs (Propentofylline), Cefabam 1000mg, 250mg and 50mg tablets for dogs (Cephalexin monohydrate), Clindacutin 10mg ointment for dogs (Clindamycin hydrochloride), Lodisure® 1mg tablets for cats (Amlodipine besilate), Octacillin® 800mg/g powder for use in water for pigs (Amoxicillin trihydrate), Sedadex 0.1mg/ml solution for injection for dogs and cats (Dexmedetomidine hydrochloride), Vomend® vet 10mg chewable tablets for dogs (Metoclopramide hydrochloride);
- in Great Britain and Northern Ireland, Tri-Solfen® Solution for Pigs (Adrenaline tartrate, Lidocaine hydrochloride, Bupivacaine hydrochloride, Cetrimide) was approved. An exemption from the need for a maximum residue limit (MRL) for an equine product at an advanced stage of development was also approved;
- a novel canine sedative injection *Zenalpha* (Medetomidine hydrochloride, Vatinoxan hydrochloride), a generic antibiotic Amoxicillin Trihydrate and Clavulanate Potassium Drops and generic Carprofen Caplets have been approved in the USA;
- two sedative products, Dexmedesed 0.5mg/ml (Dexmedetomidine hydrochloride) and Dormazolam® (Midazolam) as well as the antimicrobial Rexxolide® (Tulathromycin) were registered in Canada;
- in Mexico, five new products were registered;
- in Australia, four new products and in New Zealand three new products were registered;
- in Brazil, three new products were registered including two vaccines; and
- additionally, in other international territories, we have received 52 approvals in countries including Egypt, Iran, Korea, Pakistan, Peru, Puerto Rico, Serbia, Sri Lanka, Switzerland, Thailand, West Africa (UEMOA), Ukraine, United Arab Emirates, Uruguay and Vietnam.

Acquisitions

We have successfully completed several product acquisitions and two material company acquisitions.

In July 2022, post the year end, we acquired Piedmont Animal Health, Inc for $210 million (£175 million), a product development company with a long, successful track record of developing major international products for multi-national animal health companies. Piedmont has eight novel products in various stages of development, all in the CAP market for cats and dogs and all within Dechra's key therapeutic areas of competence. The business significantly strengthens Dechra's pipeline of novel products with two near term opportunities, both expected to be top ten products for Dechra. The development team of 19 people who have joined Dechra, located in Greensboro, North Carolina, have added additional strength and expertise to the Company's existing product development capabilities.

Also, post the year end in August 2022 we completed the acquisition of Med-Pharmex Holdings, Inc for $260.0 million (£221.5 million). Med-Pharmex, with sales of $43.0 million and adjusted EBITDA of $15.3 million, is an established platform business located in Pomona, California with manufacturing, product development and regulatory capabilities. It has several products already approved and established in the US market. As they have no sales and marketing capabilities, these products are currently sold through third party partners. We are planning to sell many of these products under a Dechra brand through our existing sales and marketing channels, providing material margin synergies and operational leverage. In the longer term, synergies will also be realised from integration and improved utilisation of the manufacturing facilities. The facility has the capability to produce Cephalosporins, a type of antibiotic that is required to be manufactured in a dedicated suite. They currently have one product registered and one product in the development pipeline that fall into this category, which is expected to be first entrant generic in product markets of material scale in the USA.

We executed numerous bolt on product acquisitions, which complement our equine and CAP portfolios. The equine products acquired are all for the US market and are:

- Rompun® (xylazine injection) and Butorphanol Tartrate Injection from Elanco™ Animal Health, which complement our anaesthesia and analgesia portfolio;
- Sucromate™ Equine (deslorelin acetate) sterile suspension from Thorn Bioscience LLC, which expands our US Equine portfolio into reproduction; and
- ProVet APC™ (Autologous Platelet Concentrate) and ProVet BMC™ (Bone Marrow Concentrate) systems from Hassinger Biomedical. These two patented medical devices harness growth factors from the horse's whole blood, which when injected back into the horse positively enhance healing results in soft tissue injuries. The ProVet APC™ system is a revolutionary device and is arguably the fastest and most transportable platelet concentrator available to the veterinary industry.

The CAP products acquired are:

- LAVERDIA® -CA1, a novel oral SINE (selective inhibitor of nuclear export) drug and the first oral tablet for canine lymphoma acquired from Anivive Lifesciences Inc. It is currently sold under a conditional approval by the FDA Center for Veterinary Medicine in the USA with full dossier submissions planned for the USA, UK, EU, Brazil, Australia, Japan and Canada;
- Isoflurane®, USP and Sevoflurane®, USP from Halocarbon, both inhalant anaesthetics, which expand our US veterinary surgical suite;
- Atopivet® range of products for cats and dogs in collaboration with Bioiberica, which offer unique alternatives to multi-modal dermatology therapy; and

- Malaseb®, a leading dermatological medicated shampoo which we already market across Europe, was acquired from Dermcare for the US market, an excellent addition to our leading topical dermatology range.

Enablers

Manufacturing and Supply Chain

The investment made in Manufacturing and Supply Chain over the last two years has resulted in higher levels of stock availability with backorders at the end of the year being at a three year low. The huge improvements in our quality systems are clearly demonstrated by successful regulatory inspections at our sites in Zagreb, Croatia, Skipton, UK and Fort Worth, USA. Investment has continued across our Manufacturing sites:

- two new automated lines were installed at Zagreb;
- a new autoclave system for sterilisation of finished goods has been installed in Bladel, Netherlands;
- a high speed tablet press was commissioned at our Fort Worth site in the USA;
- a new water for injection facility has been commissioned in Brazil; and
- work has commenced on a new building in Skipton, which will expand the site and improve work flows.

We have extended our European logistics centre in Uldum, Denmark creating over 6,000 new pallet spaces with a subterranean store for temperature controlled drugs that materially reduces the electricity required to maintain low temperatures. We have also increased our warehousing capacity in Australia.

This ongoing investment in our Manufacturing and Supply Chain will allow us to continue our strategy to bring more production in-house; nine products were transferred into Zagreb, Melbourne (USA), Bladel and Fort Worth within the year.

Technology

Information technology remains a key area of focus for the business. We are working on numerous projects which strengthen the infrastructure, improve internal information, provide educational support and improve employee and customer engagement. We are making excellent progress on two major projects outlined in the Half Year Report, these being the new quality document management system to support Manufacturing, Product Development, Regulatory Affairs and Technical Services, and in addition we have also established a project team to upgrade the Manufacturing ERP system to one consolidated cloud-based Oracle platform. Salesforce, a customer relationship management system, is now being utilised across the majority of countries in which we operate and we have also fully rolled out a new global payroll system across the Group. We have restructured and recruited new hires to increase our digital communication capabilities as we continue to expand our on-line training capabilities to our employees and to our customers through the Dechra Academy, a platform which we are constantly upgrading in both its technical capabilities and increased content.

People

On 1 January 2022, Alison Platt was appointed Chair of the Board following the retirement of Tony Rice. On 1 June 2022, John Shipsey was appointed as Non-Executive Director with the view to being the successor to Julian Heslop as Audit Committee Chair. The Board and I would like to express our thanks and gratitude for the huge contribution both Tony and Julian have made to the Board over their tenure as Non-Executive Directors.

We have commenced the recruitment process to find a successor to Ishbel Macpherson as Remuneration Chair as Ishbel is in her tenth year as a Non-Executive Director on the Dechra Board.

Following the retirement of Dr Susan Longhofer as Chief Scientific Officer, we are pleased to announce the appointment of Patrick Meeus as her replacement. Patrick, who has joined the Senior Executive Team, is a veterinary surgeon and brings a wealth of experience gained in multi-national pharmaceutical companies in animal health.

Isabelle Gaillet has been appointed as EU Commercial Director. Isabelle, who previously worked for the Company from 2015 to 2019 as French Country Manager will join the European Senior Management Team. She will support the EU Country Managers and lead our commercial strategy for the EU alongside Tony Griffin, European Pharmaceuticals Managing Director.

We have launched a Future Facing Leaders programme with 24 employees from across our global subsidiaries joining the scheme, which is designed to develop our management talent and will support the future growth of Dechra. Furthermore, we have launched leadership development programmes for our International, North America and Manufacturing management teams.

We have rolled out a Group wide applicant tracking system and also an automated talent review process that allows us to monitor our talent pipeline, succession plans, employee mobility and individuals' progress.

ESG

To enable our business to adapt to climate change, we have focused on mitigating our impact through the decarbonisation of the business. We remain committed to the Science Based Target initiatives, working towards a Net-Zero ambition by 2050. We have also released our inaugural separate Sustainability Report and provided enhanced Task Force on Climate-related Financial Disclosures, which are included later in this report.

Dividend

The Board is proposing a final dividend of 32.89 pence per share (2021: 29.39 pence per share). Added to the interim dividend of 12.00 pence per share (2021: 11.11 pence per share), this brings the total dividend for the financial year ended 30 June 2022 to 44.89 pence per share (2021: 40.50 pence per share), representing 10.8% growth over the previous year.

Subject to shareholder approval at the Annual General Meeting to be held on 20 October 2022, the final dividend will be paid on 18 November 2022 to shareholders on the Register at 28 October 2022. The shares will become ex-dividend on 27 October 2022.

Outlook

As the market returns to normal levels of trading post the impact of COVID-19 and as current macroeconomic uncertainties are expected to continue, the veterinary pharmaceutical market, particularly in the CAP sector, is resilient and in growth.

The acquisition, post year end, of Med-Pharmex strategically strengthens our position in the US market. The acquisition of Piedmont adds several novel exciting products to our development pipeline and we continue to identify new opportunities as we successfully execute our strategy.

We remain confident in our ability to outperform the markets in which we operate and in the prospects for the current financial year.

Ian Page
Chief Executive Officer
5 September 2022

Our Marketplace

Market Overview

Historically, the global animal healthcare market has been characterised by a small number of large international businesses together accounting for almost half of the overall market worth an estimated $43.0 billion in 2022. Beyond this concentration of competitors the market is very fragmented, consisting of a large number of smaller businesses with either global or more localised operations.

Animal Types

Animal health globally is generally described as comprising two segments: Food producing Animal Products (FAP) and Companion Animal Products (CAP). FAP has demonstrated continued global growth due to an increased demand for high quality protein production, whilst CAP growth (a sector in which horses are generally included) is driven by the pet owners' compassion for their animals, which has had even greater emphasis during the COVID-19 pandemic, improved nutrition and a wider range of medical products and treatments.

Product Types

The animal healthcare market typically consists of key segments such as vaccines, pharmaceuticals, diagnostics, medical devices and feed additives, along with other smaller revenue streams. Within the overall market, pharmaceuticals represents the largest segment at over 35%*, and it is this segment where Dechra mostly competes.

Territories

The geographical breakdown of the market differs between the FAP and CAP markets, but in both cases is generally viewed as consisting of the well developed European and North American markets together with the emerging markets encompassing regions such as South America, Asia-Pacific, the Middle East and Africa.

Market Dynamics and Outlook

There has been growth in the companion animal market for many years due to veterinarians' capabilities, improved nutrition, increased longevity of pets and the owners' willingness to continue to increase spending on their pets.

This trend has historically been in Western Europe, North America and other selected markets; however, we are now also seeing the status of pets increase in the developing world, creating opportunities in new markets.

Given the ongoing rise in the global population and the corresponding need to ensure that food supply is capable of keeping pace with this growth through the heightened production of animal-based food products, the FAP market also remains robust. In addition, increasing awareness of animal welfare is also supportive of the healthcare market for food producing animals.

Given these mega-trends, the global animal healthcare market is typically resilient and able to overcome any short term challenges (such as African swine fever in 2019 and the COVID-19 pandemic) to maintain buoyant growth over a longer period. These trends are expected to continue, with the market expected to grow at a CAGR of approximately 10% over the coming years to reach an estimated $93.0 billion by 2030.

Dechra Positioning

Despite not competing in market segments such as diagnostics and medical devices, and only having a very small contribution from FAP vaccines, we are still positioned within the top ten in terms of total market share.

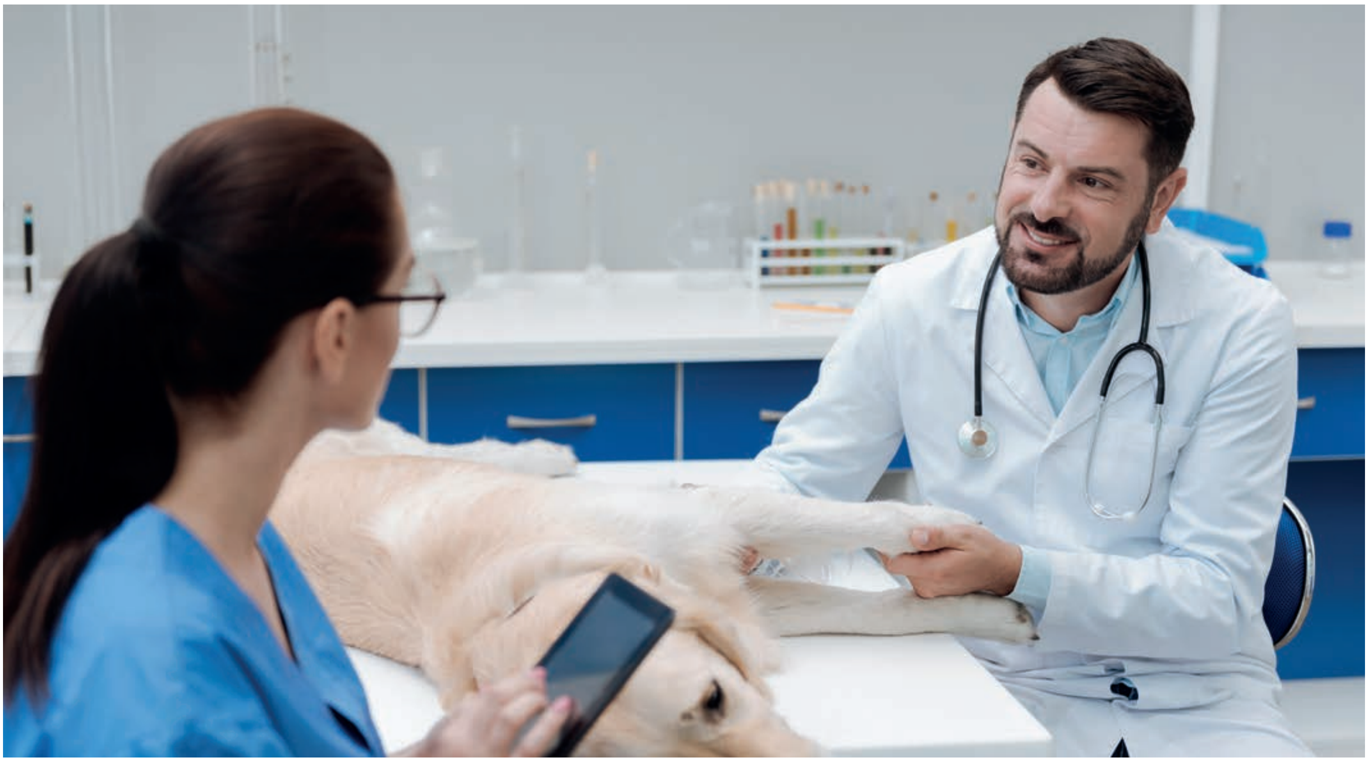
We have a track record of outperforming the underlying market through our strategy of organic growth supplemented by carefully chosen acquisitions. This growth is also being driven across multiple territories, with Dechra now operating in a total of 26 countries.

We already have a wide range of existing CAP products and will continue to innovate in specialist medicine to develop our portfolio in key areas of therapeutic specialisations. We are also expanding our geographical footprint and investing in product registrations in developing markets to extend the reach of both novel and generic treatments.

In our FAP business, we are consistently strengthening our position through new products and international expansion. We are enhancing our product range, including our market leading swine and poultry water soluble antibiotics and continue to seek marketing authorisations in new markets for our vaccines. We also own the global marketing rights to Tri-Solfen®, Animal Ethics' ethical pain treatment for farm animals, which we are registering for sheep, cattle and pigs in numerous markets across the globe.

Against this backdrop, there remains a number of market share growth opportunities for Dechra. By leveraging our existing products, developing our pipeline of new products, and remaining attuned to potential acquisition opportunities to further expand the breadth and depth of our proposition, we believe we are well positioned to continue performing well within a growing market.

* Grand View Research 2022

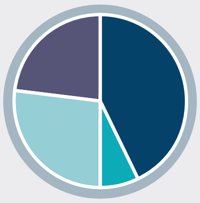


Animal Pharmaceuticals vs. Human Pharmaceuticals

The business of developing and marketing animal pharmaceuticals shares a number of characteristics with human pharmaceutical businesses. These similarities include the need to conduct clinical trials to prove product safety and efficacy, obtain regulatory approval for new products, adhere to complex and highly regulated product manufacturing, and market products based on approved clinical claims. However, there are also significant differences between animal and human pharmaceutical businesses, including:

- **Generally faster, cheaper, more predictable and sustainable product development:** Development of animal medicines typically requires fewer clinical studies with fewer subjects and is conducted directly in the target species. Decisions on product safety, efficacy and likelihood of success can therefore be made more quickly.
- **Diversified product portfolios:** Animal pharmaceuticals businesses are generally less reliant on a small number of 'blockbuster' products. Animal health products are sold across different regions, which may have distinct product requirements. As a result, animal health products often have a smaller market size and the performance of any single product typically has less impact on overall business performance.
- **Stronger customer relationships and brand loyalty:** Companion Animal Products are directly prescribed and often dispensed and sold by veterinarians, contributing to building brand loyalty, which often continues after the loss of patent protection or regulatory exclusivity.
- **Lower pricing pressure:** Livestock producers and pet owners generally pay for animal healthcare themselves. Pricing decisions are not influenced by government payors that are involved in product and pricing decisions for human medicines.
- **Less price erosion by generic competition:** Generic competition in animal healthcare, whilst playing an important role, has a lower impact on prices compared to human pharmaceuticals because of the smaller average market size of each product opportunity, stronger customer relationships and brand loyalty.

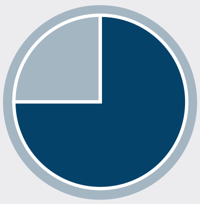
Veterinary Practices – Europe



Independents	43%
Large-scale Pig and Poultry Customers	7%
Local Consolidated Groups	27%
Pan-EU Consolidated Groups	23%

Source: DVP EU Sales Data June 2022

Veterinary Practices – North America



Independents	75%
Corporates	25%

Source: DVP NA Sales Data June 2022

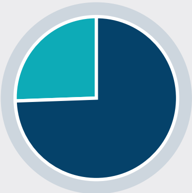
Types of Veterinary Practices

The majority of our sales are made into veterinary practices that tend to specialise in either companion animal or food producing animal treatment; however, there are numerous practices that are classified as mixed and service all species. There is also an increasing number of equine practices and referral hospitals that provide high levels of specialisation. The veterinary profession is going through significant change as incorporated practice groups are consolidating practices at an increasing rate. In many countries, our relationships with these corporate groups are very important, and we continue to increase our focus through experienced key account managers and technical support services. With the ongoing integration of professional farming units, our FAP sales efforts are now often focused on these major integrators; however, the integrators themselves employ veterinarians who remain responsible for the prescribing and administration of our products.

Our Marketplace

Product Market Dynamics

Companion Animal Products (CAP)



74.6%
Group Revenue

Species: Dogs and cats.

Key Therapeutic Sectors: Endocrinology, dermatology, analgesia and anaesthesia, cardiovascular and critical care.

Products: The majority of products in our portfolio are Prescription Only Medicines (POMs) prescribed, administered and dispensed by veterinarians working in companion animal practices. We also have a range of associated non-prescription products, which complement the licensed pharmaceuticals, such as ear cleaners, dermatologically active shampoos and other topical and nutritional supplements.

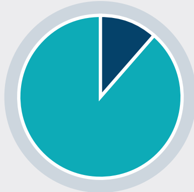
Market Description: The principal driver of growth in companion animal markets is the pet owners' compassion for their animals. The market has historically been orientated around developed countries such as Western Europe, North America, Australia and Japan. However, with increasing wealth in several developing regions, the companion animal market is now also emerging, particularly in South America, parts of Asia and Eastern Europe.

Key Trends Shaping Our Markets: Expenditure on companion animals continues to grow due to increasing pet ownership, advances in nutrition, increased competence in managing complex conditions by veterinarians, preventative healthcare and wellness, and by increasing availability of more specialist pharmaceuticals.

Our Market Position: This is the basis upon which Dechra established its market position and continues to be our strongest sector. Dechra has developed a strong reputation for providing specialist and clinically necessary novel products. We also supply a range of products which complement these products in key therapeutic sectors where we are seen as the company of choice by many veterinarians.

Margin: The highest gross margin category with development costs high for relatively small volume sales. However, sales and marketing costs are relatively high compared to other categories.

Food Producing Animal Products (FAP)



11.6%
Group Revenue

Species: Poultry, pigs and an increasing presence in cattle.

Key Therapeutic Sectors: Water soluble antibiotics, vaccines, the treatment of mastitis, lameness and pain management.

Products: Our products are predominantly POMs that are prescribed by veterinarians who work in either specialist veterinary practices or professional farming units.

Market Description: As over 60% of all global animal health sales are FAP, Dechra is underweight relative to the market and our competitors.

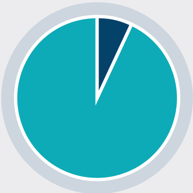
Key Trends Shaping Our Markets: The key driver for growth in this sector is a huge increase in the global demand for high quality animal protein and dairy products. Vaccines are the biggest growth sector of the veterinary market and are anticipated to continue to outgrow therapeutic treatments. There is also a growing awareness of the need for better animal welfare standards, including pain control during procedures such as pig castration and tail docking in sheep.

Our Market Position: Dechra entered the FAP sector through the acquisition of Eurovet in 2012; it currently represents 11.6% of revenue. The majority of our sales are currently antibiotics, which are sold mainly into Europe. Western Europe has been extremely proactive over the last five years in reducing antibiotic use due to concerns over antimicrobial resistance and 'super bugs'.

Dechra's portfolio is positioned to match current best practice prescribing habits. Additionally, our Brazilian vaccines business is providing growth and is anticipated to continue to provide growth opportunities in future years as we seek global registrations.

Margin: Relatively low gross margins. However, volumes are high and sales costs are relatively low as the products are sold mainly into large farm integrators.

Equine



7.2%
Group Revenue

Species: Horses and ponies.

Key Therapeutic Sectors: Lameness and pain management.

Products: Dechra offers a wide range of products supporting the equine veterinarian, from pain management to products for anaesthesia, dermatology, critical care, reproduction and euthanasia.

Market Description: Veterinarians that specialise in horses operate out of either mixed practices or, increasingly, specialist equine centres. There are approximately five million horses in the USA, approximately one million horses in France and Germany and less than one million in the UK. As such, the market potential is limited. The market can be divided roughly into high performance sports horses, leisure horses and ponies.

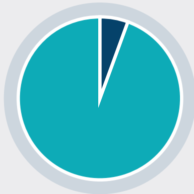
Key Trends Shaping Our Markets: The market is variable and can be linked to the economy; however, high value, insured, sports horses will be treated at almost any cost.

Our Market Position: This is a sector in which few animal health companies specialise due to the relatively small number of horses in the world and the fact that in the majority of European countries the horse is classed as a food producing species, which adds complexity to the licensing process.

Dechra has developed a strong position in lameness and pain management with unique products that have superior efficacy compared to historical treatments.

Margin: Similar margin returns to CAP; however, it is a relatively small marketplace.

Nutrition



5.1%
Group Revenue

Species: Dogs and cats.

Key Therapeutic Sectors: Our pet diets are available to support the wellbeing of animals with numerous therapeutic conditions.

Products: Our range of pet foods is predominantly focused on high quality nutrition to support therapeutic conditions in dogs and cats such as allergies, obesity, heart disease and kidney disease.

Market Description: The global pet food market is huge and dwarfs the animal health pharmaceuticals market. The veterinarian's recommendation is respected by pet owners, which allows these products to take a small but significant part of this nutrition market.

Key Trends Shaping Our Markets: Expenditure on companion animals continues to grow due to increasing pet ownership, advances in nutrition and increased competence in managing complex conditions in dogs and cats such as allergies, joint disorders, obesity, heart disease and kidney disease.

Our Market Position: Dechra's focus is predominantly therapeutic diets, which are not available for self-selection through supermarkets and require advice from the veterinarian. There are very few competitors in this specialist sector of the pet food market and although we compete with huge global multinational companies, we are able to differentiate our position through the use of higher quality ingredients and through innovation. The ability to offer our wide range of products, branded Specific®, is necessary to remain competitive in this sector.

Margin: Highly competitive market where we compete with huge multinational retail companies. However, gross margins are robust.

Our Business Model

Our Key Activities

Our objectives are to innovate, develop, register, manufacture, supply and market high quality products to the veterinary profession worldwide.

Read more about our Key Activities on pages 23 and 24

1

Innovation, Partnership and Register

We spread our development portfolio across novel entities, differentiated generics, generics and lifecycle management projects across multiple species.

How Ideas are Generated:

- regular cross functional meetings where all senior staff are encouraged to bring new ideas from their experience in the marketplace.
- networking with key opinion leaders, especially in our focus therapeutic areas, to identify and develop ideas.
- employing talented veterinary scientists who extensively screen scientific papers looking for new human medicine-related technologies that might have an application in our marketplace.

Innovative Products that Treat a Range of Conditions

Our products give veterinarians the solutions they need in the treatment of animals. A number of our key products are novel or have clear advantages over competitor products. This allows veterinarians to offer a high standard of care to animals that they treat.

Key Expertise for In-house Product Development

Our formulation and development laboratories are located at our manufacturing sites, which allows us to emulate the manufacturing equipment at laboratory scale.

Product Development Process

Once all the studies are concluded, if the product reaches the required safety, efficacy and stable chemical formula, regulatory dossiers are prepared for registration and filing with the relevant regulatory authorities.

2

Manufacture and Supply

Manufacturing is a key competency of the Group; the prime objective is to deliver safe, efficacious, cost effective, high quality products.

Our Range of Competencies

We have a wide range of competencies across our seven sites including tablets, creams, liquids, ointments, powders, vaccines and sterile injections that can be packed in a multitude of different presentations. Currently we manufacture approximately 40% of our products in-house; however, we are working on bringing more products into our own production facilities. There are competencies and dosage forms that we do not have, and we have long term agreements that prevent in-house manufacturing of some products.

Batch runs for veterinary medicines are often relatively small compared to human production. Therefore, in some instances, outsourcing can prove difficult and expensive. Our Contract Manufacturing Organisation (CMO) network is an important part of our business.

3

Route to Market

Our products are distributed from our major logistics sites via wholesalers, distributors, or direct supply.

The principal objective is to deliver a customer's order on time and in full every time.

Types of Distribution Channels

Our European and International markets are serviced from our own logistics facilities based in Uldum, Denmark, and Somersby, Australia. North America and Brazil are supplied out of third party logistics providers.

There are a few markets where we offer direct supply, such as Germany and the Netherlands, that are not fully supported by veterinary wholesalers or where legislation enforces all pharmaceuticals to be sold through pharmacies, such as Denmark, Italy, Norway and Sweden.

Specialised Veterinary Wholesalers

The majority of veterinary practices are supplied through specialised veterinary wholesalers that operate as one-stop shops. They stock the majority of items veterinary practices need and offer high levels of service, often with a next day delivery. These wholesalers are generally passive in selling product; they predominantly supply to demand where the demand is driven by Dechra's own sales activities within veterinary practices.

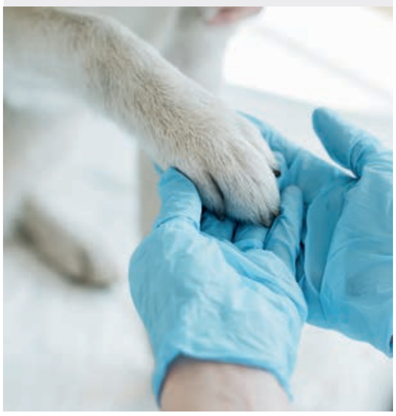
4

Customers

Our customers are veterinary professionals operating in veterinary practices and major farming units.

Our products and sales and marketing activities are mainly targeted at veterinary professionals. The majority of veterinarians prescribe and dispense pharmaceuticals, although there are a few territories in the world where the veterinarian writes a prescription and the drugs are purchased by the animal owner at a pharmacy.

The majority of our products are prescription only medicines (POMs); however, we have a range of complementary non-prescription products. Our product range includes novel, generic-plus and generic products in key therapeutic areas, in particular endocrinology and anaesthesia and analgesia.



5

Sales and Marketing

The relationship with veterinarians is key and, to this end, we provide added value services. Our customer channels involve our telephone sales representatives, field based representatives, educational programmes and technical support programmes.

Sales Representatives

Dechra operates its own sales force and provides in-house marketing and technical support in 25 countries, predominantly in Europe, North America, Brazil and ANZ. In almost all of these countries we have highly skilled field based representatives who make regular calls to all major veterinary practices. The representatives' brief is to sell the product on a technical basis, outlining the beneficial aspects of our products and to provide educational support on how best to treat animals in our key therapeutic areas.

Customer Support

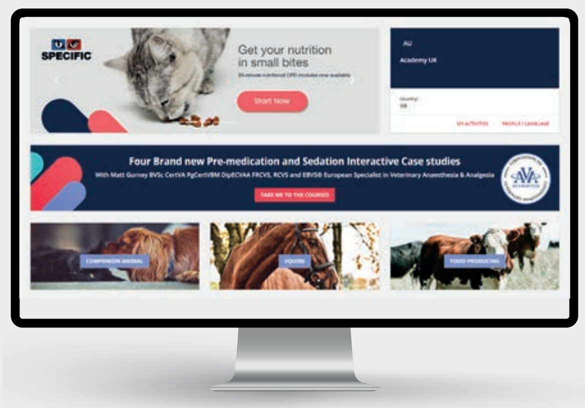
We also provide high levels of technical support and pharmacovigilance through helplines in every country in which we operate. These helplines provide veterinarians with support on how to best use our products and free advice on any difficult or complex cases that may be encountered.

Educational and Training Programmes

We offer high level educational programmes focused on the diagnosis and treatment of conditions in our key therapeutic areas. We deliver this education through many channels, including major conferences, regional groups, individual practices and increasingly through digital channels.

We help to improve the knowledge and education of veterinarians. These programmes are certified to offer veterinarians and veterinary nurses the continuing professional development hours they require to maintain their professional qualification.

View our Website for more details at:
dechra.com/about/our-business



Delivering Our Strategy

Since 2013, our priorities for each Strategic Growth Driver and Enabler have been clearly defined and communicated and are outlined in the table below. In this section of the Annual Report we describe the progress we have made towards achieving our strategic objectives.

Our Purpose

The sustainable improvement of animal health and welfare globally

Our Strategic Growth Drivers

Pipeline Delivery

Our pipeline is a key driver of organic growth. Over the last few years we have focused on increasing the number of novel products in development and have successfully identified a number of exciting candidates.

Our Objective: Deliver our pipeline on time, at the right costs and with the expected returns. Refill the pipeline so that we get a constant flow of new products in future years.

Link to our KPIs:
1 2 3 4 5

Link to our Risks:
2 3 4 5 7

Portfolio Focus

We are a specialist veterinary pharmaceuticals business focused on Companion Animal, Food producing Animal Products, Equine and Nutrition. Our portfolio is well positioned in our therapeutic focus sectors to maximise returns.

Our Objective: Maximise our net revenue by increasing market penetration and market development, focusing on targeted therapeutic sectors within CAP, Equine, FAP and Nutrition.

Link to our KPIs:
1 2 3 4 5

Link to our Risks:
1 2 4 5 7 8

Geographical Expansion

The animal health market in emerging countries is growing rapidly due to the demand for high quality protein and the increase in pet ownership. We have identified a number of markets that present both volume and profit opportunities in the medium to long term and we are considering various entry strategies.

Our Objective: Leverage our product portfolio into new geographic regions through distribution partners, in-country presence and new country product registrations.

Link to our KPIs:
1 2 3 4 5

Link to our Risks:
2 5 7 8 10

Acquisition

We recognise acquisitions could accelerate our expansion by providing entry into new geographies, enhancing our portfolio and giving access to new technologies. We have established well-defined criteria through which potential acquisition targets can be screened.

Our Objective: Expand our geographical footprint and/or enhance product portfolio through acquisitions.

Link to our KPIs:
2 3 6 7

Link to our Risks:
6 7

Our Strategic Enablers Support the Execution of Our Strategy

Manufacturing & Supply Chain

Our manufacturing and supply chain organisation is focused on running our operations efficiently and to high quality standards to maintain or improve margins.

Link to our KPIs:
6

Link to our Risks:
4 10

Read more in our Business Model on pages 22 to 25

People

Our people strategy underpins everything we do in the business. We have a well-defined plan to build talent, develop people and strengthen the Dechra Culture.

Link to our KPIs:
6 7

Link to our Risks:
7

See our website for details: **dechra.com/sustainability/our-people**

Technology

We are implementing a strong IT platform to enable us to operate efficiently and are exploring how IT can provide a source of competitive advantage.

Link to our KPIs:
3

Link to our Risks:
10

Read more in the Technology case study on page 33

ESG

Our Sustainability strategy is fully embedded within the business. Our sustainability ambition is to 'Make a Difference' in four key areas: Our People; Our Business; Our Environment; and Our Community.

Link to our KPIs:
6 7

Link to our Risks:
7 9 10

View our online sustainability report at: **dechra.com/sustainability/reporting**

Key to KPIs:

1. Revenue Growth
2. Underlying Diluted EPS Growth
3. Underlying Return on Capital Employed
4. Cash Conversion
5. New Product Revenue
6. Lost Time Accident Frequency Rate
7. Employee Turnover

Key to Risks:

1. Market Risk
2. Competitor Risk
3. Product Development and Launch Risk
4. Supply Chain Risk
5. Regulatory Risk
6. Acquisition Risk
7. People Risk
8. Antimicrobials Regulatory Risk
9. Retention of People Risk
10. Climate Risk

Our Strategic Progress Over the Last Five Years

Our Strategic Growth Drivers

Pipeline Delivery

Our Achievements

2018

- Two further poultry vaccines registered in EU: Avishield® IBH120 and ND B1
- Launch of further Amoxi-Clav dose sizes to complete range for the USA market
- Progress in co-development licensing opportunities

2019

- Entered into a number of licensing agreements, including a novel canine sedative and an equine gastrointestinal product
- A number of novel and generic registrations in EU, Mexico and rest of world
- 15 Le Vet pipeline product launches

2020

- Marboquin tablets, a CAP antibiotic, approved in USA
- Cosacthen® approved in 23 EU territories and Canada
- Akston proof of concept study commenced

2021

- Favourable results on Akston dog and cat proof of concept studies
- Entered into licensing and supply agreement for Akston cat
- *Mirataz* launched in EU and registered in Canada

Our Progress

2022

- Launch of *Zenalpha*, a novel therapeutic product that is safe and effective for sedation in dogs
- Equine Strangles vaccine launched in the EU
- Amoxi-Clav suspension launched in the US market

Portfolio Focus

Our Achievements

2018

- Strong growth in European FAP following antibiotic product alignment and range additions
- Leveraging CAP product success to increase penetration across the Group
- Continued EU growth in Equine from market penetration and range addition

2019

- Moved key Le Vet products from distributors to Dechra companies to generate significant synergies through retention of full margin and enhancing sales focus
- FAP growth accelerating against a backdrop of declining antibiotic markets

2020

- Delivered growth across all key therapeutic sectors through educational focus
- Continued to generate significant synergies from AST Farma and Le Vet acquisition

2021

- Completed Le Vet disintermediation with final products brought back in-house in Belgium
- Second consecutive year of strong growth in all key therapeutics areas

Our Progress

2022

- All product categories delivered strong growth
- Strong organic performance in key markets driven by market growth and product penetration

Geographical Expansion

Our Achievements

2018

- Over 80 new country registrations of existing portfolio products
- Acquisition of RxVet expanded our presence in New Zealand
- Successful establishment of the DVP International team

2019

- Expanded into Latin America via the acquisition of Laboratorios Vencofarma do Brasil Ltda (Venco)
- 43 Product registrations across Israel, South Korea, Macau, Macedonia, Malaysia, Malta, Namibia, Serbia, Ukraine, UAE and Zambia

2020

- 34 product registrations across Indonesia, South Korea, Myanmar, Nicaragua, Oman, Tanzania, Thailand, UAE, Uruguay and Vietnam
- Key endocrine brands *Vetoryl*, *Felimazole* and Zycortal® being brought back in-house in Australia and progressing through the fast track process in Brazil

2021

- Internationally received 38 approvals for key brands in new countries
- Tri-Solfen® provides a meaningful FAP presence in the Australian and New Zealand market
- Launched *Vetoryl* in Brazil and gained registrations for *Felimazole* and *Zycortal*

Our Progress

2022

- Launched *Osphos* and *Zycortal* in Brazil
- Established a new legal entity in South Korea
- Successful establishment of FAP business unit in Australia and New Zealand to support the launch of Tri-Solfen®

Acquisition

Our Achievements

2018

- Acquisition and successful integration of RxVet, expanding our presence in New Zealand
- Acquisition and successful initial integration of AST Farma and Le Vet, providing transformation in EU Pharmaceuticals' portfolio and pipeline

2019

- Acquisition and successful integration of Venco
- Acquisition of trade and assets of Caledonian Holdings Ltd in New Zealand strengthening market position in Equine

2020

- Acquisition of an additional 15% of Medical Ethics Pty Ltd
- Acquisition of Ampharmco LLC in Fort Worth, Texas, a FDA registered facility
- Acquisition of worldwide rights and assets of *Mirataz*, a transdermal medication for cats

2021

- Acquisition of worldwide rights and assets of *Osurnia*, a long acting treatment of otitis externa in dogs
- Acquisition of the Australian and New Zealand marketing rights for Tri-Solfen®, completing our global rights to this novel product
- Acquisition of an additional 1.5% of Medical Ethics Pty Ltd taking our holding to 49.5%

Our Progress

2022

- Acquisition of six main products for North American market
- Acquisition of the worldwide rights to Verdinexor, branded *Laverdia*, a new treatment of all form and stages of canine lymphoma

Our Strategic Enablers

Manufacturing and Supply Chain | **People** | **Technology** | **ESG**

Our Achievements

2018

- Progress made in Manufacturing remodelling strategy in Zagreb and Bladel
- 12 months without a lost time accident
- Completion of employee engagement survey
- Successful implementation of the Oracle project in DVP EU

2019

- Appointment of additional Non-Executive Director and Group Manufacturing & Supply Director
- Investment in manufacturing and packaging at Skipton, a new solid dose facility in Zagreb and an upgrade to the Bladel sterile facility
- Oracle ERP embedded in DVP EU

2020

- Appointment of Non-Executive Director and Chief Financial Officer
- Restructured Product Development team and created new position of Chief Scientific Officer
- Remedied internal supply issues

2021

- Appointment of Non-Executive Director, Group Manufacturing & Supply Director and Group Sustainability Director
- Improvements to supply chain and ongoing technical transfer of Dechra products into Zagreb facility
- Academy for veterinarians and veterinary nurses voted best in class in industry
- Received accreditation from Great Place to Work as 'best place to work'
- Committed to Business Ambition for 1.5 degrees centigrade reduction and the development of Science Based Targets
- Roll out of our global employee wellbeing programme branded Thrive

Our Progress

2022

- Supply chain robust and supporting high level of growth
- Expanded Danish distribution centre, opened in April 2022
- Alison Platt appointed Chair of the Board
- Appointment of Non-Executive Director, Chief Scientific Officer and Chief Information Officer
- Commenced work on new quality management systems and to move most manufacturing sites onto a single consolidated ERP system
- Task Force on Climate-related Financial Disclosures significantly strengthened
- Inaugural Dechra climate race completed improving employee ESG engagement

Strategy in Action

Strategic Growth Driver:

Pipeline Delivery

Development of an anaesthesia product

In February 2019, Dechra executed an exclusive license and distribution agreement with Vetcare Oy of Finland for the sales and marketing of an innovative combination sedative and analgesic for dogs, *Zenalpha*. Vetcare had early research on the combination from the University of Helsinki Veterinary School and knew they wanted to bring the drug to the market, but they needed to collaborate with a global animal health company to capitalise on the drug's market potential fully. Dechra's Business Development team successfully won the bid to be Vetcare's partner and then, throughout the drug's further development, clinical testing and registration, the Business Development team was advising Vetcare as needed on regulatory, manufacturing and commercial strategies. The joint research team has also conducted work on additional indications and additional species and built relationships with Key Opinion Leaders in anaesthesia and sedation.

Zenalpha (medetomidine and vatinoxan hydrochlorides injection) has been approved by the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA) and will be fully launched in the US, UK and EU in the 2023 financial year by Dechra (with the exceptions of Finland, Latvia, Estonia and Lithuania where commercialisation will be Vetcare's responsibility).

Dechra has developed the commercial launch materials and plans for *Zenalpha* and will introduce the drug to veterinarians and veterinary nurses as a drug that improves the cardiovascular function, as compared to medetomidine alone, while the dog is sedated. Vatinoxan decreases the negative cardiovascular effects of medetomidine because it keeps the heart rate closer to normal. Medetomidine is a widely used drug in the EU; however safety concerns, which *Zenalpha* addresses, have limited the sales in the USA. Thus the combination of drugs found in *Zenalpha* improve upon the safety profile of medetomidine.

Zenalpha represents another great collaboration with a business development partner to deliver an innovative drug to the market that answers a need in veterinary practices globally. Dechra and Vetcare have worked together for the last three and a half years to deliver the long term commercial success of *Zenalpha*.

Strategic Growth Driver:

Acquisition

Acquisition of worldwide rights to Laverdia®

Acquisition and Transition of Laverdia-CA1

On 10 January 2022, Dechra acquired the worldwide rights to *Laverdia*-CA1 from Anivive Life Sciences, Inc. *Laverdia*-CA1 is an oral treatment for canine lymphoma and the first small-molecule selective inhibitor of nuclear export (SINE) drug designed specifically for veterinary use. This is a strategic acquisition which expands Dechra's niche therapy portfolio and fills an unmet market need for a convenient, low-cost alternative to traditional cancer therapies.

Laverdia-CA1 is currently conditionally approved and commercially available in the United States and is at various stages of regulatory approval globally. Due to the conditional approval status, the team faced challenges to transition that we have not experienced previously. Whilst Dechra took on all commercial and customer facing responsibilities, Anivive had to retain accountability for all quality and regulatory aspects of the product. Dechra's established approach of forming a cross-functional core transition team with a dedicated Transition Lead has enabled the successful management of this novel complexity and the team to address the challenges quickly. Anivive and Dechra were able to work collaboratively to create procedures clarifying each company's ongoing roles and responsibilities under the conditional approval and beyond. We chose to take a multi-phased approach to cover the short, medium and long term requirements of the project.

The first phase of transition focused on the immediate activities required in the USA post-close. As the product was already commercialised there, it was crucial to facilitate a seamless transfer to Dechra. To achieve this, weekly meetings were held with Anivive to identify and action critical path items, create a platform for troubleshooting, and to maintain team alignment and momentum. This joint team first prioritised transfer of tasks focused on customer support, compliance, and securing product supply. We aligned on cooperative processes for handling pharmacovigilance and product quality complaint calls, analysis, and reporting. The team agreed on quality and manufacturing roles and responsibilities under the conditional approval. Next, we coordinated intensive training for Tech Services and Sales Teams on the mechanism of action, safety, efficacy, and dosing plans for *Laverdia*-CA1. Marketing, training, and sales materials were developed and deployed. The final priority for the first phase was for the External Manufacturing and Supply Chain teams to build relationships with the external suppliers and to communicate our forecast. Inventory purchase and transfer from Anivive was completed in March, and Dechra successfully launched the product in mid-April with a secure supply chain.

The next phase of the transition plan focuses on gaining full regulatory approval for *Laverdia*-CA1 in the USA, UK, EU, Brazil, Australia, Japan, and Canada. Managing the continued and timely development through to approval in these markets is critical; to facilitate this, a joint council of subject matter experts from Anivive and Dechra has been formed. This joint council will maintain alignment with the Transition Lead on the status of registration progress globally. As we approach additional approvals, the Transition Lead will re-form the core team to ensure Dechra is able to leverage each asset to the fullest extent quickly.

The purchase of *Laverdia*-CA1 is an example of a highly complex product acquisition where Dechra acted with agility to take advantage of a unique opportunity successfully. The collaborative effort between the Dechra core transition team and Anivive allowed us to tackle immediate actions efficiently and quickly move into the routine course of business. Furthermore, we developed a healthy working relationship with Anivive, critical to the ongoing collaboration on global approvals over the upcoming years. Dechra is proactively applying the learnings from this transition process and others to hone and optimise our approach to product acquisitions further.

Strategy in Action

Strategic Growth Driver:

Geographical Expansion

South Korean sales and marketing organisation

South Korea, where we are establishing our latest sales and marketing organisation, has been one of the most challenging projects for the International business unit to date. The practicalities of language, culture and the time difference all created complexity; however, the need to complete the task in only four months to ensure continuity of supply increased the challenge still further.

The Rationale

We are constantly reviewing opportunities to deliver on our strategic goal of geographical expansion. South Korea, as our largest distribution market, was an obvious choice to establish the next Dechra sales and marketing organisation. The companion animal market of 6.3 million dogs and 2.4 million cats, makes this the world's eighth largest CAP market at €2.4 billion and is projected to grow to €4.4 billion by 2027. Research data also suggests that on average owners spend €1,240 per year on their pets with 50% of this being on pet food and snacks and a further 14% on medications for their pet's health and welfare. We believe that setting up a Dechra company will be the next step to deliver growth utilising the strength of the Dechra brand to introduce more products and to provide an enhanced technical service to support this market, which is hungry for knowledge and development. Setting up this Asian hub also provides a convenient location for collaboration with, and management of, neighbouring markets which may be suitable for future development.

Key Considerations

The four key steps for success of this project have been professional support, people engagement, product focus and customer communication.

The professional support has been managed by our internal team with the collaboration of local lawyers. The first and most critical step has been to set up a legal entity as rapidly as possible because without this, we had no rights to trade, no status for retaining licenses, were unable to import products, were unable to set up an office or a bank account nor could we offer people employment contracts. Once we had decided on using a contractual service to provide an office and registered address, this process took around six weeks, and represented a key step.

In all projects people engagement is clearly important. The key being to find like-minded, energetic and knowledgeable people, starting at the top. In South Korea we were fortunate to work with somebody whom we had known for several years and who had all the right credentials and connections in the market. Quickly establishing our values and expectations meant that the new employees were given the freedom to take ownership and execute the plan. Once again, legal and HR guidance meant we could formulate service and contract agreements, leaving the project team to focus on the establishment of the business.

Without products to sell, we have no business, we have no margin to self-fund the infrastructure and no rationale for existence. Once we had established the legal entity we could hold the necessary marketing authorisations and obtain our import permit. These activities all take time and have a process to follow that adds time to a tight schedule. Without a clear understanding of this process, it is difficult to communicate to the customer as to when products will be available.

This leads to the final and most important piece of the process, the customers. At every step of establishing our entity, it was important to keep the customer informed. The objective is to deliver high quality products that support their business by delivering high quality health and welfare services to an increasingly demanding population of South Korean pet owners.

Next Steps

We hope to be in a position to begin marketing and distributing some of our products in South Korea by the end of the calendar year.

Strategic Enabler:

Technology

Implementing an Electronic Quality Management System

As reported in the 2021 Annual Report, the Board approved the implementation of an Electronic Quality Management System, which will provide an integrated system for the information and processes in the life cycle of our products.

Why do we need a new system?

Currently our manufacturing, product development, regulatory and quality functions operate on independent and non-integrated systems which are largely manual and therefore lead to inefficiencies and a higher risk profile in critical business processes.

What are we doing?

We have selected Veeva which offers a high specification, cloud based application tailored for specific sectors, including the pharmaceutical and veterinarian pharmaceutical sectors. The application provides a system of best practice processes largely pre-configured but also, to some extent, configurable to flex to the needs of Dechra's requirement.

Dechra will utilise specific modules of the platform relating to:

- QDocs – Quality document management and approval system.
- eQMS – an Electronic Quality Management System which manages key documents within a quality management system such as Deviations, Change controls, and corrective and preventive actions (CAPAs).
- Submissions – manages the regulatory submissions electronically for all documents becoming the single authoritative source.
- Registrations – provides a global application for planning and tracking of new product submissions.

What are the benefits?

In summary, the benefits that are to be realised are significant. The realisation of these benefits will be critical in:

- reducing the overall risk around product supply and compliance;
- faster and more accurate submissions;
- enabling quicker product launch times, and supporting ongoing growth and acquisition;
- harmonising and optimising our business processes; and
- integrating different divisions and functions, allowing one version of a document available to all.

One of the key advantages to a cloud-based system versus on premises hosted application is that the system functionality is constantly being upgraded to meet the changing regulatory and quality developments as well as general system improvements and enhancements.

How long will it take?

Development and implementation of the Veeva platform is being executed in a phased approach and the initial phase is expected to take three years. A dedicated Dechra team supported by the software provider and an experienced installation partner throughout the initial phase will implement the system.

The QDocs module has been the main focus of the project so far with a successful configuration, and testing of the system now complete. In quarter three of 2022 the system will be trained and deployed in Skipton to over 200 users, with a roll out plan to the other manufacturing sites and logistic sites in the remainder of 2022 and 2023. Work is continuing on the submissions module, with configuration in the final stages and master data and meta data being aligned across PDRA and Quality. It is anticipated that the roll out will be in quarter three of 2023 and done on a product by product basis.

Strategy in Action

Strategic Enabler:

People

Future Facing Leaders

Future Facing Leaders Programme

As we continue to grow our organisation and our successful track record of internal promotion and effective succession planning, a key focus continues to be developing our internal talent to create a sustainable pipeline for our future growth and driving engagement. We are pleased that in January we launched our first global Future Facing leaders programme.

We aim to build:

- strength in our leadership pipeline to support succession;
- agile, future facing, leadership skills;
- strategic and executional excellence;
- an inclusive leadership style that is inspiring and culturally aware;
- consistency in understanding of our business; and
- capacity to build and support high performing teams.

The concept of the programme first started in 2020 when initial scoping of leaders' skill sets for the future in Dechra were defined and identified. Talent and succession planning discussions which have been undertaken since then led to a fair, inclusive group being selected to support the growth requirements needed to continue the ongoing sustainable talent pipeline within the business.

The current cohort has 24 attendees from all parts of the Dechra business both geographically and in specialist and leadership areas. The length of service of this group varies from recently joined up to nearly twenty years' service and a gender split which represents the business demographics.

This is a two year tailor made programme which is utilising a balance of virtual events to ensure frequency of learning and connection with the attendees, and live events to facilitate greater relationships and cultural experiential learning opportunities. The business needs have been identified and this programme is customised to meet these, along with personalised elements of assessments to gain greater depth of personal understanding to support the individuals in their own development journeys. Working across the globe this balance of self-learning, team coaching and personalised strategic assessment has proven a solid platform which has enabled the live learning to create synergy across the wider business groups within this programme.

Guest speakers have been well received in sharing their experiences, providing an in depth view of their own career journeys, challenges and the behaviours that have enabled them to drive their careers to be effective leaders.

There is a great understanding of the importance of recovery being vital to sustainable performance. New habit formation to build resilience, and brain and body fitness have been key to continue to drive the development of these individuals. Self-care has been key to support a growth mindset and leverage this opportunity for personal and professional growth.

The first live event was held at Holly Bush Farm in the Peak District, where having no phone signal proved helpful to ensure engagement with each other.

The engagement in person, which has been missed over the past few years, has provided a greater understanding across the business for all participants. There was much discussion about how this team can provide a conduit between their parts of the business and the Senior Executives to drive greater engagement, and delivery of an aligned business strategy to continue driving growth.

The team coaching and virtual events since this live event have had an even higher level of honesty and ambition and plans for the commencement of the second cohort are beginning, for 2023.

Product Development

Product Development

It is our mission to develop products to improve animal welfare, and as such animal health and wellbeing is always a top priority in our drug development efforts. In line with that commitment, we carefully consider the responsible use and humane treatment of animals in all of our required studies. When we are required to conduct studies to achieve product registrations, we minimise the number of animals to achieve the necessary outcomes. Whenever possible, we will use information that can be derived from existing publications in an effort to limit the number of studies needed.

Regulatory agencies, governmental bodies, or animal welfare review boards approve the scientific purpose for involving animals in development of our products as dictated by specific country requirements. Dechra's Animal Welfare Committee is made up of Dechra employees and Community Members and reviews all studies conducted in the field.

We are committed to the following principles:

- animals must be treated humanely with greatest consideration given to their health and welfare and consistent with meeting the necessary scientific objectives; and
- all animal studies should only be performed after considering whether the numbers of animals can be reduced, replaced by in vitro methods, or the procedures refined to minimise distress.

The Animal Welfare Committee ensures that a minimal number of animals are used and that their treatment is humane, and Dechra inspects all facilities which perform testing to confirm proper care and treatment of animals is evident. Dechra consistently oversees that all studies conducted by or on behalf of Dechra have been reviewed by an animal welfare committee. Additionally, any clinical trials will only be conducted in animals with the disease the product is intended to treat and owner consent for inclusion in the study will be obtained.

The difference between Novel, Generic and Generic Plus product

Novel and Generic products are the main types of new animal drug applications that Dechra applies for:

- Novel: for new animal drugs three key sections, known as the dossier, for the registration process:
    1. **Safety:** includes a study in healthy animals that evaluates the effects of multiples of the intended dose;
    2. **Efficacy:** includes the study(ies) in which the effectiveness of the drug is demonstrated in animals with the targeted disease; and
    3. **Manufacturing:** the quality and purity of the drug product are demonstrated along with proof that the drug product can be manufactured consistently through the production of several independent large scale batches.
- Generic: a generic is a pharmaceutical product that contains the same chemical substance as the novel drug. Approvals for a generic drug require demonstration of *in vivo* bioequivalence of the proposed product to the novel (reference) product. There are exceptions for some classes of drugs, primarily those intended for injection. The manufacturing section for a generic drug may require fewer pilot batches than for a pioneer drug, but the emphasis on quality and purity is identical.
- Generic Plus: is a product which is approved as a generic but improves on it through the development of a better formulation, dosage form, delivery system or packaging.

Product Development

Animal Welfare Committee

As a veterinary pharmaceutical company, we work diligently to maintain the highest standards of putting animal health and welfare as a priority in everything we do. When we run clinical trials we have the study protocols reviewed by our Animal Welfare Committee to ensure that all aspects of the study that affect the animal have been robustly evaluated for proper ethical treatment and that, if applicable, owner interests have been addressed in the owner consent form. To achieve this, Dechra's Animal Welfare Committee:

- protects animal welfare by providing ethical review of studies, when requested, for best practices and appropriate ethical treatment;
- promotes awareness of animal welfare and subscribes to the guiding principles of reduction, replacement, and refinement whenever possible;
- assesses that animal risks are minimised and outweighed by the potential benefits of the study;
- reviews informed consent documents ensuring that the information provided fully outlines the nature, purpose and risks to the animal and is comprehensive and understandable to the owner;
- provides critical feedback by asking questions and freely communicating with the researchers; and
- is comprised of veterinary professionals, members educated in science and regulations, and member(s) that represent the public-at-large who ensure the research follows the Company's position on animal welfare.

The Committee holds twice yearly meetings in which the Community Members are required to attend at least one meeting in a 12 month period. Protocols are reviewed on a continuous basis throughout the year and a Community Member is required to participate in those reviews on a rotational basis.

All members of the Committee are required:

- to attend an orientation session with additional sessions offered as needed and as different circumstances arise;
- to participate in training on Dechra's Animal Welfare Statement, the Animal Welfare Committee Mission Statement and to review any other guidance/resources that are provided; and
- to participate in training on protocol review procedures.

Dechra's pharmaceutical and vaccine development pipeline contains a mixture of short, medium and long term new opportunities and lifecycle products.

14 Projects in Feasibility

7 Projects in Research

15 Projects in Development

5 Projects in Registration

Whilst retaining an opportunistic and entrepreneurial approach, Dechra employs a structured development process consisting of six phases, defined as: Evaluation, Feasibility, Research, Development, Registration and Launch. Focus is given to the Group's key therapeutic sectors, and new development and in-license opportunities are evaluated for strategic fit within these sectors. Therapies outside of the key areas are considered for inclusion in the pipeline if they are novel and address medical needs in the veterinary market.

A product's return on investment can vary; innovative products tend to have medium to long term realisation with attractive high value returns, whilst generic developments generally have shorter timescales with returns dependent upon the number of other entrants and speed to market relative to competition.

Generating and Prioritising Ideas

Ideas are usually generated by our Marketing and Business Development functions, but Dechra encourages all employees to share ideas for new or existing products. Ideas will be prioritised by Marketing and the most attractive ones are evaluated by a small cross functional Evaluation team. During the **EVALUATION** phase, the team defines the scope of the project and assesses whether the cost benefit ratio is favourable considering market need, market value, strategic fit and the probability of technical and regulatory success. The team also defines the work required to be completed in the Feasibility phase.

Making the Chemistry Work

In the second phase of the development process, **FEASIBILITY**, proof of concept level data is generated for pharmaceutical development (formulation and manufacturing process), efficacy and safety, and a regulatory pathway is identified. The purpose of this phase is to eliminate, as early as possible, projects with low probability of success.

All the necessary pilot data are generated in the **RESEARCH** phase to:

- understand the efficacy and safety profile (innovation) or the likelihood of establishing bioequivalence (generics);
- enable high quality pharmaceutical development; and
- establish the best strategy to maximise the probability of technical and regulatory success.

The main purpose of the Research phase is to de-risk the expensive, long and resource intensive Development phase. In addition, during the Research phase the formulation and manufacturing processes are finalised, and the dose that is both safe and effective is determined.

For some projects, this phase can be relatively straightforward, while for others it can be iterative, for example finding a formulation that gives the desired safety and efficacy profile.

Entering the Development Phase

The **DEVELOPMENT** phase is the longest part of the process, potentially taking between two and four years. After the formulation has been demonstrated to be stable, up to three registration batches are manufactured for use in safety studies, efficacy studies and stability testing. For generic products, the batches are used in one or more bioequivalence studies to demonstrate that activity will replicate the pioneer product. If the studies conducted during Development phase demonstrate the required safety, efficacy and chemical stability of the product, regulatory dossiers are prepared for **REGISTRATION**.

The whole process from beginning to end can take between three and ten years before **LAUNCH**, depending on the complexity and nature of the product.

Stage Gate Process

The Pipeline Review Committee analyses each project after each phase for technical or regulatory risks and issues, and for any changes to the business case. Project decisions are endorsed by the Strategic Portfolio Prioritisation Committee which also prioritises projects based on their overall commercial and strategic value within resource constraints.

Read more about Our Pipeline Delivery on page 30

Product Development

Strategic Portfolio Prioritisation Committee (SPPC)

Senior Management of Commercial, PDRA, DPM&S and Finance

Prioritisation considering resource availability, commercial value, pipeline balance, risk and Company strategy

Recommendations

Approvals and Prioritisation Decisions

Pipeline Review Committee (PRC)

Experts and stakeholders from all relevant departments

Project recommendations based on technical feasibility, valid business case and commercial need

GO/NO GO GO/NO GO GO/NO GO GO/NO GO

Evaluation	Feasibility	Research	Development	Registration	Launch
Preliminary Evaluation of Ideas	Proof of Concept to Identify Early Kill Points	Pilot Studies to De-risk Development Programme	Pivotal Development Programme	Dossier Submission and Evaluation	Launch Campaign

Idea Funnel: Prioritise Ideas

Output Initial Target Profile and Feasibility Plan	**Output** Feasibility Report and Research Plan	**Output** Research Report and Development Plan	**Output** Pivotal Data Registration Dossier	**Output** Approvals/ Authorisation and Launch Plan	**Output** Product Launch

Product Pipeline

The chart outlines the status of the major projects. Owing to the nature of product development, the content of our pipeline will change over time as new projects progress from Evaluation to Launch or as projects are terminated. For competitive reasons, exact project details are not disclosed.

1 Evaluation

CAP/Equine	FAP

New opportunities are constantly being evaluated and will move into Feasibility quickly if of interest.

2 Feasibility

CAP/Equine	FAP
Anaesthetic for dogs and cats	Poultry Vaccine
Ophthalmic therapy for dogs	Swine Vaccine
Endocrine therapy for dogs	Swine Vaccine
Endocrine therapy for dogs	Anti-inflammatory therapy for poultry
Endocrine therapy for cats	Poultry Vaccine
Gastrointestinal therapy for dogs	
Cardiovascular therapy for dogs	
Ophthalmic therapy for dogs	
Antibiotic for dogs and cats	

3 Research

CAP/Equine	FAP
Analgesic therapy for dogs	Poultry Vaccine
Gastrointestinal therapy for horses	Poultry Vaccine
Endocrine therapy for horses	Poultry Vaccine
	Antibiotic for pigs

4 Development

CAP/Equine	FAP
Anaesthetic for dogs and cats	Poultry Vaccine
Analgesic therapy for horses	Poultry Vaccine
Horse Vaccine	Poultry Vaccine
Horse Vaccine	Poultry Vaccine
Horse Vaccine	
Endocrine therapy for cats	
Dermatological therapy for dogs	
Lameness therapy for horses	
Dermatological therapy for dogs	
Endocrine diagnostic	
Endocrinology for dogs	

5 Registration

CAP/Equine	FAP
Gastrointestinal therapy for dogs	Parasiticides for poultry and pigs
Analgesic therapy for dogs	Antibiotic for cattle
	Antibiotic for cattle and pigs

Key to Product Pipeline

- Analgesic, Anaesthesia, Anti-inflammatory
- Antibiotic
- Antiparasitic
- Ophthalmology
- Dermatology
- Endocrinology
- Gastrointestinal
- Vaccines
- Locomotion
- Cardiovascular

Global Product Offering

Analgesia, Anaesthesia and Anti-inflammatory

		COUNTRY																									INTERNATIONAL*			
Key Product	**Animal**	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Atipam/Sedastop	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●		1	5	4	
Carprofen/Caprovet	Dogs	●	●	●					●	●	●			●	●	●	●		●	●			●			●		1		
Comfortan	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●		●		●	●	●		●	●	●	●					
Dexmedesed	Cats, Dogs		●	●				●	●	●	●	●	●	●		●			●	●		●	●	●	●	●				
Domidine	Cattle, Horses		●	●			●				●	●	●	●	●	●			●	●		●	●	●	●		1	3	2	
Euthasal	Cats, Dogs, Rabbits, Cattle, Horses																												2	
Melexoral/Meloxicam	Cats, Dogs	●	●	●	●			●	●	●	●	●		●			●	●	●	●		●	●	●				3	8	
Pardale V	Dogs																													
Sedator/Sedastart	Cats, Dogs		●	●	●			●	●	●	●	●	●	●	●			●	●	●	●	●	●	●	●		1	8	8	
Tilzolan	Cats, Dogs																									●	1	6	6	
Tralieve/Tramadol	Cats, Dogs		●	●	●			●	●	●	●	●	●	●		●		●	●	●		●	●	●	●				1	

Other products: Anesketin, Bupredine, Fentadon, Intubeaze, Ketamine, Meloxidolor, Myorelax, Nerfasin, Relaquine, Rominervin, Sedadex, Sympagesic, Tranquinervin

Antibacterial and Antibiotics

		COUNTRY																									INTERNATIONAL*			
Key Product	**Animal**	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Amoxi-Clav/Clavubactin/ Clavacillin	Cats, Dogs	●	●	●					●	●	●		●	●		●	●		●	●			●		●	●		2		
Cefpodoxime Proxetil/ Cefppoderm	Dogs																									●		4	7	
Diatrim	Cats, Dogs, Cattle, Pigs		●	●							●	●	●	●		●			●	●			●		●			1	1	
Doxybactin	Cats, Dogs	●	●	●		●		●	●	●	●	●	●	●		●	●		●	●		●	●		●			1	7	
Equibactin	Horses		●	●					●	●	●	●	●	●		●				●			●	●	●			1	2	
Enroquin	Cats, Dogs	●		●		●			●	●			●	●		●	●		●						●	●		2		
Marboquin	Cats, Dogs																													
Metrobactin	Cats, Dogs		●	●				●	●	●	●	●	●	●		●			●	●	●	●	●		●			5	8	
Animax	Cats, Dogs																									●				

Other products: *GentaCalm,* Muricin

Dermatology and Care

		COUNTRY																									INTERNATIONAL*			
Key Product	**Animal**	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Canaural	Cats, Dogs	●	●	●			●		●	●	●		●	●	●		●	●	●	●	●		●	●	●			7	8	
Isaderm	Dogs	●	●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	●			5	8	
Malaseb/Miconahex	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	●	●		2	9	
Malacetic	Cats, Dogs						●								●											●		8	12	1
Osurnia	Dogs	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		7	10	6
Triz Range	Cats, Dogs		●	●	●		●	●	●	●	●	●	●		●	●		●	●			●		●	●	●		9	10	

Other products: *Recicort,* CerumAural, *CleanAural, Dermanolon, Sporimune,* Anti-Sept, *DermAllay, DermBenSS, DermLyte, EpiKlean, KlearOtic*

Endocrinology

		COUNTRY																									INTERNATIONAL*			
Key Product	**Animal**	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Felimazole	Cats	●	●	●			●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		6	6	
Forthyron/ Thyroxine/ Thyroxanil	Dogs	●	●	●					●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●			5	8	
Vetoryl	Dogs	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		9	12	
Zycortal	Dogs	●	●	●		●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		5	9	

Other products: *Cosacthen*

Lameness

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Cyclospray	Cattle, Pigs, Sheep		●	●	●		●	●	●		●	●	●	●	●	●	●		●	●	●	●	●		●		1	4	11	
Equipalazone	Horses	●	●	●					●		●	●	●			●	●	●	●	●		●		●	●			5	3	
HY-50	Horses			●			●		●	●		●		●	●	●	●	●					●	●	●			5	2	
Osphos	Horses	●	●	●		●	●		●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		2	3	
Phycox	Dogs, Horses						●								●											●		1		

Nutrition

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Specific	Cats, Dogs			●					●	●	●		●			●		●	●	●	●	●	●	●	●			3	11	

Water Solubles

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Altidox	Pigs, Chickens, Turkeys		●	●							●	●							●	●			●							
Centidox	Pigs, Cattle		●	●								●		●		●							●							
Otacillin/Solamocta	Pigs, Chickens, Turkeys		●	●				●	●		●	●	●	●		●			●	●	●	●	●		●			3	2	
Soludox	Pigs, Chickens, Turkeys		●	●	●			●	●		●	●	●	●		●			●		●	●	●		●		1	8	6	
Tri-Solfen	Cattle, Pigs, Sheep	●															●													

Other products: *Metaxol, Methoxasol, Phenocillin, Solacyl, Tialin*

Vaccines

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Avishield ND	Chickens, Turkeys		●	●	●			●	●			●				●			●	●	●	●			●		5	7	5	
Excell 10	Cattle, Pigs, Sheep, Goats					●																								5
Vencomax	Dogs					●																					1	1		7

Other Brands

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Cardisure	Dogs	●	●	●					●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●			8	9	
Isathal	Cats, Dogs, Rabbits	●			●		●	●	●	●	●	●	●	●		●	●	●		●	●	●	●	●	●			5	6	
Libromide	Dogs		●	●					●	●	●	●	●	●		●		●	●	●			●	●	●				2	
Mirataz	Cats		●	●			●	●	●	●	●	●	●	●		●		●	●	●		●	●	●	●	●		5	7	
Phenoleptil	Dogs		●	●					●	●	●	●	●	●				●	●	●			●	●	●				3	
Prednicortone	Cats, Dogs		●	●	●			●	●	●	●		●	●		●		●	●	●		●	●	●	●			1	6	
Prevomax	Dogs		●	●	●			●	●	●	●	●	●	●		●		●	●	●		●	●	●	●			7	8	
Vetivex	Cat, Dogs, Cattle, Horses			●					●		●	●	●			●								●	●	●		1		

Other products: *Apovomin,* Fruesdale, Hypertonic, *Laxatract, Lubrithal, Ophtocycline,* CleanOcular, *Puralube, Vetropolycin*

* Not all products are sold in each country within a continent.

Financial Review

// Our excellent trading performance has been facilitated by a robust global supply chain, supplemented by healthy contributions from our product acquisitions in the year."

Paul Sandland

Overview of Reported Financial Results

To assist with understanding our reported financial performance, the consolidated results below are split between existing and acquired businesses; acquisition includes the incremental effect of those businesses acquired in the current and prior year, reported on a 'like-for-like' basis. Additionally, the following table shows the growth at both reported actual exchange rates (AER), and constant exchange rates (CER) to identify the impact of foreign exchange movements. The acquisition operating profit of £1.8 million includes underlying operating profit of £6.7 million and non-underlying charges of £4.9 million relating to amortisation of acquired intangibles.

Including non-underlying items, the Group's consolidated operating profit increased by 16.2% at CER (13.7% at AER) whilst consolidated profit before tax increased by 7.8% at CER (4.9% at AER), impacted by an increase in net finance costs. Diluted EPS growth was 7.5% at CER (4.6% at AER) reflecting the marginal reduction in the effective tax rate.

As Reported	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	Growth at AER Consolidated %	*Growth at CER Consolidated %*
Revenue	**669.4**	**12.4**	**681.8**	608.0	12.1%	***13.8%***
Gross profit	**377.0**	**7.8**	**384.8**	345.9	11.2%	***12.9%***
Gross profit %	**56.3%**	**62.9%**	**56.4%**	56.9%	(50bps)	***(40bps)***
Operating profit	**93.7**	**1.8**	**95.5**	84.0	13.7%	***16.2%***
EBIT %	**14.0%**	**14.5%**	**14.0%**	13.8%	20bps	***30bps***
Profit before tax	**75.8**	**1.8**	**77.6**	74.0	4.9%	***7.8%***
Diluted EPS (p)			**53.40**	51.03	4.6%	***7.5%***

Glossary

IFRSs: UK-adopted International Accounting Standards

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

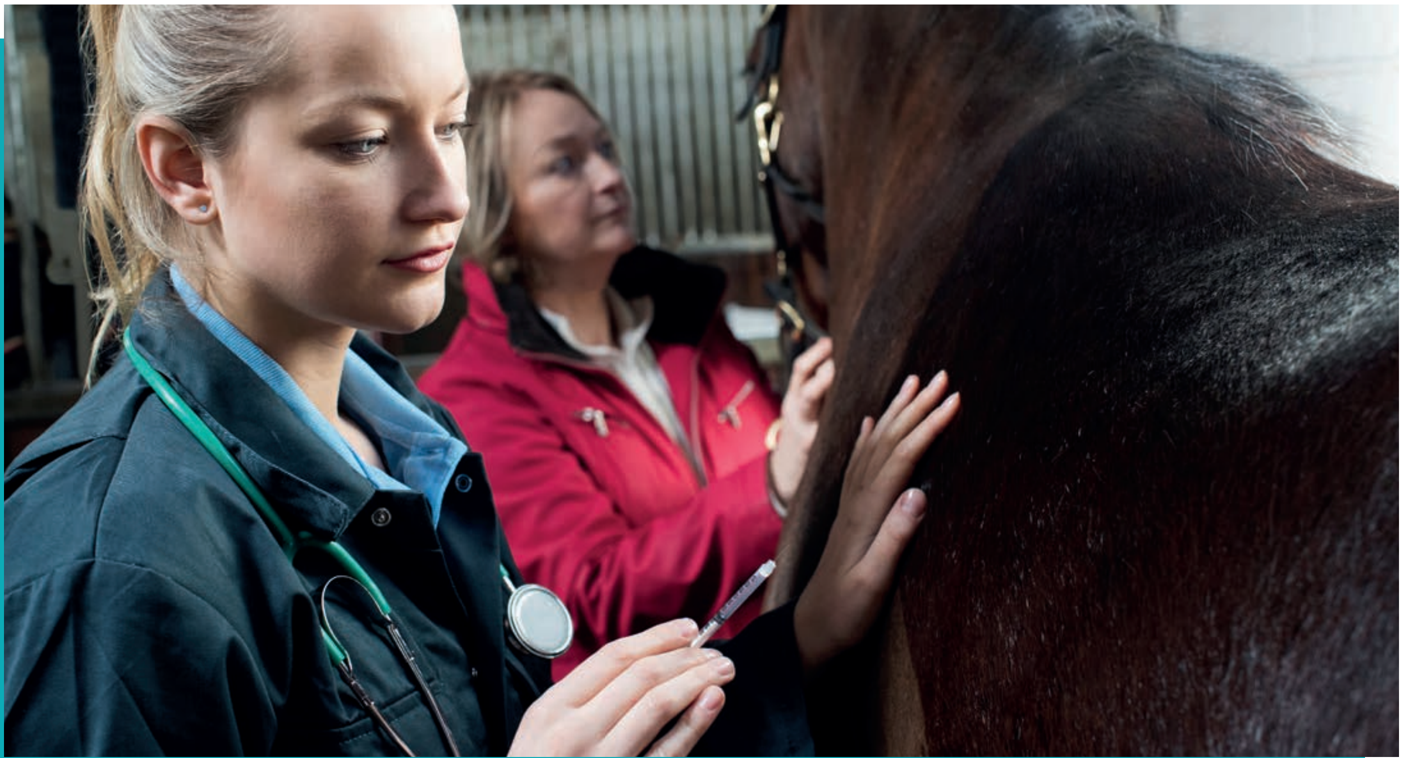
FAP: Food producing Animal Products

bps: basis points

Cash Conversion: cash generated from operating activities before interest and taxation as a percentage of underlying operating profit

Net Debt: cash and cash equivalents less borrowings and lease liabilities

Working Capital: inventory plus trade and other receivables less trade and other payables



Overview of Underlying Financial Results

The Group presents a number of non-GAAP Alternative Performance Measures (APMs). This allows investors to understand better the underlying performance of the Group by excluding certain non-underlying items as set out in notes 3, 4, 5, 6 and 35. As underlying results include the benefits of acquisitions but exclude significant costs such as amortisation of acquired intangibles, they should not be regarded as a complete picture of the Group's financial performance, which is presented in its total Reported results. The exclusion of non-underlying items may result in underlying earnings being materially higher or lower than total Reported earnings. In particular, when significant amortisation of acquired intangibles is excluded, underlying earnings will be higher than total Reported earnings. A reconciliation of underlying results to Reported results in the year to 30 June 2022 is provided in the table below. In the commentary which follows, all references will be to CER movement unless otherwise stated.

		Non-underlying Items			
	2022 Underlying Results £m	Amortisation and related costs of acquired intangibles £m	Acquisition, impairments and cloud computing costs £m	Tax rate changes and finance expenses £m	**2022 Reported Results £m**
Revenue	**681.8**	–	–	–	**681.8**
Gross profit	**385.3**	–	(0.5)	–	**384.8**
Selling, general and administrative expenses	**(178.6)**	(69.1)	(5.5)	–	**(253.2)**
R&D expenses	**(32.4)**	(3.7)	–	–	**(36.1)**
Operating profit	**174.3**	(72.8)	(6.0)	–	**95.5**
Net finance costs	**(3.1)**	–	–	(13.5)	**(16.6)**
Share of associate profit	**(1.2)**	(0.1)	–	–	**(1.3)**
Profit before tax	**170.0**	(72.9)	(6.0)	(13.5)	**77.6**
Taxation	**(38.3)**	17.3	1.2	0.4	**(19.4)**
Profit after tax	**131.7**	(55.6)	(4.8)	(13.1)	**58.2**
Diluted EPS (p)	**120.84**				**53.40**

In the year, Dechra delivered consolidated revenue of £681.8 million, representing an increase of 13.8% on the prior year. This included £669.4 million from its existing business, an increase of 11.8%, and a £12.4 million contribution from acquired product rights.

Consolidated underlying operating profit of £174.3 million represents a 9.4% increase on the prior year. This included £167.6 million from Dechra's existing business, an increase of 5.2% on a like-for-like basis, and a £6.7 million contribution from acquired product rights.

Underlying EBIT margin decreased by 110 bps to 25.6%, principally due to the increase in Selling, General and Administrative expenses (SG&A) spend as a percentage of revenue with our cost base normalising following lower levels of spend during the COVID-19 pandemic.

Underlying diluted EPS grew by 14.0% to 120.84 pence reflecting the profit growth from the existing and acquired businesses and benefiting from lower net finance costs driven by realised foreign exchange gains.

Financial Review

A more detailed explanation of our non-underlying items is included later in this Financial Review.

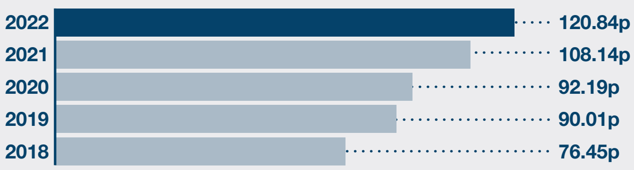
Underlying	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	*Growth at CER* *Existing* *%*	*Consolidated* *%*
Revenue	**669.4**	**12.4**	**681.8**	608.0	*11.8%*	*13.8%*
Underlying gross profit	**377.5**	**7.8**	**385.3**	345.9	*10.8%*	*13.1%*
Underlying gross profit %	**56.4%**	**62.9%**	**56.5%**	56.9%	*(50bps)*	*(40bps)*
Underlying operating profit	**167.6**	**6.7**	**174.3**	162.2	*5.2%*	*9.4%*
Underlying EBIT %	**25.0%**	**54.0%**	**25.6%**	26.7%	*(170bps)*	*(110bps)*
Underlying EBITDA	**183.9**	**6.7**	**190.6**	177.7	*5.3%*	*9.2%*
Underlying diluted EPS (p)			**120.84**	108.14		*14.0%*
Dividend per share (p)			**44.89**	40.50		*10.8%*

Reported Segmental Performance

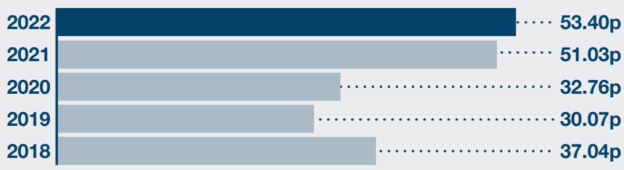
Reported segmental performance is presented in note 2 on pages 179 to 180. The effect of acquisitions in the year was material; the reported segmental performance is analysed between existing and acquired businesses, and at AER and CER in the table below. The acquisition elements capture the additional base business coming into the Group up to the first anniversary of their acquisition, including the growth Dechra generated in them during the year, and the synergies that have already been realised by the Group since acquisition. This analysis becomes less definitive the further in time from the completion of the acquisition, as the acquired business is progressively integrated with the existing business.

Reported	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	Growth at AER Existing %	Consolidated %	*Growth at CER* *Existing* *%*	*Consolidated* *%*
Revenue by segment								
EU Pharmaceuticals	**400.0**	**6.7**	**406.7**	388.5	3.0%	4.7%	*6.4%*	*8.2%*
NA Pharmaceuticals	**269.4**	**5.7**	**275.1**	219.5	22.7%	25.3%	*21.3%*	*23.8%*
Total	**669.4**	**12.4**	**681.8**	608.0	10.1%	12.1%	*11.8%*	*13.8%*
Underlying operating profit/(loss) by segment								
EU Pharmaceuticals	**127.7**	**3.8**	**131.5**	127.8	(0.1%)	2.9%	*3.8%*	*6.9%*
NA Pharmaceuticals	**84.8**	**2.9**	**87.7**	75.9	11.7%	15.5%	*9.7%*	*13.6%*
Pharmaceuticals Research and Development	**(32.4)**	**–**	**(32.4)**	(32.4)	0.0%	0.0%	*(1.5%)*	*(1.5%)*
Underlying segment operating profit	**180.1**	**6.7**	**186.8**	171.3	5.1%	9.0%	*6.9%*	*10.9%*
Corporate and unallocated costs	**(12.5)**	**–**	**(12.5)**	(9.1)	(37.4%)	(37.4%)	*(37.4%)*	*(37.4%)*
Underlying operating profit	**167.6**	**6.7**	**174.3**	162.2	3.3%	7.5%	*5.2%*	*9.4%*
Non-underlying operating items	**(73.9)**	**(4.9)**	**(78.8)**	(78.2)				
Reported operating profit	**93.7**	**1.8**	**95.5**	84.0	11.5%	13.7%	*13.9%*	*16.2%*

Underlying Diluted Earnings Per Share
120.84p



Reported Diluted Earnings Per Share
53.40p



Underlying Segmental Performance

European Pharmaceuticals

Revenue in European (EU) Pharmaceuticals grew by 8.2% to £406.7 million. The existing business grew by 6.4% with this growth driven by a robust performance across all established European markets and also in the key International businesses in ANZ and Brazil. The acquisitions of Tri-Solfen® (for the ANZ market) and *Osurnia* (July sales) contributed a combined £6.7 million to revenue for the period where there is no comparative.

Operating profit from existing business increased by 3.8%, with operating margin decreasing to 31.9% and consolidated operating margin decreasing to 32.3% as our cost base normalised following COVID-19.

Underlying	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	*Growth at CER* *Existing* *%*	*Consolidated* *%*
Revenue	**400.0**	**6.7**	**406.7**	388.5	*6.4%*	*8.2%*
Operating profit	**127.7**	**3.8**	**131.5**	127.8	*3.8%*	*6.9%*
Operating profit %	**31.9%**	**56.7%**	**32.3%**	32.9%	*(100bps)*	*(60bps)*

North American Pharmaceuticals

Revenue from North American (NA) Pharmaceuticals grew by 23.8% to £275.1 million. The existing business grew by 21.3% reflecting strong demand for our CAP products in the US, Canada and Mexico. *Osurnia* (July sales), along with the product acquisitions made in the latter part of 2021 and early in 2022, contributed a combined £5.7 million to revenue for the period where there is no comparative.

Operating profit from existing business grew 9.7% with operating margin decreasing to 31.5% and consolidated operating margin decreasing to 31.9% as our cost base normalised following COVID-19.

Underlying	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	*Growth at CER* *Existing* *%*	*Consolidated* *%*
Revenue	**269.4**	**5.7**	**275.1**	219.5	*21.3%*	*23.8%*
Operating profit	**84.8**	**2.9**	**87.7**	75.9	*9.7%*	*13.6%*
Operating profit %	**31.5%**	**50.9%**	**31.9%**	34.6%	*(310bps)*	*(270bps)*

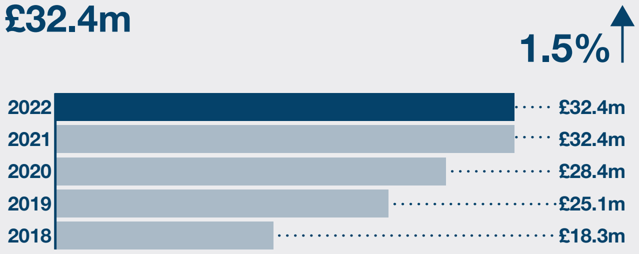
Pharmaceuticals Research and Development

Pharmaceuticals Research and Development (R&D) expenses of £32.4 million represented 4.8% of existing revenue with some project spend being delayed due to the impact of COVID-19 and specifically our ability to recruit and perform clinical study work. This spend included £3.3 million in relation to Akston.

	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	*Growth at CER* *Existing* *%*	*Consolidated* *%*
R&D expenses	**(32.4)**	**–**	**(32.4)**	(32.4)	*(1.5%)*	*(1.5%)*
% of revenue	**4.8%**	**–**	**4.8%**	5.3%		

Research and Development Spend

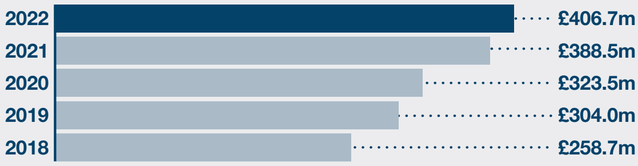
£32.4m



Financial Review

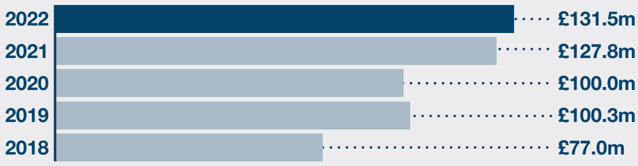
EU Pharmaceuticals Revenue

£406.7m



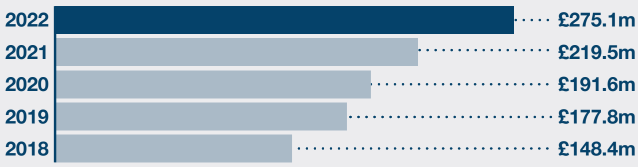
EU Pharmaceuticals Underlying Operating Profit

£131.5m



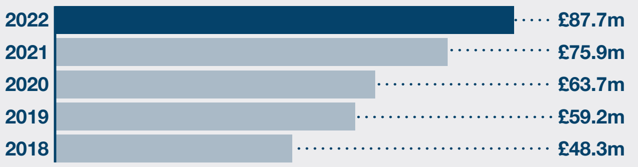
NA Pharmaceuticals Revenue

£275.1m



NA Pharmaceuticals Underlying Operating Profit

£87.7m



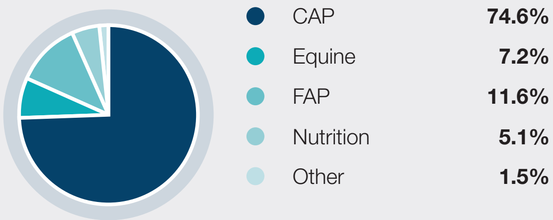
Revenue by Product Category

CAP revenue continues to be the largest proportion of Dechra's business at 74.6%, up from 72.8% in the prior year. CAP grew 16.0% in the year with further market penetration across all therapeutic areas. Equine revenue grew by 12.1% in the year driven by the US product rights acquisitions. FAP revenue growth was 6.0% benefiting from the launch of Tri-Solfen® in ANZ following the acquisition of rights in July 2021, but offset by the divestment of the non-core Agricultural Chemicals business in January 2022 (revenue growth on an existing basis was 5.6%). Nutrition revenue increased by 15.1% on the prior year reflecting the continuing success of our strategy with key customers in our key markets.

Other revenue reduced by 12.6% to £10.1 million, now representing only 1.5% of the business as we continue our planned exit from third party contract manufacturing in line with our manufacturing strategy, to improve the production efficiency of Dechra's own products.

	2022 £m	2021 £m	% Change at AER	**% Change at CER**
CAP	**508.4**	442.6	14.9%	***16.0%***
Equine	**49.5**	44.8	10.5%	***12.1%***
FAP	**78.8**	77.0	2.3%	***6.0%***
Subtotal Pharmaceutical	**636.7**	564.4	12.8%	***14.3%***
Nutrition	**35.0**	31.7	10.4%	***15.1%***
Other	**10.1**	11.9	(15.1%)	***(12.6%)***
Total	**681.8**	608.0	12.1%	***13.8%***

Revenue by Product Category (at AER)



Underlying Gross Profit

Underlying gross profit margin for the existing business decreased by 50 bps to 56.4% on an Existing basis and decreased by 40 bps to 56.5% on a consolidated basis reflecting the strong CAP performance offset by the increased generic competition, particularly in our NA Business.

Underlying Selling, General and Administrative Expenses (SG&A)

SG&A costs grew from £151.3 million in the prior year to £178.6 million in the current year, an increase of 19.8%. This growth principally represents the full year impact of the investment in our people costs following the review of compensation across the Group in January 2021 and the normalisation of our cost base (including sales & marketing and travel & entertainment costs) following COVID-19 lockdowns in the prior year.

Non-underlying Items

Non-underlying items incurred in the year are fully described in note 5 on page 182. In summary, they relate to the following:

- Amortisation of acquired intangibles of £72.8 million has decreased from £75.2 million in 2021 principally due to new charges relating to the product acquisitions more than offset by the reducing charge from the AST Farma and Le Vet acquisition;

- Cloud computing arrangement costs of £2.8 million relating to the initial costs of the programme to implement the Manufacturing and Supply function's new ERP and Electronic Quality Management systems;
- Impairment costs of £2.9 million predominately relating to the sale of the Agricultural Chemicals business (£1.0 million) and an impairment of a small number of In-Process R&D assets recognised on the acquisition of AST Farma and Le Vet (£1.7 million);
- Finance charge of £13.5 million (2021: credit of £2.8 million) represents the charge arising on the unwind of the discount relating to the contingent consideration liability of £3.4 million and associated foreign exchange loss of £10.1 million driven by the depreciation of Sterling against the US and Australian Dollars;
- Taxation credit of £18.9 million (2021: £14.0 million) represents the tax impact of the above items (£21.1 million), offset by the revaluation of deferred tax balance sheet items (£2.2 million charge) following changes in corporate tax rates, including a further revision to the Netherlands rate (which is increasing to 25.8%);
- Expenses relating to acquisition and subsequent integration activities were £0.3 million (2021: £1.4 million) with costs relating to the product rights acquisitions in the current year being immaterial so treated as underlying; and
- Costs relating to rationalisation of the manufacturing organisation were nil (2021: £1.6 million), as this programme was completed in the prior year.

Taxation

The reported effective tax rate (ETR) for the year is 25.0% (2021: 25.0%) and includes the one-off impact of the substantively enacted increase in corporate tax rates in the Netherlands (from 25.0% to 25.8%) on deferred tax balances. On an underlying basis the ETR is 22.5% (2021: 21.7%); the main differences to the UK corporation tax rate applicable of 19.0% (2021: 19.0%) relate to differences in overseas tax rates and non-deductible expenses offset by patent box allowances and other incentives.

The underlying ETR is expected to remain at a similar level in the year to 30 June 2023. We continue to monitor relevant tax legislation internationally as it may affect our future ETR.

Reported Profit

Reported profit before tax increased by 4.9% at AER reflecting the reported operating profit growth of 13.7% at AER and the increase in net finance costs which include a foreign exchange loss of £10.1 million on the remeasurement of the contingent consideration liabilities driven by the depreciation of Sterling against the US and Australian Dollars.

Earnings per Share and Dividend

Underlying diluted EPS for the year was 120.84 pence, a 14.0% growth on the prior year reflecting the underlying EBIT growth of 9.4% and the benefit from a lower net finance expense principally due to foreign exchange gains realised. The weighted average number of shares for diluted earnings per share for the year was 109.0 million (2021: 108.8 million).

The reported diluted EPS for the year was 53.40 pence (2021: 51.03 pence). This represents an increase of 4.6% (at AER) in reported EPS which is lower than the reported EBIT growth of 13.7% (at AER) reflecting the increase in net finance expense due to the foreign exchange losses recognised on contingent liabilities.

The Board is proposing a final dividend of 32.89 pence per share (2021: 29.39 pence); added to the interim dividend of 12.00 pence, the total dividend per share for the year ended 30 June 2022 is 44.89 pence.

This represents 10.8% growth over the prior year. Dividend cover based on underlying diluted EPS is 2.7 times (2021: 2.7 times). The Board continues to operate a progressive dividend policy, recognising investment opportunities as they arise.

Currency Exposure

The average rate for £/€ increased by 4.6%, and the £/$ rate decreased by 1.1% during the financial year. The effect in the Consolidated Income Statement and Statement of Financial Position is analysed in the above paragraphs of this review between performance at AER and CER. CER analysis compares the performance of the business on a like-for-like basis applying constant exchange rates.

	Average rates		
	2022	2021	*% Change*
£/€	**1.1807**	1.1287	***4.6%***
£/$	**1.3316**	1.3466	***(1.1%)***

Currency Sensitivity

Euro €: a 1% variation in the £/€ exchange rate affects underlying diluted EPS by approximately +/- 0.5%.

US Dollar $: a 1% variation in the £/$ exchange rate affects underlying diluted EPS by approximately +/- 0.5%.

Current exchange rates are £/€ 1.1623 and £/$ 1.1623 as at 1 September 2022. If these rates had applied throughout the year, the underlying diluted EPS would have been approximately 8.3% higher.

Statement of Financial Position

The Statement of Financial Position is summarised in the table on the next page.

- Non-current assets (excluding deferred tax) increased from £819.9 million to £846.6 million and include the intangible assets recognised on the product acquisitions, partly offset by amortisation of acquired intangibles.
- Working capital increased from £142.7 million to £175.7 million (£33.0 million at AER, £27.8 million cash flow impact) mainly due to the growth of the Group with an investment in inventory made to maintain service levels during this continuing period of heightened growth and uncertainty.
- Net debt increased in the year by £8.0 million from £200.2 million to £208.2 million; this includes cash generation from operations at £166.1 million, an outflow of £54.4 million relating to product acquisitions made during the year, net capital expenditure of £20.3 million, net interest/tax outflows of £39.8 million and £44.8 million in dividends. Exchange rate variations negatively impacted the net debt position by £7.2 million.
- Current and deferred tax assets and liabilities reduced from £45.8 million to £34.7 million principally due to the realisation of deferred tax liabilities relating to the amortisation of acquired intangibles.

	2022 £m	2021 £m
Non-current assets	**846.6**	819.9
Working capital	**175.7**	142.7
Net debt	**(208.2)**	(200.2)
Current and deferred tax	**(34.7)**	(45.8)
Other liabilities	**(112.6)**	(83.7)
Total net assets	**666.8**	632.9

Financial Review

Cash Flow, Financing and Liquidity

The Group enjoyed good cash generation during the year, with a strong Underlying EBITDA margin of 28.0% (2021: 29.2%). However, as mentioned above, working capital has increased by £27.8 million, mainly due to the growth of the Group with an investment in inventory made to maintain service levels during this continuing period of heightened growth and uncertainty. This resulted in net cash generated from operations after non-underlying items of £163.3 million, representing cash conversion of 93.7% of underlying operating profit.

	2022 £m	2021 £m
Underlying operating profit	**174.3**	162.2
Depreciation and amortisation	**16.3**	15.5
Underlying EBITDA	**190.6**	177.7
Underlying EBITDA %	**28.0%**	29.2%
Working capital movement	**(27.8)**	(36.0)
Other	**3.3**	2.5
Cash generated from operations before interest, taxation and non-underlying items	**166.1**	144.2
Non-underlying items	**(2.8)**	(3.0)
Cash generated from operations before interest and taxation	**163.3**	141.2
Cash conversion (%)	**93.7%**	87.1%

Net Debt Bridge

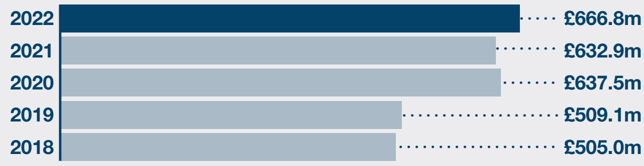
Notable cash items are listed below in the net debt reconciliation table:

- Net capital expenditure on tangible assets increased to £20.3 million (2021: £19.8 million), representing 1.8 times depreciation.
- Acquisitions of intangible assets of £57.3 million includes the product acquisitions (see below) and capitalised development expenditure (£1.2 million).
- The net debt/underlying EBITDA leverage ratio per the borrowing facilities' leverage covenant, which includes the proforma adjustment to full year EBITDA for the acquisitions, was 1.0 times (2021: 1.1 times) versus a covenant of 3 times.

	£m
Net Debt 30 June 2021	**(200.2)**
Net cash generated from operations before non-underlying items	166.1
Non-underlying items	(2.8)
Net capital expenditure	(20.3)
Acquisition of intangible assets	(57.3)
Acquisition of subsidiary	(0.8)
New lease liabilities	(3.8)
Interest and tax	(39.8)
Dividend paid	(44.8)
Other movements	2.3
Other non-cash movements	0.4
Foreign exchange on net debt	(7.2)
Net Debt 30 June 2022	**(208.2)**

Net Assets

£666.8m



Borrowing Facilities

As reported in preceding Annual Reports, the Group completed a refinancing and entered into a multi-currency facilities agreement in July 2017 (the Facility Agreement), with a group of banks comprising Bank of Ireland (UK) plc, BNP Paribas, Fifth Third Bank, HSBC Bank plc, Lloyds Bank plc (replaced by Credit Industriel et Commercial, London branch (CIC) in August 2019), Raiffeisen Bank International AG and Santander UK plc (the Banks). The Facility Agreement has a revolving credit facility (the RCF) of £340.0 million, which is committed until July 2024.

In January 2020 the Group undertook a Private Placement raising €50.0 million and USD100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt. The placement achieved the Group's aims of diversifying the sources of debt financing and extending the debt maturity profile.

On 14 July 2022 the Group undertook a further Private Placement raising €50.0 million and €100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt.

Capital Management

On 21 July 2022 the Group successfully completed a share placing of 5,364,683 new ordinary shares, representing 4.95% of the existing issued share capital of the Company, at a price of 3430 pence per placing share, raising gross proceeds of £184.0 million which were largely deployed to fund the Piedmont Animal Health, Inc acquisition upon its completion on 20 July 2022.

Covenants

There are two covenants governing the RCF and the Private Placements:

- Leverage: Net Debt to underlying EBITDA not greater than 3.0:1 for the RCF and 3.5:1 for the Private Placements (30 June 2022: 1.0:1); and
- Interest Cover: underlying EBITDA to Net Finance Charges not less than 4.0:11 (30 June 2022: 24.6:1).

The above ratios are calculated excluding the impact of IFRS 16 and having adjusted for the pro-forma impact of acquisitions in accordance with the terms of the RCF and Private Placements arrangements.

On 22 December 2021, the Group entered into an Amendment and Restatement Agreement in relation to the £340.0 million Revolving Credit Facility (RCF) maturing 25 July 2024. With effect from 1 January 2022, any new Borrowings drawn on the RCF will now use Risk Free Reference (RFR) rates instead of LIBOR rates. The relevant RFR rates for the principal Borrowings of the Group will be SONIA (for Borrowings in GBP), SOFR (for Borrowings in USD) and EURIBOR (for Borrowings in EUR). The interest rate charged on any new Borrowings drawn under the RCF will be the relevant RFR rate plus the Margin plus a Credit Adjustment Spread (CAS). The CAS charged on the RCF will be a minimum of 0.0326% and a maximum of 0.42826%, dependent upon the term and currency of the new Borrowings. The CAS will not be charged on any new Borrowings that are drawn in EUR currency. The margin over LIBOR (or equivalent) remains in the range from 1.3% for leverage below 1.0 times, up to 2.2% for leverage above 2.5 times.

The weighted average coupon of the Private Placements fixed rate notes equates to 3.2%.

Underlying Return on Capital Employed (ROCE)

Underlying ROCE increased to 19.5% in the year (2021: 18.8%) reflecting the increased contribution from the Group's existing businesses.

Acquisitions

The Group has made several acquisitions in recent years. The incremental performance during the first year of ownership of the acquisitions made during the 2021 and 2022 financial years is separately summarised compared to the existing business in the sections above.

During the year the Group completed the following product rights acquisitions:

- In July 2021 the rights to Isoflurane® and Sevoflurane® were acquired from Halocarbon Life Sciences LLC for USD12.0 million (£8.7 million).
- In September 2021 the rights to ProVet APC™ and ProVet BMC systems were acquired from Hassinger Biomedical and DSM Medical for USD4.0 million (£3.0 million). A payment of £0.1 million was also made for inventory.
- In October 2021 the rights to Rompun® (xylazine injection) and Butorphanol Tartrate injection were acquired from Elanco™ Animal Health for USD4.0 million (£3.0 million). A payment of £0.2 million was also made for inventory.
- In October 2021 the rights to Sucromate™ Equine sterile suspension were acquired from Thorn Bioscience LLC for USD9.0 million (£6.5 million). A minor payment was also made for inventory.
- In January 2022, the global product rights to Verdinexor, a novel treatment for all forms and stages of canine lymphoma in dogs, including a first right of refusal for other species along with the trademark (*Laverdia)* were acquired from Anivive Lifesciences Inc. Following the initial payment of USD19.0 million (£14.0 million) there are subsequent milestone payments totalling USD45.5 million (£33.5 million) due on the achievement of various approval and sales milestones for the product in the USA, UK, EU, Brazil, Australia, Japan and Canada. Royalties are also payable as part of this transaction and have been accrued as part of the contingent consideration liabilities.

Accounting Standards

The accounting policies adopted are outlined in note 1 to the Accounts.

In April 2021, the IFRS Interpretations Committee published its final agenda decision on Configuration and Customisation costs in a Cloud Computing Arrangement. The agenda decision considers how a customer accounts for configuration or customisation costs in a cloud computing arrangement. The agenda decision does not have a material impact on the Group in respect of the current period or prior periods (note 5). There are no other accounting policy changes which have materially impacted the 2022 financial year.

Going Concern

The Directors have a reasonable expectation that the Group has 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.

In reaching this conclusion, the Directors have given due regard to the following:

- The Group's business activities, together with factors likely to impact the future growth and operating performance;
- The financial position of the Group, its cash flows, available debt facilities and compliance with the financial covenants associated with the Group's borrowings, which are described in the financial statements;
- The cash generated from operations, available cash resources and committed bank and other facilities and their maturities, which taken together, provide confidence that the Group will be able to meet its obligations as they fall due; and
- Post balance sheet events see note 34 to the financial statements.

As at 30 June 2022, the Group had net debt of £208.2 million (2021: £200.2 million), and had available cash balances and unutilised committed borrowing facilities of £271.2 million. Further information on available resources and committed bank facilities is provided in notes 18 and 21 to the financial statements.

Subsequent Events

On 20 July 2022, the Group acquired 100% of the share capital of Piedmont Animal Health, Inc. (Piedmont) for US$210.0 million (£175.0 million) in cash. Piedmont is an established product development business with a strong track record of developing products for multi-national animal health companies.

On 26 August 2022, the Group acquired 100% of the share capital of the Med-Pharmex Holdings, Inc. group of companies (Med-Pharmex) for US$260.0 million (£221.5 million) in cash. Med-Pharmex is an established platform business with manufacturing, product development and regulatory capabilities, and has several products already approved and being sold in the US market.

Summary

Our business continued to benefit from strong market conditions which remained heightened from pre COVID-19 levels accelerating growth in our existing business. This excellent revenue performance, particularly in North America, has been facilitated by a robust global supply chain and supplemented by healthy incremental contributions from our product acquisitions in the year.

R&D expenditure was lower than expected during the period, but we continued to invest heavily in our people and have seen the rest of our cost base return to more normalised levels following COVID-19.

The Group's balance sheet and cash flows are strong, enabling us to continue to consider further relevant acquisition and investment opportunities as they arise.

Paul Sandland
Chief Financial Officer
5 September 2022

Key Performance Indicators

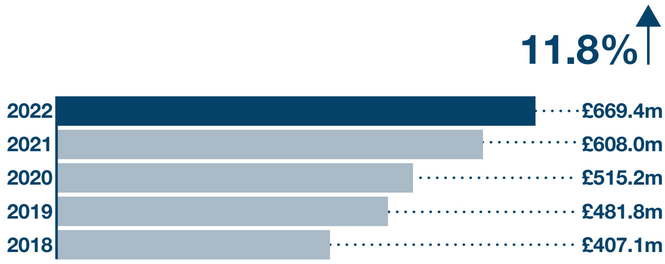
Existing Revenue Growth

Existing revenue includes the impact of previous acquisitions where there is a comparator period, and therefore growth rates are stated on a like-for-like basis.

Commentary
Dechra's existing business grew by 6.4% in EU Pharmaceuticals (excluding third party manufacturing), and by 21.3% in NA Pharmaceuticals.

Relevance to Strategy
A key driver of our strategy is to deliver sustainable sales growth through delivering our pipeline maximising our existing portfolio and expanding geographically.

Performance



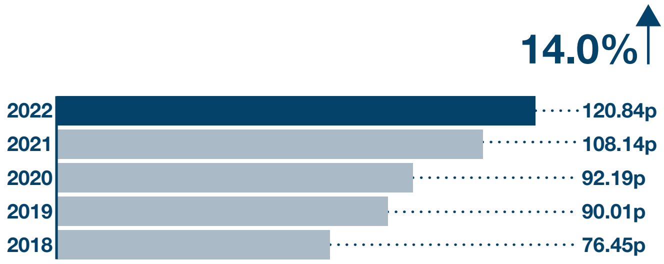
Underlying Diluted Earnings Per Share Growth

Underlying profit after tax divided by the diluted average number of shares, calculated on the same basis as note 11 to the Accounts.

Commentary
This reflects profit growth from the existing and acquired products and benefiting from lower net finance costs driven by foreign exchange gains realised.

Relevance to Strategy
Underlying diluted EPS is a key indicator of our performance and the return we generate for our stakeholders. It is one of the performance conditions of the LTIP.

Performance



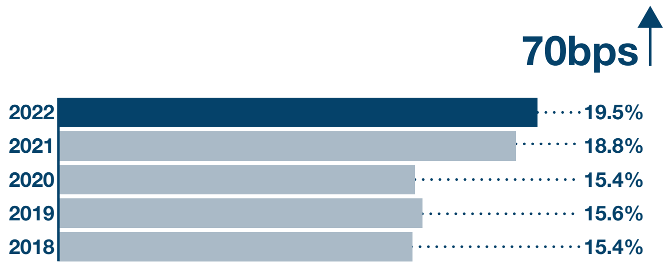
Underlying Return on Capital Employed

Underlying operating profit expressed as a percentage of the average of the opening and closing operating assets (excluding cash/debt and net tax liabilities).

Commentary
There was an increase in ROCE during the year reflecting the increased contribution from the Group's existing business. The Group's target is 15%.

Relevance to Strategy
As we look to grow the business, it is important that we use our capital efficiently to generate returns superior to our costs of capital in the medium to long term. It underpins the performance conditions of the LTIP.

Performance



Cash Conversion

Cash generated from operations before tax and interest payments as a percentage of underlying operating profit.

Commentary
Cash conversion increased during the year as a result of the increase in working capital representing a smaller proportion of the underlying operating profit compared to the prior year.

Relevance to Strategy
Our stated aim is to be a cash generative business. Cash generation supports investment in the pipeline, acquisitions and people.

Performance

New Product Revenue

Revenue from new products as a percentage of total Group revenue. A new product is defined as any molecule launched in the last five years.

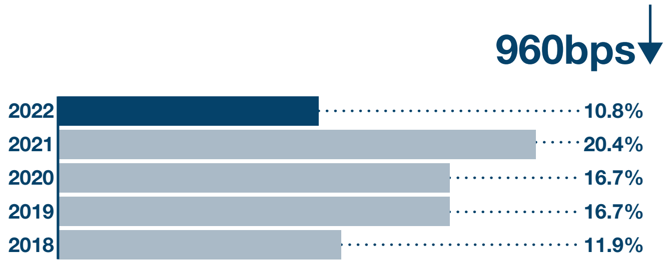
Commentary

New product revenue reflects market penetration of product launches in the year and new product right acquisitions made in the second half offset by products no longer defined as new. The new product right acquisitions will deliver a greater uplift next year.

Relevance to Strategy

This measure shows the delivery of revenue in each year from new products launched in the prior five years, on a rolling basis. It shows the performance of our R&D and sales and marketing organisations when launching newly developed or in-licensed or acquired products.

Performance



Lost Time Accident Frequency Rate (LTAFR)

All accidents resulting in the absence or inability of employees to conduct a full range of their normal working activities for a period of more than three workings days after the day when the incident occurred, normalised per 100,000 hours worked.

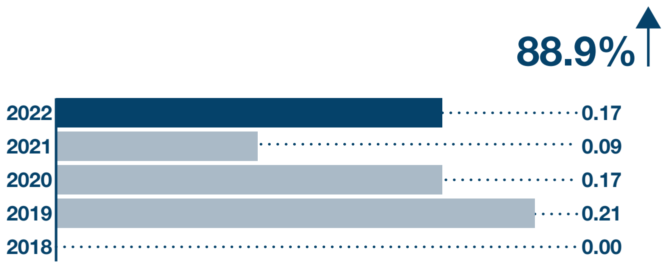
Commentary

The lost time accident frequency increased this year to 0.17. All of the incidents occurred in our manufacturing sites. None of these incidents resulted in a work-related fatality or disability.

Relevance to Strategy

The safety of our employees is core to everything we do. We are committed to a strong culture of safety in all our workplaces.

Performance



Employee Turnover

Number of leavers during the period as a percentage of the average total number of employees in the period.

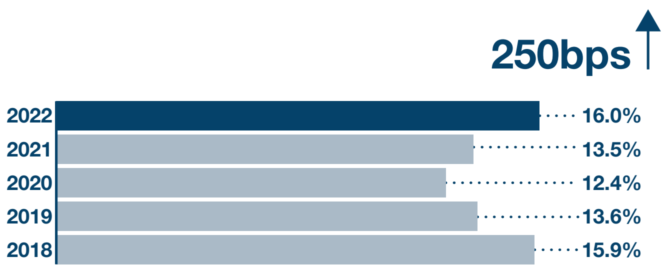
Commentary

We saw an increase in employee turnover in the period due to a reorganisation at Londrina, Brazil and resignations across the business.

Relevance to Strategy

Attracting and retaining the best employees is critical to the successful execution of our strategy.

Performance



Key to Strategic Growth Drivers:

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

Key to Strategic Enablers:

- Technology
- People
- Manufacturing and Supply Chain
- ESG

Long Term Incentive Plan (LTIP) performance condition

Section 172 Statement Stakeholder Engagement

The Board is responsible under section 172 of the Companies Act 2006 for promoting the long term success of the Company for the benefit of its shareholders, and acknowledges that its decisions have a long term impact on other stakeholders, the environment and the Company's reputation for high standards of business conduct.

The Board appreciates that wider engagement with stakeholders is an important component of long term sustainability and success and believes that by engaging with all important stakeholders, the business is made stronger and more resilient.

The Board has identified six key internal and external stakeholder groups that they believe are important to engage with regularly to continue to make Dechra successful: employees; veterinary professionals; suppliers, communities; shareholders and regulatory authorities.

The table below and the stakeholder sections on pages 54 to 63 detail how the Group engages with the its key stakeholders, and why the key stakeholders are important. Further details on how the Board engages with key stakeholders and how they influence decisions can be found on pages 96 to 98.

1 Employees

Objective
To make Dechra a great and safe place to work by attracting, retaining and developing talent

Material Issue
- Development opportunities
- Making a difference
- Agile and friendly place to work
- Living Wage/Fair pay

How We Engage
- Group intranet site
- Regular site visits by Senior Management
- Engagement surveys
- Employee meetings with the Employee Engagement Designated Non-Executive Director, Lisa Bright
- Employee development and training

Performance
- Living Wage employer or local equivalent since 2021
- 16,611 Delta courses completed
- 77% Trust Index (Engagement Survey)
- Seven meetings with the Employee Engagement Designated Non-Executive Director

Where to Read More
- Stakeholder Engagement: Employees
- People Enabler
- Governance Report
- Sustainability Report

2 Veterinary Professionals

Objective
To improve animal welfare

Material Issue
- Innovative and effective products
- Information on correct use of products
- Educational opportunities

How We Engage
- Educational and training programmes
- Technical support via helplines and product information
- PhD veterinary student funding

Performance
- 130,290 CPD hours
- 14,499 Technical support enquiries
- 2,962 Lunch and learn events

Where to Read More
- Stakeholder Engagement: Veterinary Professionals
- Sustainability Report
- Governance Report

3 Suppliers

Objective
To trade with honesty and integrity, and to source quality raw materials, finished products and services

Material Issue
- Fair payment terms
- Long term relationships

How We Engage
- Quality audits
- Due diligence
- ABC training
- Third Party Code of Conduct

Performance
- 11 Quality/CMO audits completed
- 85 ABC training courses provided

Where to Read More
- Stakeholder Engagement: Suppliers

4 Communities

Objective
To give back to the communities in which we operate

Material Issue
- Prosperity within our communities
- Community projects and initiatives

How We Engage
- Community activities
- Group donations
- Product and local donations
- Development and education of young people

Performance
- 4,390 Community hours
- £314,163 Donations
- £31,965 Product donations

Where to Read More
- Stakeholder Engagement: Communities
- Governance Report
- Sustainability Report

5 Shareholders

Objective
To instil trust and confidence and allow informed investment decisions to be made

Material Issue
- Financial performance
- Delivery of strategy
- Environmental, Social and Governance performance

How We Engage
- Annual Report and RNS announcements
- Annual General Meeting
- Investor presentations
- Corporate website
- One-on-one meetings

Performance
- 9.2% growth in underlying EBITDA to £190.5 million
- 10.8% growth in total dividend to 44.89 pence
- Publication of inaugural standalone Sustainability Report

Where to Read More
- Stakeholder Engagement: Shareholders
- Strategy
- Governance Report

6 Regulatory Authorities

Objective
To meet high standards of product safety and efficacy

Material Issue
- Safety
- Efficacy
- Responsible marketing of regulated pharmaceuticals

How We Engage
- Regulatory training for employees
- Manufacturing facility inspections
- Market authorisation applications
- Product Safety Update Reports

Performance
- 95 Product registrations
- Three manufacturing facility inspections

Where to Read More
- Stakeholder Engagement: Regulatory Affairs
- Product Development

Section 172 Statement
Stakeholder Engagement

1 Employees

16.0% Employee Turnover

53% Females in Workforce

0.17 Lost Time Accident Frequency Rate

We employ 2,163 employees in 25 countries in a wide range of working environments including manufacturing, logistics, laboratories, offices and mobile working. At Dechra, we acknowledge that our people are our greatest asset and know that an inclusive culture is beneficial for our business performance. Our ongoing objective is to continue to be a purpose focused business driven by high performing and committed teams.

We are committed to the following focus areas:

- **Culture and Values:** strengthening and communicating the Dechra culture and striving to ensure our Values encompass our business ethics and standards;
- **Talent Management and Engagement:** attracting, retaining and developing talent to build and maintain a top quality team;
- **Diversity and Inclusion:** valuing the difference and diversity of people, recognising that their skills and abilities are strengths that can help us to achieve our best;
- **Fair Employment Practices:** complying with national legal requirements regarding wages and working hours; and
- **Safe Working Practices:** reinforcing a strong culture of health and safety, within a zero harm environment.

Culture and Values

Our Values, entrepreneurial attitude and agile approach to the way we do things are the backbone of our Culture. We expect our people to make a difference by working together and we support them by providing clear guidance on expectations. We believe that our Values encapsulate our business ethics and set the standards that we wish to achieve and ultimately exceed. They outline the type of people we are, the services we provide and the way we aim to do business.

Dedication	Enjoyment	Courage
Honesty	Relationships	Ambition

Our Values are supported by our Code of Conduct, which has been translated into eight languages and is available in English at www.dechra.com. During the financial year, our training programme was also translated into eight languages and rolled out to all employees. The training programme is mandatory for all employees to complete on an annual basis.

We encourage all employees if they see or suspect something which they believe to be a breach of Dechra's standards of conduct, to report their concerns via our How to Raise a Concern procedure. In addition to our existing four internal reporting channels, we have launched a third party confidential hotline, which went live globally in April 2022, and is available to both employees and Dechra's third parties. Reports can be submitted through an online portal, which is available in 46 languages, or via a hotline, which is available twenty-four hours a day and is supported in 170 languages. All reports are treated with utmost confidentiality by independent staff, who will summarise the content of the call or online report and pass it to the Company Secretary, Group HR Director and Head of Internal Audit and Risk Assurance for investigation.

Every effort is made to protect confidentiality to encourage reporting. We fully investigate reports and take appropriate actions to address these issues. The actions taken will depend on the circumstances and the severity of the issues identified. These actions may include process improvements, training and coaching, or formal disciplinary actions up to and including termination of employment for the most severe issues. The Board receives a summary of the investigation reports once a year.

Talent Management and Engagement

Talent Management

Dechra is committed to enhancing the skills of our workforce, planning for a successful future and creating a sustainable talent pipeline.

Delta

Delta is our dedicated internal digital learning platform for Dechra employees across the world. As well as launching brand new modules around Dechra's Code of Conduct, Information Security and Health, Safety and Wellbeing, the Digital Learning team has also consolidated the onboarding process for new employees joining the business and launched a mandatory course calendar. The team has been working closely with our Global Quality Assurance teams to streamline the rollout of Standard Operating Procedure (SOP) and Guidance Note training. Next year, the team also plans to update the design and user experience of Delta to make it easier for employees to navigate the system and find courses most relevant to them.

This is only one element of training that we provide, and during the 2022 financial year we have introduced a system whereby all employees can log their training with the view to self-certification at the end of the 2023 financial year. Our employees have logged a total of 36,676 hours in the 2022 financial year, which equates to 17 hours per employee. In addition, we provide other forms of training to our employees, placement students and graduates.

Leadership Programme

We have been running our Leadership programme since 2020. The programme is run virtually and a total of 50 people across the North American, PDRA, International and Corporate teams have taken part. The development programme's strategic intent is:

- to develop future senior leadership by improving readiness and capabilities that deliver success; and
- building confidence for internal and external stakeholders that the business has access to talented, ready now and emerging leaders.

The key learning objectives of the programme are to build on executional excellence, develop the capacity to build and establish value creating teams, have an agile and future facing leadership, and continue to focus on having an inclusive approach and being culturally aware. The programme commences with psychometric and cognitive assessments of the team, and has been followed by online team business simulations, team and peer coaching and virtual content.

Following a refinement of our talent planning process, in the 2022 financial year 24 people were selected to attend the first Future Facing Leaders programme. This programme focuses on three core elements: leading self; leading others; and the wider leading enterprise elements across a two year learning pathway.

Refer to People Case Study – Future Facing Leaders on page 34

Apprenticeships and Internships

We believe that offering internships and apprenticeships is a great way to attract new employees to Dechra. We offer a small number of internship opportunities each year. We have been delighted with the quality of young people who have worked with us and hope that the experiences of working with Dechra will support them in their future careers. We currently have 24 interns in Europe, two in the USA, one in Australia and ten in Brazil. For further information on our internships and partnerships with universities please refer to our Sustainability Report on www.dechra.com.

Engagement

Informing and engaging our employees through internal channels of communication is of utmost importance to the Group. We have multiple channels of communication to provide both formal and informal updates including a Group newsletter that is issued twice a year (following the half-yearly and year end results), intranets, and management and team meetings at the business units. These keep our employees informed of the financial performance of the Group, as well as the sharing of updates which are relevant to all Group employees such as management and team changes, progress in relation to strategic objectives and updates on corporate social responsibility objectives. Wherever possible, we seek to engage our employees in change projects. We also have a small number of Works Councils we regularly meet with. Our intranet, OneDechra, includes two way communication encouraging comments, sharing and community participation.

We conducted our second Employee Engagement Survey in April 2021 using the Great Place to Work (GPTW) survey. We had 1,720 respondents to the survey, this equated to 90% of the organisation which is positive when compared to the average response rate for an organisation of our size (78%) (further information can be found in the 2021 Annual Report). Across the Company, employee perceptions improved on all 75 survey statements. Perceptions improved most of all about Reward, with high levels of improvement also seen in Leadership Effectiveness, Innovation, and Values with double digit improvement.

Since the survey took place we have spent time communicating the results to our employees. Initially, we produced a short video with the overall highlights of the survey, and this was followed by feedback of the results at a business unit, department, site or country level through key meetings with employees or team briefings.

Section 172 Statement Stakeholder Engagement

Employees continued

Action planning took place with employee groups across the Group where employees had the opportunity to identify areas that they wanted to address as a result of the survey and we built a database of plans, predominantly led by the employee groups. A huge variety of approaches has been taken depending on the size of the teams and the types of development areas identified.

As a Group, there are two key areas of focus for us for the year ahead: communication and wellness. Our focus on wellbeing has been strengthened by our launch of THRIVE which covers four key aspects of wellbeing for a holistic approach. These being social, emotional, physical and financial. These reflect local requirements and a global approach where suitable. Further information on THRIVE can be found on page 58.

Communication continues to be an area of focus and during the second half of the year we had the benefit of being able to reconnect with much of Dechra as travel reopened. This enabled greater understanding and strengthening of relationships across divisions and geographies. We have also strengthened our communication teams across various divisions to support flexibility in how we provide access to all our employees to information and communication using online, face to face and more formal employee representation bodies such as our works councils.

Our next GPTW survey will run in March 2023 and we look forward to gaining further feedback to continue our employee experience.

During the year, Lisa Bright, in her role as the Employee Engagement Designated Non-Executive Director, met with a number of employees across the business via virtual and in person coffee mornings. Further information on this can be found on page 101.

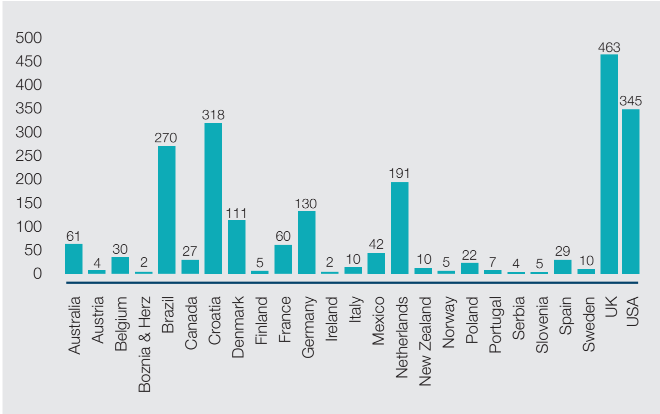
Diversity and Inclusion

It is the Group's policy to recruit and promote people on the basis of their personal ability, contribution and potential, regardless of age, gender, sexual orientation, marital status, race, colour, ethnicity, disability, religion, political affiliation or union membership. We are committed to seeing that everywhere across our Group we promote, support and maintain a culture of fairness, respect and equal opportunity for all. The Group gives full consideration to applications from disabled people, where they adequately fulfil the requirements of the role. Where existing employees become disabled, it is the Group's policy, whenever practicable, to provide continuing employment under the Group's terms and conditions and to provide training and career development whenever appropriate. The Group does not tolerate bullying or harassment.

84% of our employees responded positively to the statement regarding diversity in the workplace in our most recent employee engagement survey. We firmly believe that our Dechra Values support the culturally diverse business that we have become and, although we are separated by time zones, geographically and by language, we share common goals and ways of working that are underpinned by our Values.

The Board, via the Nomination Committee, reviews the Diversity Policy and its implementation on an annual basis. Further details can be found in the Governance Report on page 112. The gender diversity statistics required to be disclosed under the Companies Act can be found on page 113 of the Governance Report.

Headcount Per Country



Fair Employment Practices

We are committed to fair employment practices and comply with national legal requirements regarding wages and working hours. In the UK, only one of our subsidiaries, Dechra Limited, is required to report under Gender Pay Gap regulations, and we are pleased to report that our gender pay median gap has reduced from 17.7% in 2017 to 2.8% in 2021. However, the latest decrease relates largely to the payment of COVID-19 bonuses to all site-based staff at the Skipton site during the pandemic and the gap will rise again next year as this is unlikely to remain applicable on an ongoing basis. Manufacturing makes up the largest proportion of workers within Dechra Limited and traditionally this sector has a talent pool available externally that is predominantly male; however, we are pleased that our male/female representation remains at almost 50/50, largely reflective of the UK population. At Dechra we pride ourselves on our fair and honest recruitment process; however, we acknowledge that we need to do more to support our females into technical and senior positions. Over the last 12 months in particular, we have focused efforts around our talent attraction and development and organisational design.

Since 1 January 2021, our lowest paid workers globally have been paid the Living Wage or where there is no equivalent we have either used the OECD formulation, or paid at least twice the local/federal minimum wage. Furthermore, we have increased our employer pension contribution from 6% to 8% with effect from July 2022 in the UK.

Dignity at Work

Our Dignity at Work Policy has been rolled out globally during the financial year, and it is incorporated into the Code of Conduct. In accordance with the Dechra Values, we believe that our position on diversity and inclusion is key to providing a place of work that is free from bullying and harassment, and which is characterised by respect, collaboration, openness, safety and equality. One of our aims is to promote a climate in which employees feel able to raise complaints of harassment, bullying or discrimination without fear of victimisation.

In the UK we provide online training to a wider audience using an externally hosted online training portal where licensed Dechra managers can deliver professionally developed training programmes using virtual classrooms. In addition, a Diversity and Inclusion module, which also covers unconscious bias, is one of three core modules that has been included initially in all Leadership and Management development programmes, and will later be rolled out more widely across our employee base.

Safe Working Practices

We believe that work related injuries and ill health are preventable and that all employees have the right to work in safe and healthy conditions. Achieving a mature culture of Health and Safety across our business requires strong leadership. Our Group Health, Safety and Wellbeing Committee (HSW Committee) meets quarterly and is chaired by Paul Sandland, the nominated Director responsible for health, safety and environmental matters, who is supported by the Group HSE Director. Committee members include members of our Senior Executive Team and other senior leaders from across the whole organisation who together monitor that risks are identified and controlled, so that all workers are protected to the same safe standard regardless of their role or geographical location.

The core responsibility of the HSW Committee is to promote a strong culture of Health and Safety through the development of Strategies and Policies related to Health, Safety and Wellbeing. During the 2022 financial year, we launched our Group Health and Safety Policy which was supported with a video from Paul Sandland on the importance of health and safety. This was translated into ten languages. The extended Policy applies to all employees, contractors and visitors to Dechra premises globally, as well as field-based and home based employees. The HSW Committee has also reviewed and approved the Corporate Health and Safety and Wellbeing Induction for all new starters, the High Level Risk Assessment for the business to guide priorities for risk management and the Drive Responsibly Campaign.

Safety Alerts

The HSW Committee has a duty to regularly review the health and safety performance across the business, to identify trends and take remedial action to reduce any Health and Safety risks. Where learnings are identified from any incident, Safety Alerts are issued across the Group to promote organisational learning. The number of safety alerts reduced to ten this year (2021:23).

Assure

Our online Health and Safety reporting system, Dechra Assure, is available to all employees and opens up the ways in which our employees can engage in our safety programme, including employees working hybrid patterns and our mobile employees.

We encourage employees to remain vigilant at all times and empower them to take action to resolve unsafe situations. By reporting accidents, near misses and hazards we are constantly monitoring the risks across our business and can take appropriate actions to make workplaces and working practices safer. Hazards are unsafe conditions which if left could cause an accident and spotting and resolving hazards is an important part of a successful safety programme. In addition to monitoring the total number of hazards raised across each site, we also set a target for each person to report hazards, demonstrating their personal commitment to safety. This year our Manufacturing sites increased the number of hazards raised by 37%, this is equivalent to 2.3 hazards raised for each employee, with 71% of all Manufacturing employees involved in actively raising a hazard report in the year. Through our communication campaigns, employees have also developed a greater awareness of potential risks. The number of near miss reports which have been raised, where accidents could have happened if circumstances were slightly different, have increased from 38 to 57.

High Level Risk Assessments

The HSW Committee is also responsible for maintenance of the high level risk assessment which determines our priorities in the safety programme. HSE Standards have been developed initially for High Risk activities, most of which reside in Manufacturing. These standards are developed by subject matter experts working together with the site representatives and set out our expected standards for HSE compliance. Each Group Standard has an accompanying self-assessment compliance checklist and each location conducts an internal gap analysis to establish an action plan to achieve full compliance with each internal standard. Dechra locations conduct Health and Safety audits according to their local internal audit plan, which is in addition to any regulatory inspections and audits which may be conducted by external bodies. In addition, the Group HSE team has visited the manufacturing facilities in Zagreb, Fort Worth and Melbourne during the 2022 financial year.

Life Saving Rules

Human behaviour is a factor in over 85% of all accidents; therefore to reach our Zero Harm goal this year we have been focusing on safe behaviours. From our high level risk assessments for our organisation, we recognised that there are some risks associated with safety critical tasks where incidents could occur with a low frequency but very high severity. We have safe systems of work for these tasks; however we have launched our Life Saving Rules to reinforce positively safe behaviours and allow people to recognise the unsafe behaviours which could lead to injury.

We have identified seven Life Saving Rules which apply to both Manufacturing & Logistics and Road Safety. Clear Life Saving Rules, and consistent enforcement of our non-negotiable behavioural standards, aim to reduce the risk of a fatality and/or severe injury significantly.

Behavioural Safety

Strong safety leadership is the most impactful way to influence safety on a daily basis. The behaviours demonstrated by our leaders, their attitudes to safety and the conversations they have in relation to safety have the most powerful influence on the safety culture of our organisation.

In the 2022 financial year, we therefore launched our B-Safe training for leaders across our manufacturing sites. B-Safe is our new behavioural safety programme which teaches our manufacturing leaders to hold positive conversations about safety, focusing on safe behaviours, including our Life Saving Rules.

Further information can be found in our Sustainability Report

Lost Time Accidents (LTA)

For a number of years the Group has reported Lost Time Accident Frequency Rate (LTAFR) as a non-financial key performance indicator (see page 51). In previous years we reported any LTA where the employee was absent or unable to conduct their full range of normal working activities for a period of more than three working days after the day when the incident occurred. Using this definition, over the course of the last 12 months, the LTAFR has increased from 0.09 to 0.17. The number of incidents has increased from three to six. All incidents occurred in our manufacturing facilities. There were no fatalities (employees or contractors). Two of the manufacturing facilities, Bladel and Melbourne, have now had over 48 months without an LTA and one of the manufacturing facilities, Zagreb, has had over 36 months without an LTA.

However in order to improve transparency and increase learnings related to injuries across the business, we are now reporting all lost time accidents which resulted in any absence or inability to conduct

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Employees continued

the full range of normal working activities (not including the day of the accident). Using this new and more rigorous reporting standard we have experienced 12 LTAs resulting in an AFR of 0.34 compared to 0.31 last year (11 accidents). Seven of the accidents occurred at our manufacturing sites in Australia and Brazil, who joined the Manufacturing Safety programme in 2020 and have a developing safety culture. Eight of these accidents were influenced by unsafe behaviours and this will be addressed throughout the coming year through the delivery of our B-Safe programme for leaders.

Any material health and safety issues or incidents that occur are discussed in detail by our HSW Committee and escalated to PLC Board meetings as required. Discussions include details of incidents and any remedial action taken to mitigate or prevent recurrence. Twice a year a comprehensive health and safety report is presented to the Board meeting by the Group HSE Director for discussion and review by the Directors.

THRIVE

THRIVE aims to provide a global programme for Dechra employees which supports positive physical, emotional, social and financial wellbeing, enabling employees to THRIVE at work by increasing employee energy, creativity and collaboration to drive personal and business success. In the 2022 financial year we have evolved THRIVE to provide meaningful support to all employees globally.

Building on the firm foundations of effective HR policies and safe working practices, THRIVE aims to provide information and opportunities for employees to empower them to take ownership of their own wellbeing, making use of the resources provided on our OneDechra platform.

Our THRIVE strategy has four pillars of Physical, Emotional, Social and Financial:

Pillar	Purpose
Physical	Providing education, information and support for employees to make healthy lifestyle choices and remain fit and healthy.
Emotional	Building resilience in our employees and supporting them in good times and bad.
Social	Encouraging good connections between colleagues and with the communities in which we operate.
Financial	Supporting long term stability and achievement of life goals.

Our strategy recognises that achieving overall wellbeing is a shared responsibility where both Dechra and employees must work together. As an employer, Dechra commits to providing foundation support and encouraging employees to take personal responsibility for their own wellbeing by making use of all wellbeing information and interventions provided.

During the 2022 financial year, highlights of progress made against each pillar include:

Emotional Wellbeing: Dechra has offered subscriptions to all employees globally to an online platform, which provides sessions of guided meditation and promotes mindfulness. This was launched in October 2021, and is now regularly used by over a quarter of all Dechra employees. Our employees are encouraged to use the platform on a private and voluntary basis at any time they choose. We have also provided live global webinars to promote the benefits of meditation and mindfulness in a more communal way.

Physical Wellbeing: Menopause is not just an issue for women; it is a critical business issue. At Dechra we recognised that, if left unsupported, some women could actually leave the workforce, resulting in a loss of valuable experience for our business. In the UK we hosted a live webinar, delivered by a medical practitioner and this was attended by an audience of over 50 employees; both male and female employees were encouraged to attend. The webinar was very positively received and following the session we have developed a short guide available to all employees and Line Managers stating simple adaptations which are available to support women during this life stage.

Social Wellbeing: The return to the workplace following the pandemic has occurred at different times across our regions. We believe strongly in supporting social interactions but we also recognise the benefits of hybrid working and how this can help to create a good work-life balance. We have established our principles for hybrid working and developed training for all employees who continue to work from their home either full or part time, including health, safety and wellbeing content. Many of our locations have organised events to welcome employees back to the workplace and re-establish face to face contact and promote use of our safe office spaces. These events have been organised locally and have been very diverse, including yoga, BBQs, quizzes, and lunches.

Financial Wellbeing: Financial wellbeing supports all other aspects of our life as it provides stability. We are committed to providing our employees with resources and access to information that enables them to understand their finances better, take action and plan their future. In addition to being a Living Wage employer across the globe, we have launched a third party financial education platform as a free resource for all employees, initially in the UK, to provide financial information and coaching. Over 48% of UK employees have signed up to the service and we will be looking to extend similar support to other countries where this is available.

2 Veterinary Professionals

Our relationship with veterinarians is key to our business and therefore we provide added value services in the form of educational programmes and technical support to maintain and improve the knowledge and skills of veterinarians who prescribe and use our products.

We are committed to the following focus areas:

- The development and promotion of products to improve animal health and welfare.
- To provide high levels of technical support and pharmacovigilance.
- To maintain and improve the knowledge and skills of veterinarians who prescribe and use our products.

Our Products

Our products are all targeted at providing veterinary professionals with solutions for their customer needs. We have developed a strong position in providing specialist and clinically necessary novel companion animal products, especially in internal medicine and critical care products such as anaesthesia and analgesia, where we have a wide range providing the veterinarian with an optimal solution for most cases. Our Food producing Animal Products are positioned to match current best practice prescribing habits and to meet the growing awareness of the need for better animal welfare standards. It is our mission to develop products to improve animal welfare. In line with that commitment, we carefully consider the responsible use and humane treatment of animals in all of our required studies.

For further information on our Product Development please refer to pages 35 to 39

Promotion of Products

To maintain the trust of veterinarians and the public, it is important that we provide accurate, fair and objective information on our products and medicines to support their safe and effective use. We do not make false or misleading claims about our products.

We advertise and promote our products fairly using promotional materials which contain balanced, accurate and truthful information. We only promote based on the information included on the Summary of Product Characteristics (SPC)/Product Insert which is a document that is approved by the regulators as part of the marketing authorisation of each medicine. In addition, we train all customer-facing employees so that they have sufficient product and disease knowledge to enable them to present information on our products accurately and responsibly. We promote our products to veterinary professionals and professional farming units, using promotional materials approved by authorised persons independent of the sales force. Promotional compliance is monitored by our country managers and regional sales managers, and the internal audit team also conduct a regular review of compliance processes, and corrective actions are taken to address any issues identified.

For further information on promotional compliance and payments to animal health professionals, please refer to the Sustainability section of **www.dechra.com**

Technical Support

With the wide range of products we offer, which includes those that treat complex and less frequently occurring disorders such as Cushing's and Addison's diseases, the provision of high quality veterinary technical support is a service that the veterinarians truly value.

Veterinarians across the globe can email technical services or call the telephone support lines provided in all the countries where Dechra operates. Veterinarians call Dechra to discuss diagnosis, treatment options, and the ongoing monitoring and management of conditions, particularly those that are lifelong. Our aim is to help veterinarians optimise the case management of each individual patient, and some veterinarians will call a number of times for support and advice on more complex cases. In the last financial year, our UK and US teams handled a total of 14,499 technical customer enquiries, many of which related to endocrinology. In addition, these larger markets also have field-based veterinarians providing technical support and carrying out 'lunch and learn' events; 2,962 of which were held in the 2022 financial year.

For information on Pharmacovigilance please refer to page 63

Education

We deliver education through many channels, including conferences and our online digital e-learning environment, the Dechra Academy, helps veterinary professionals across the globe to upskill and keep up-to-date with the latest thinking through completely free, modern learning experiences. With over ten years of experience of educating veterinary professionals, we are passionate and proud to provide reputable learning resources which help veterinary professionals continuously evolve their knowledge.

We differentiate ourselves from our competitors by focusing on challenging and interactive educational experiences. Each Dechra market has its own tailored Academy with courses that are relevant to their veterinary professionals. Where possible our educational resources are accredited by local professional/regulatory bodies. The Academy now has a total of 730 courses available across 24 markets and 43,883 learners from across the world have enrolled. In addition to 23,039 CPD hours provided directly via the Academy, we also held a large number of in-person events and presentations covering the full range of species and therapeutic areas this year. In total, these educational events delivered a further 107,251 hours of CPD hours globally.

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3 Suppliers

Acting with Integrity and Honesty

We are committed to acting responsibly and with integrity. We comply with all applicable laws and regulations and respect the traditions and cultures of the countries in which we operate.

The Code of Conduct, Third Party Code of Conduct, ABC Policy, Sanctions Policy, the How to Raise a Concern Procedure, Human Rights and Modern Slavery Statements are all reviewed annually by the Board.

Honesty and Integrity

We are committed to acting responsibly and with integrity, which is reflected through our Values. We expect our third parties to trade with honesty and integrity, and to support this we have a Third Party Code of Conduct. This communicates what we expect from our trading partners in relation to health, safety and environmental standards, internationally accepted standards of workers' rights, use of child and forced labour, ethical standards, anti-bribery and anti-corruption, and compliance with relevant laws and regulations.

Our internal Code of Conduct supported by the mandatory Code of Conduct training, sets out the standards of behaviour that we expect of them and others, including third parties. Our employees are encouraged to report behaviours that are contrary to our Code of Conduct via our How to Raise a Concern Procedure which provides five reporting channels. Further details of which can be found on page 55.

Anti-Bribery and Anti-Corruption (ABC)

The development of the ABC legislative landscape elsewhere in the world by the adoption of legal frameworks similar to those in the UK and US, as well as increased enforcement by authorities across the globe, means that ABC is an area of focus for Dechra. Our continuous growth in new markets through product launch and relationship development drives us to review and develop our policies and procedures in this area on an ongoing basis.

Our commitment to conduct all business in an honest and ethical manner is conveyed through our policies, procedures and training programmes. Our zero tolerance approach to bribery and corruption is communicated to our employee and third party network via such programmes and we remain committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. We continue to implement and enforce effective systems to counter bribery and corruption through our due diligence processes, contractual arrangements and monitoring and audit programmes.

The ABC Policy clearly defines what constitutes bribery and corruption, outlines prohibited activities and provides guidance on what activities are and are not allowed. The Audit Committee and Senior Executive Team are kept regularly informed of the ABC programme and the Group Legal team delivers face-to-face updates and targeted training to different teams across the business, addressing the areas of risk specific to their activities and the markets in which they operate.

Previously every employee and sales agent engaged by Dechra was required to complete our e-learning ABC course on an annual basis. This year we have analysed the global list of course recipients and agreed to remove employees engaged in operational roles such as packing line operatives, cleaners and canteen staff from the course circulation list. The rationale for this decision is that those individuals are engaged in low risk roles and do not interact with third parties, and therefore the ABC risk is low. The content of the ABC course has been reviewed during the year and the updated course was rolled out in May 2022. We have also delivered some refresher training to business leaders in Mexico, together with further guidance on Dechra's hosting of CPD and/or sponsorship events.

Our third party onboarding programme is reviewed and developed regularly throughout the year, taking into account feedback from the business and the growth in our activities. Compliance with this programme is monitored through regular audits. We continue to utilise, and see the benefits of, our ABC and Sanctions screening software which assesses Dechra's new and existing third party network on a continuous basis. If a third party does not have in place its own ABC policies and procedures, we provide them with access to our training course in order to educate them on the legislative landscape. We have also extended access to the external hotline to our third parties so that they can report any concerns in relation to adherence to our Third Party Code of Conduct.

Human Rights and Modern Slavery

Dechra is committed to upholding and respecting human rights both in our business and from our suppliers. During the year, the Board reviewed the Human Rights Policy, a copy of which can be found on our website. Our Human Rights Policy sets out our Human Rights principles which are all embedded into our Code of Conduct for employees and our Third Party Code of Conduct for our suppliers and customers.

Our Modern Slavery Statement can be found at www.dechra.com. During the year we have undertaken a risk assessment of CMOs, API suppliers and excipient suppliers by initially reviewing the list of third parties against the US Department of Labor's 2020 List of goods produced by child labour or forced labour. Any third party identified as being located in a high risk country or in a high risk industry was screened via a third party screening software, and no issues were identified.

4 Communities

We believe that it is important to give back to the communities in which we live and operate. Our community ethos is aligned with our business Purpose and Values, in particular, our Relationships and Enjoyment Values. Our Community pillar focuses on:

- Community Activities
- Community Donations

Community Activities

We encourage our employees to engage in community activities, in particular, in the fields of animal welfare, human service and environmental stewardship. We committed, in the 2019 financial year, to give every employee one day in the community, and we were able to provide 935 hours in the 2020 financial year before all activities were halted due to the COVID-19 pandemic. In the 2021 financial year, we were able to recommence activities in only a small number of locations so it is pleasing this year that we have been able to dedicate a total of 4,390 community hours across our global operations, which equates to 2.2 hours per employee using the base figure of employees (1,975).

Our Brazilian team organised nine events, which included planting 40 seedlings, and assisting with leisure and care activities for 186 children and 83 senior people in the local community, while the Polish team spent their volunteer day on the Polish-Ukrainian border helping displaced families. Further details of our activities can be found in our Sustainability Report.

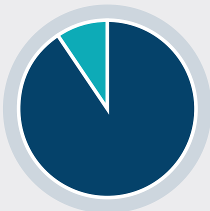
Dechra explored a partnership with Not One More Vet (NOMV), a US based charitable organisation whose mission is to transform the status of mental wellbeing within the profession so veterinary professionals can survive and thrive through education, resources, and support. Dechra has plans in place, in partnership with NOMV, to raise awareness of this topic and the resources that are available to veterinary professionals. In 2022, Dechra sponsored the Student Support and Mentorship programme, a new initiative by NOMV aimed at providing a support system for veterinary and veterinary technical students. Dechra has also encouraged its employees globally to participate in NOMV's annual fundraiser Race Around the World to help raise funds and raise awareness. In 2019 a small team of veterinarians and veterinary technicians participated in the race, and by 2020 over 60 employees in the US participated. We are excited to encourage global participation in their 2022 race, furthering our support of an organisation that supports the wellbeing of our customers.

Community Donations

We have operated a Group Donations scheme for 12 years, but 2022 was the first year we have operated a decentralised global process, after a successful trial in 2021 in the USA. A budget of £300,000 was allocated across the countries based on the number of employees employed at 30 June 2021. Each country established a regional giving committee which consisted of volunteer employees who have agreed to be members of their respective committee for two years. Half of the regional giving committees decided to reallocate a portion of their funds this year to Poland to support local Ukrainian relief efforts that were already underway.

In addition to the Group Donations scheme, each business unit has the discretion to allocate funds and/or products to local community, environmental and/or animal welfare charities.

Donations by Cash and Product



- Cash Donations **£314,163**
- Product Donations **£31,965**

Included in the products donated were 10 tonnes of SPECIFIC dog and cat food to support Ukrainian refugees, many of whom are coming across the Polish border with their pets.

Further details of our Community Donations can be found in our Sustainability Report

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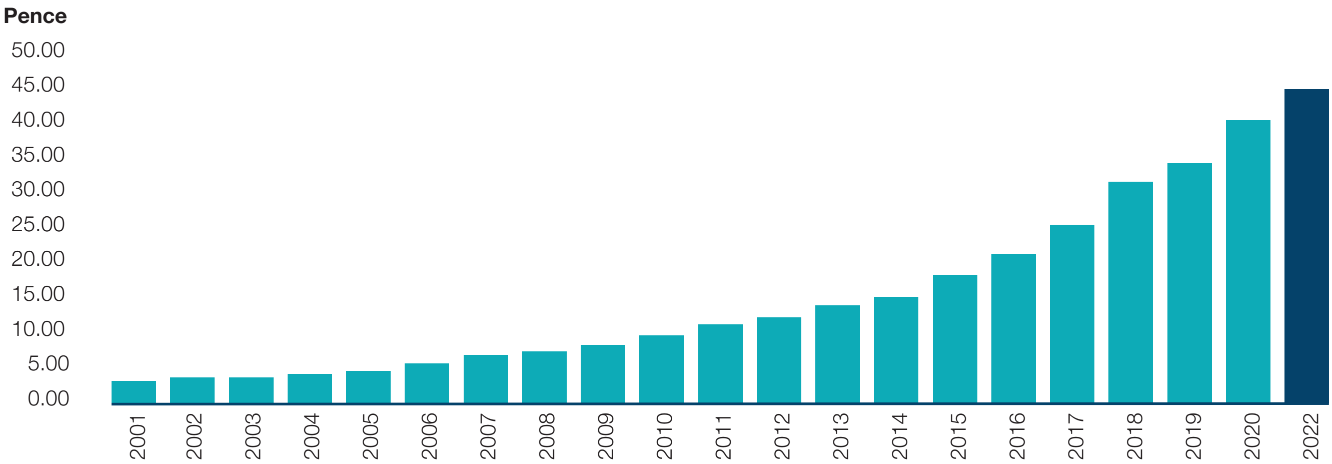
5 Shareholders

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

22 years of dividend per share growth

44.89p total dividend per share in 2022

Dividend Growth



We have consistently delivered on our strategic objective resulting in a strong record of growth.

Relationships with shareholders receive high priority and a rolling programme of meetings between institutional shareholders and the Chief Executive Officer and Chief Financial Officer has been running throughout the year (a summary of the main events is shown opposite). These meetings seek to foster a mutual understanding of both 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.

Investor Meetings	40 individual meetings during the year	Chief Executive Officer and Chief Financial Officer
Investor Roadshow	September 2021 and February 2022	Chief Executive Officer and Chief Financial Officer
Investor Conference	November 2021	Chief Financial Officer
Remuneration Consultation	July 2021	Remuneration Committee Chair, Company Secretary and Group HR Director

Further details on how the Board engages with shareholders can be found in the Governance report on page 96

6 Regulatory Authorities

It is vital to our business that our products meet the appropriate standards for quality and safety. This ensures safety for our customers, animals, the environment and the food chain.

We engage with our Regulators through formal channels and through more informal connections. At the initiation of a new product development programme, communication is key to opening a two way dialogue with the Regulators to build a productive partnership to bring innovation to the market. Communication is then maintained through update meetings and exchanges of information throughout the development of the product and the scientific review of the marketing authorisation application.

Our manufacturing sites are regularly inspected by authorities as required under Good Manufacturing Practice (GMP), and our distribution centres under Good Distribution Practice (GDP). This is a collaborative process whereby our teams and inspectors identify, and implement best practices to ensure product quality and robust supply.

Work with Regulatory Agencies continues throughout the life of all products, as we provide updates to manufacturing processes, availability, and changes to the registrations. Dechra is required to provide full adverse event reports for all of our products though periodic safety update reports (PSURs) and deviation reports (DERs). We have developed signal detection processes which analyse trends in adverse events to identify emerging issues early so that we can inform our Regulators and take appropriate action pro-actively.

Regulatory Agencies

AVMPA: Australian Pesticides and Veterinary Medicines Authority (Australia)

EMA: European Medicines Agency

FDA: Food and Drug Administration (USA)

MAPPA: Multi-Agency Public Protection Arrangements (Brazil)

VDD: Veterinary Drugs Directorate (Canada)

VMD: Veterinary Medicines Directorate (UK)

We participate in Industry Associations and Agency led consultations providing scientific and technical input into drafting of new legislation and guidance documents, helping to shape the regulatory landscape that we operate in. Good examples would be a recent review of antimicrobials proposed to be reserved for human use, and the recent survey of plastic use in veterinary products.

Several of our regulatory staff have worked in key Regulatory Agencies prior to joining Dechra, this enables our relationships to be both personal and professional, and helps support a collaborative relationship. This high level of trust and esteem in which Dechra's regulatory and product development teams are held enables Dechra to successfully launch new products, to maintain our existing portfolio and where necessary, to challenge constructively the decisions of our Regulatory Agencies when it is appropriate to do so.

Pharmacovigilance

All employees receive pharmacovigilance (PV) training within one month of joining Dechra. This is then verified by the pharmacovigilance e-learning module on Delta or in person training. All employees undertake an annual pharmacovigilance refresher training. The pharmacovigilance training outlines the procedure that should be followed by all Dechra personnel if they become aware of a product complaint or defect.

Any time that Dechra receives a report of an adverse event occurring after the administration of one of its products, it is our obligation to review the case to determine whether our product may have caused or contributed to the adverse event. The PV team actively monitors adverse events to determine if any trends can be identified which may indicate an underlying issue (signal detection). All suspect adverse reactions are reported to the appropriate regulatory authorities who also perform data analysis across groups of products with similar ingredients and indications to look for signals that require further investigation. As Dechra continues to grow, we are moving more local PV work into our central PV group so that we can have clear consolidated oversight of our products at a global level, which further enhances our signal detection capability.

Our Environment

We are committed to minimising the impact of our operations on the environment

We recognise the importance of good environmental practices. We are committed to minimising the impact of our operations on the environment by adopting responsible and sustainable environmental practices and complying with applicable environmental legislation. Our key focus areas are:

- **Waste:** prudent use of all natural resources, minimising waste in all activities, and the appropriate disposal of waste; and
- **Energy:** optimising the energy we use; and improving energy effectiveness through initiatives on transport and reducing our greenhouse gas emissions.

Our carbon emission software, in addition to energy usage, captures the impacts from waste generation, water use, effluent disposal and refrigerant gas losses from locations where this is likely to be material. The sites that have a material impact are our Manufacturing and Logistics facilities.

Waste

Total waste, which includes waste from all activities across Dechra manufacturing and logistic sites, can fluctuate according to production volumes, project activities and obsolete stock/packaging material clearances. Our goal is therefore to make responsible decisions to minimise waste at source and reduce the environmental impact of treatment/disposal for any remaining waste, whilst continuing to support the efficient management, development and growth of the business.

For this reason, we have selected two indicators for waste which we aim to improve:

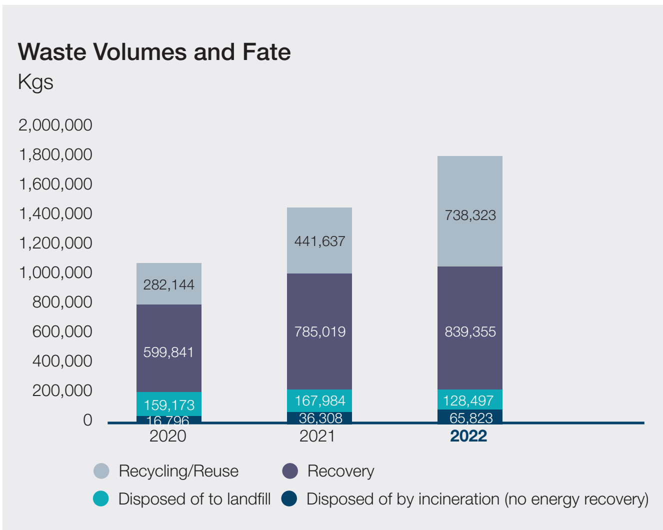
- percentage of hazardous waste generated of total waste generated; and
- percentage of waste which is recovered and recycled of total waste generated.

Hazardous Waste

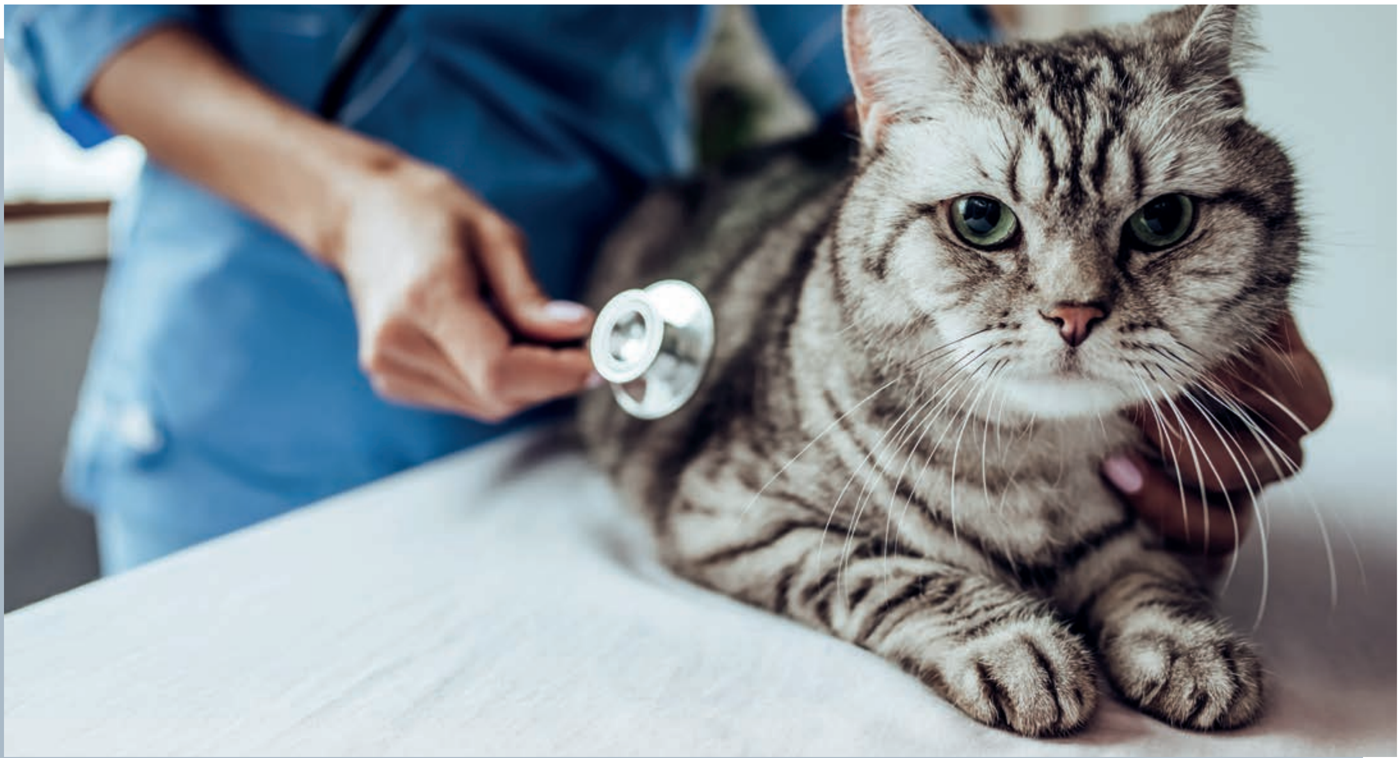
Waste contaminated with pharmaceutical products is often classified as hazardous waste. Waste management for Manufacturing and Logistics facilities must be carefully controlled in order that any hazardous substances, or contaminated materials are disposed of correctly.

In the 2022 financial year, hazardous waste volumes decreased by 40,088 kgs (9.0%). The overall percentage of hazardous waste reduced to 23.0% of Total Waste (2021: 31.0%). The reduction in the hazardous waste rate across Manufacturing has been supported by improved classification and segregation of hazardous waste across the sites. This also helped to drive a reduction of 33.0% in hazardous waste from warehouses, in addition to the more accurate calculation of non-hazardous waste from Oudewater, the Netherlands. In Manufacturing sites, hazardous waste is generated from general production and laboratory analysis waste, whereas in Warehousing most hazardous waste is associated with stock write offs.

Recycled and Recovered



The fate of waste significantly influences the environmental impact. For waste that cannot be eliminated at source, Dechra has set a strategic goal to achieve zero waste to landfill by June 2025, and will look to achieve this by reusing, recycling or recovering waste where these options are available. Our approach to responsible waste management is formalised in the Group HSE Standard – HSE 203 – Waste Minimisation and Management.



In the 2022 financial year, the total volume of waste was 23.8% higher than the prior year due to increased production; however, waste recovery, recycling and reuse rates improved from 86% to 89%. The portion of waste materials for reuse and recycling increased significantly from 30.0% in the 2021 financial year to 42.0% in 2022. This has been achieved by directly targeting Manufacturing sites to increase waste recycling and reuse. Waste for disposal reduced to 11.0% (2021: 14.0%) and the percentage of waste landfilled reduced to 7.3% (2021: 12.0%).

For further information on Waste and Water Consumption please read our Sustainability Report

Energy

In order to determine our carbon emissions, we use the GHG Protocol Corporate Accounting and Reporting Standard and we report on emissions arising from those sources over which we have operational control under the location-based method. Any acquisitions during the year are included from the first full month that they become part of the Dechra Group. The disclosures below encompass:

Scope 1: includes emissions from combustion of fuel and operation of facilities;

Scope 2: includes emissions from purchased electricity, heat, steam and cooling; and

Scope 3: includes emissions from vehicles and from purchased electricity (which are not included in Scope 2) and water, and waste in the 2022 financial year. A full review of all categories of the GHG Protocol is near completion, and we hope to be in a position to disclose them in the 2023 financial year.

	2022	% relates to UK	2021	% relates to UK	2020	% relates to UK
Scope 1 (tonnes)	**6,709**	**7.3%**	7,027	6.5%	6,747	6.0%
Scope 2 (tonnes)	**4,896**	**12.4%**	5,261	12.4%	4,969	10.1%
Scope 3 (tonnes)	**2,770**	**5.2%**	1,934	4.2%	2,347	7.4%
Total Carbon Footprint (tonnes of CO_2e)	**14,375**		14,222		14,063	
Intensity Ratio (tonnes of CO_2e per £m revenue)	**21.1**		23.4		27.3	

tCO_2e by location type (excluding waste)

Site	2022	2021	Variance
Manufacturing	**11,907**	12,768	(6.7%)
Offices	**1,501**	830	80.8%
Warehousing	**708**	624	13.5%
TOTAL	**14,116**	14,222	(0.7%)

Our Manufacturing is the main contributor to our carbon footprint representing 85.0% of our total carbon footprint. During the 2022 financial year carbon emissions increased by only 1.1%, which was mainly due to the substantial savings achieved by the Brazilian site from reducing refrigerant gas emission by 992 tonnes of CO_2e (further details are provided below) as well as a change in carbon factors assigned to grid electricity production with nations adopting more renewable energy sources. Our Offices contribute 10.4% to our carbon footprint, and the 80.8% increase was due to the return to the workplace and the facility in Mexico changing from a manufacturing facility to an office. The 13.5% increase in CO_2e emissions from the warehouses was due to the commissioning of the new warehouse in Uldum, Denmark, which is now fully operational. The new warehouse needed to be brought up to the correct temperature and this was achieved through gas heating.

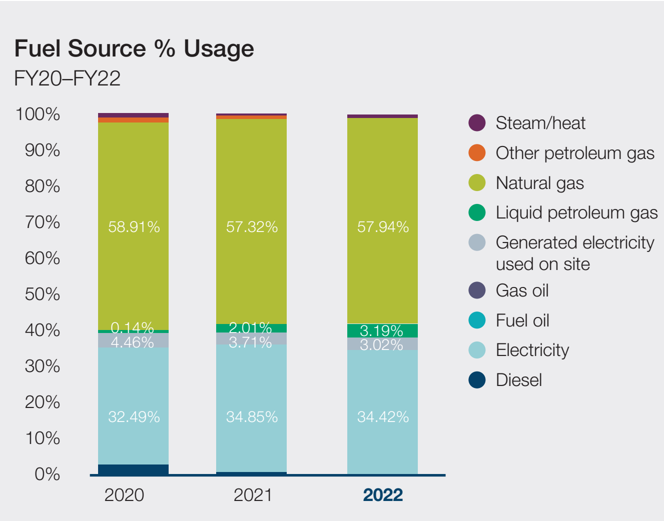
Our Environment

Kilowatt-Hour (kWh)

The kWh figures in the table below are the quantities of energy from activities for which the Group is responsible worldwide and the annual quantity of energy consumed resulting from the purchase of electricity, heat, steam or cooling and vehicle fuel by the Group for its own use and arising from those sources over which we have operational control.

	2022	% relates to energy consumed in UK	2021	% relates to energy consumed in UK	2020	% relates to energy consumed in UK
Scope 1	**35,418,610**	**5.9%**	31,522,041	6.3%	33,509,013	6.3%
Scope 2	**19,229,812**	**15.1%**	17,185,952	16.2%	16,647,278	11.7%
Scope 3	**9,528,775**	**3.6%**	6,610,981	0.9%	8,444,662	6.1%
Total kWh	**64,177,197**	**8.3%**	55,318,974	8.7%	58,600,953	7.8%

Fuel Source



The fuel mix across the business remains consistent. Natural gas continues to be the predominant source of fuel across Dechra, accounting for 58.0% of overall fuel usage (2021: 57.0%). Electricity from the grid accounts for 34.0% of energy (2021: 35%). The use of LPG increased slightly to 3.19% (2021: 2.01%) of overall energy due to the fact that the Brazilian site installed a new boiler; however the corresponding Diesel usage declined by 59.0%.

Manufacturing continues to be the major user of energy across the Group accounting for 95.0% of all energy used, whereas the Warehouses use 4.4% and the Offices 0.6%.

The Zagreb Manufacturing site has the highest energy consumption across the Group and in the 2022 financial year accounted for 63% of all energy used (2021: 61%). The high energy demand is linked to the volumes and range of products manufactured at the site including Mepron, which uses 70% of site gas and 40% of site electricity. The team at Zagreb has already made many improvements to make the site more sustainable. In 2019 the site installed what was at the time the largest solar power plant in Croatia and in the 2022 financial year this generated 22% of electricity used at the site in addition to exporting excess electricity to the national grid (48,715 kWh). They also operate a solvent recovery plant to recover sustainably and reuse 95% of all ethanol from one of their key manufacturing processes. The site has successfully retained ISO 50001 accreditation, the international standard for Energy Management, following their first annual surveillance audit and continues to set targets and objectives to reduce energy in line with the requirements of this standard. The site has identified a number of projects to reduce energy consumption and also to switch to renewable energy sources. Examples include:

- investigating the availability of geothermal energy at the site, with exploratory drilling scheduled for the 2023 financial year;
- installation of a new heat pump for heating the QC/Immuno-biological lab in June 2022, which is powered by renewable electricity from the national grid. This area was previously serviced by heat from the site gas fired boiler. The site is also exploring the use of these localised heaters in other site buildings to reduce distribution losses from the central boiler house, once the technology is proven; and
- the installation of an economiser on one steam boiler flue gas to recover heat from emissions to atmosphere. Commissioning for this project is expected by August 2023 and is projected to provide an annual saving of 2% gas.

Refrigerant Gases

Refrigerant gases from cooling equipment lost to the atmosphere pose a threat to the environment because of their global warming potential. Minor gas losses are generally identified during annual maintenance of cooling equipment, when gas top ups are added. More significant losses are identified through leak detection systems or when equipment fails to operate correctly.

A total of 200 kgs of refrigerant gas was lost to atmosphere in the 2022 financial year (2021: 521 kgs) which was a reduction of 62.0%. This was mainly achieved through a reduction of 292 kgs from the Londrina site in Brazil. Overall global refrigerant gas losses reduced by 321 kgs, a carbon equivalent saving of 1050 tonnes. The total carbon impact from refrigerant gas losses has been reduced from 21% of all Scope 1 emissions in the 2021 financial year to 6.3%.

Improve Energy Effectiveness Through Transport Initiatives

The main activity at Dechra Service Center (DSC) in Uldum, Denmark is warehousing and distribution of goods to customers worldwide. The majority of the pharmaceutical products received by DSC are supplied from our manufacturing sites in Bladel, the Netherlands and Skipton, the UK. The products from Bladel are transported by road, whereas the products from the UK are shipped by sea and road. All road transport is only to be made with companies who can guarantee that the vehicles used conform to the Euro6 standard or higher. All sea transport agreements are with Shipping Conference companies, which requires high standards for shipping.

The Global Transport Committee, a team of logistics and distribution experts from Europe and North America, is responsible for identifying and implementing sustainable optimisation solutions within distribution, logistics and warehousing.

By bringing all own-manufactured products from our sites and all in-licensed products from external suppliers to Uldum, we have an opportunity to consolidate the shipments to North America, Mexico and Canada and are able to ship full containers by sea. This solution reduces the number of small and inefficient shipments and the aim is to eliminate air shipment completely.

For Europe, the committee is working with the DVP EU markets to optimise the road transportation by reducing the shipping frequencies and increasing the amounts shipped per delivery. This optimisation plan has already been implemented in Belgium and the Netherlands where service level agreements have been signed. The goal is to reduce shipments in Europe by 20% for the 2023 financial year.

Another action of this committee is the optimisation of pallet wrapping where we have changed from black plastic which is not recyclable to white plastic which is recyclable and a better sustainable solution.

	2022	2021	2020	2019
Shipments	**46,515**	51,569	39,067	36,905
Total Weight (GRT)	**22,667,426**	29,843,353	19,304,216	19,399,930
CO_2 Outlet (kg)	**1,705,256**	2,130,262	1,684,872	1,670,037
CO_2 per kg	**13.29**	14.0	11.5	11.6

Case Study:

Refrigerant Gas Loss Reduction at Londrina

In the 2021 financial year, across Dechra globally, refrigerant gas losses contributed 21% of all Scope 1 emissions (1,477 tonnes), with the Londrina site in Brazil accounting for 86% of this total. This site produces vaccines, and equipment containing refrigerant gases is used to control the temperature of the working environment and also for process cooling applications.

One of the key processes at the site involves freeze drying vaccines. The lyophilisation (freeze drying) plant uses refrigerant gas R404A to achieve the correct process temperatures to desiccate the vaccine. In the 2021 financial year, Londrina lost 254.0 kgs of refrigerant gas to atmosphere from this equipment which prompted the site to run a project to improve losses from equipment. Working with the Engineering team at the Zagreb manufacturing site, best practices for equipment operation and maintenance were shared. The Londrina team applied these shared learnings to the equipment in Brazil and also conducted an investigation to identify the root cause of current losses. Actions included:

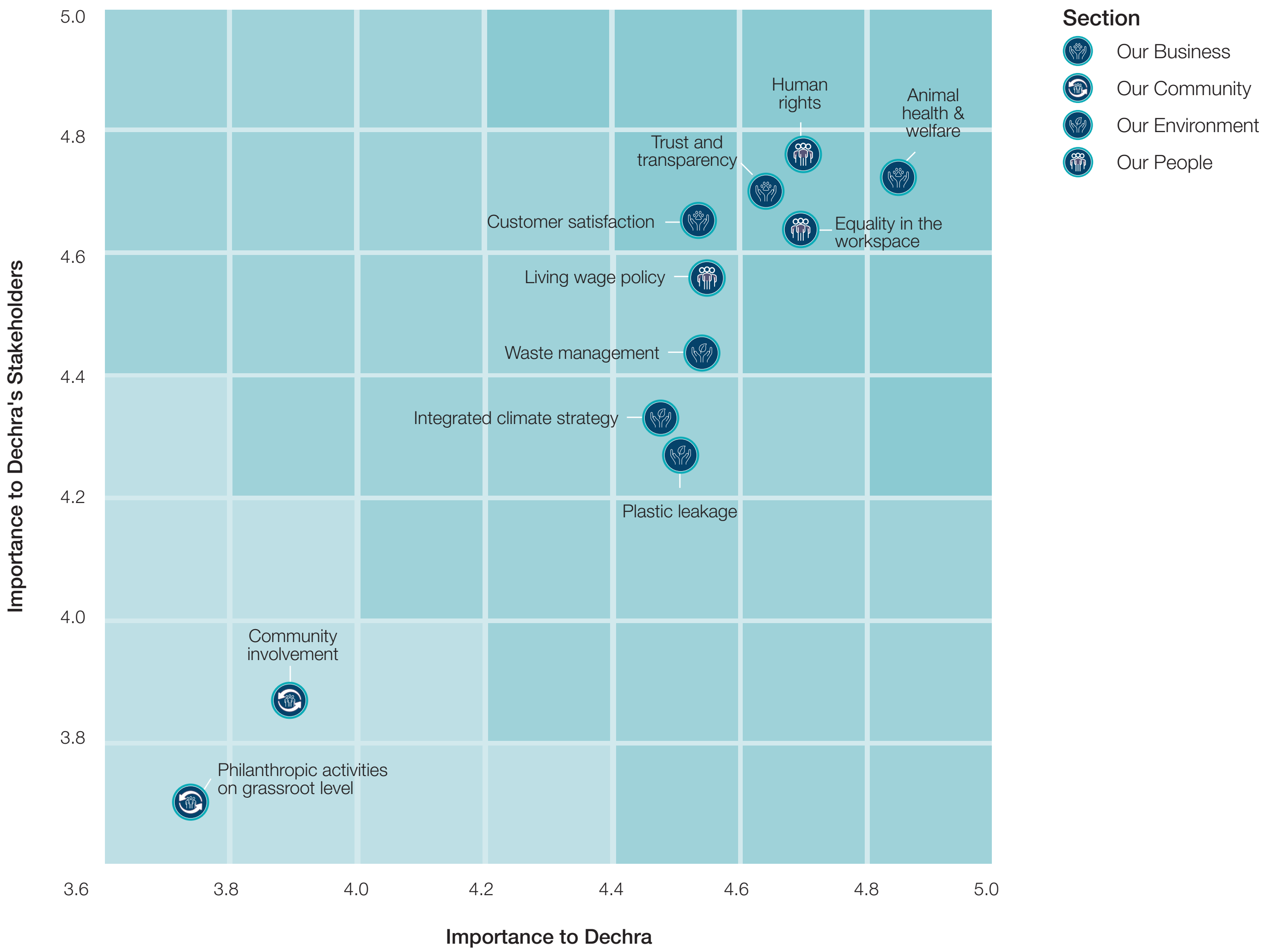
- installation of a new level sensor with an audible alarm for recognition of low-level condition at the cooling tower and water tank;
- installation of interlocks between the cooling tower and freeze-dryer, when the tower is at low water level;
- engaging the equipment manufacturer to refurbish the equipment compressors and optimise plant operation;
- reducing equipment vibration and replacing fixed pipework with flexible pipework to reduce the opportunities for leaks from joint fractures; and
- engaging a specialist engineer to continue to maintain the equipment according to an optimised planned maintenance schedule.

Through improved equipment management the Londrina site has reduced refrigerant gas losses from the freeze-drying process by 91% to just 21.9 kgs. This is equivalent to a CO_2e saving of 911.78 tonnes, or 13.6% of Dechra's total Scope 1 emissions globally. The site has also reduced losses from other equipment reducing total refrigerant gas losses by 292.94 kgs, which is equivalent to 991.78 tonnes of carbon (14.8% of Annual Scope 1 emissions).

Making a difference in global health and welfare

Our Materiality Assessment

We have conducted a sustainability materiality assessment for the first time this year to identify the most important sustainability topics to us as a business and to our stakeholders. The results of this assessment have helped shape our sustainability strategy, drive our engagement with stakeholders and prioritise areas of focus and target setting whilst guiding our reporting and disclosure in this area moving forward. For further information please read our Sustainability Report.



Our Sustainability Strategy

Our sustainability strategy is based around four pillars: Business; Community; Environment; and People. During the 2021 financial year we set targets for each pillar. We have committed to a long term strategy to reach net zero emissions by no later than 2050, backed by science based targets across the entire value chain. We will:

- continue the effort to understand and disclose the climate change risks and opportunities by transforming to a low carbon economy; and
- refine our environmental targets by setting verifiable science based targets through the Science Based Targets initiative (SBTi).

Our People

Our Strategic Priority: A great and safe place to work.

Read more in Employees on pages 54 to 58

Our Environment

Our Strategic Priority: We are committed to minimising the impact of our operations on the environment and complying with applicable environmental legislations, by achieving zero to landfill by 2025 and net zero emissions by 2050.

Read more in Environment on pages 64 to 67

Our Business

Our Strategic Priority: To provide sustainable innovative products, technical and educational support and to act responsibly and with integrity with all stakeholders.

Read more in Veterinary Professionals on page 59

Our Communities

Our Strategic Priority: To contribute to the social and economic welfare of the local communities in which we operate through the giving of our time, products and cash donations.

Read more in Communities on page 61

Read more about all our pillars in our Sustainability Report

Pillar	Sustainability Topic	Focus Area	Objective	Target (s)	Status
Business	Animal Health and Welfare	Ethical and sustainable products	Develop and promote products to improve animal health and welfare sustainably	Invest 5% to 6% of revenue on product development per annum	Orange
	Customer Satisfaction	Supporting veterinary professionals	Maintain and improve the knowledge and skills of veterinarians	Provide 100,000 CPD hours per annum	Green
	Trust and Transparency	Ethics	Act with honesty and integrity	Perform value chain sustainability assessment by June 2030	Green
People	Wage Policy	Fair employment practices	Comply with national legal requirements regarding wages and working hours	Living Wage Employer or equivalent by 2022	Green
	Human Rights	Safe working practices	Reinforce health and safety practices, with a culture of zero harm	Zero lost time accidents	Orange
	Equality in the Workspace	Fair employment practices	Eliminate the gender pay gap	Increase the number of women in senior and technical roles	Orange
Environment	Integrated Climate Strategy	Emissions, Land & water and Biodiversity	Reduce GHG emissions and waste to landfill, use water responsibly and protect biodiversity	Achieve net-zero by latest 2050. Initial target is 25% reduction by 30 June 2025	Green
	Waste Management	Circularity	Recover, reduce, recycle, reuse	Zero to landfill by 30 June 2025	Green
	Plastic Leakage	Responsible sourcing	Implement sustainable packaging and decrease plastic usage	100% FSC paper by June 2023 and review full product range by 30 June 2025	Green
Community	Community Involvement	Community activities	The donation of time, products and skills to local charities	100,000 community hours by 30 June 2030	Green
	Philanthropic Activities	Community donations	Establish Regional Giving Committees to allow our people to make a difference locally	£5 million donated in cash or products by June 2030	Green

Task Force on Climate-related Financial Disclosures

Our response to climate change

Task Force on Climate-related Financial Disclosures (TCFD)

We believe that companies should be transparent about how they plan to mitigate and be resilient in the face of climate change. Therefore, we support efforts, such as the TCFD to increase transparency and to promote stakeholders' understanding of companies' strategies to respond to the risks and opportunities presented by climate change.

During the year, we have worked to achieve alignment to TCFD and are pleased to confirm that the disclosures included in the Annual Report are consistent with the TCFD recommendations, except for the completion of our review into all material Scope 3 emission categories, which will be concluded in the 2023 financial year. We acknowledge that the disclosures around the metrics used to assess our climate risks and opportunities can, and will, be improved following submission and verification of our targets to the Science Based Targets initiative (SBTi). This is an evolving process that we hope to conclude in 2023.

Governance

Climate change presents various economic, business and social risks which will affect our business over the short, medium and longer term. Given its importance, climate change is overseen at the highest level of the Company and integrated into business processes.

The Dechra Board is accountable for approving our Sustainability strategy and overseeing the delivery of our climate-related objectives, with Executive responsibility belonging to the Chief Financial Officer with support provided by the Group Sustainability Director. Our Senior Executive Team (SET) is responsible for delivering on these objectives within their functional areas and business units.

At an operational level the Board and SET are supported by a cross-functional ESG Committee and associated sub committees (see the governance diagram in our Sustainability Report) who work with them to define our Sustainability strategy, and set objectives and targets which are aligned with the United Nations Sustainable Development Goals and SBTi.

The Board formally discusses climate change-related updates at least biannually, and the Chief Financial Officer updates the Board on any significant matters arising as and when required.

Given the importance of managing climate risk, factors relevant to it are considered as part of the remuneration of the Executive Directors and SET. Specifically each senior leader will have an ESG objective as part of their personal objectives within the annual bonus plan (introduced in 2021) and constitutes 5% of Executive Directors' and 5% of SET annual salary under the terms of the plan, increasing to 10% for Executive Directors in the 2023 financial year.

Strategy

Understanding the potential impact of future climate scenarios, together with proactive mitigation, intervention plans and targeted investment, will help future proof our business and build resilience to protect our long term financial sustainability and continued supply of products to customers.

We have assessed the impact of climate risk to our business using the Intergovernmental Panel on Climate Change (IPCC) data under two transition scenarios over a 30-year time horizon; the first modelled a 1.5°C temperature rise in accordance with the Paris Agreement and the second a 4°C temperature rise deemed to be a worst case. These assessments have enabled us to identify climate risks, strategies to mitigate risk and any climate opportunities. The impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning is included in the table on the following pages.

To respond to the identified climate risks and opportunities we have developed our 'Making a Difference' plan. As part of this plan we have committed to a long term target to reach net zero emissions by no later than 2050. We will continue to transition to a low carbon business and by setting greenhouse gas (GHG) emissions targets verified through the SBTi. We also support the UN-backed Race to Zero. For further information please refer to our Sustainability Report.

Risk

During the previous financial year, in response to developing climate science, government action and the concerns of our stakeholders, the Board classified climate risk as a principal risk to the Group. To understand fully the implications of climate change, the Board instigated a review of the key risks and opportunities to the Group's business model, considering both the physical effects of changing weather and the economic and regulatory transitions required either to mitigate climate change or adapt to a new environment. This involved consulting with external experts and senior management representing disciplines from across the Group to determine possible climate outcomes.

Key

- Low Risk
- High Risk
- Medium Risk
- Opportunity

Time Horizons for Impact

Short term:	Mid term:	Long term:
1 to 2 years	2 to 5 years	5 to 25 years

Risk or Opportunity	Time Horizon: Short	Mid	Long	Potential impact	How it is managed
Key Physical Risks					
Increased frequency of extreme weather and climate-related natural disasters	Medium Risk	Medium Risk	Medium Risk	Detailed manufacturing site-level climate risk assessments have been completed. Outcomes indicate potential for: • increased exposure to extreme heat events. This risk has the potential to impact our manufacturing and logistic sites in North America, Croatia and Australia; • heavy rainfall causing local flooding. This risk has the potential to impact our manufacturing and logistics sites in Florida, Northern Europe and Australia; and • increased risk of storms that can damage site structures. This risk has the potential to impact our manufacturing site in Florida. Risks relate primarily to disruption or delays at a site, along with potential for higher energy consumption and cost for cooling to maintain GMP compliance, delays and/or losses in distribution and damage to site infrastructure resulting in increased insurance premiums and reputational damage. We do not foresee a material business impact arising from these short term events.	Identified risks have been addressed in site continuity plans and/or incorporated into the site master plans. Any investments required are integrated into our financial planning process. For example to improve business resilience our site in Zagreb, Croatia produces approximately 30% of its energy requirement via on-site solar panels complemented by emergency generators. We also aim to mitigate risk by reducing the number of contract manufacturers we engage with and produce more of our own products in-house. **Metrics:** Please refer to our Environmental pillar on page 69.
Transition Risks and Opportunities					
Increased demand for low carbon products	Low Risk	Medium Risk	Opportunity	Our customers will increasingly look to select suppliers based on their GHG footprint to reduce their own Scope 3 footprint, as part of their net-zero targets. Future revenue from our generic portfolio could be at risk should substitution become widespread before we are able to transition. We have an opportunity to gain market share if we can transition in the short term. The risks are currently deemed to be low and more likely to occur in a medium term timeframe on products which are 'me too' in nature.	As part of our Making a Difference plan we have committed to reach net zero emissions by no later than 2050, backed by science based targets. All new products to market will include a sustainability review pre-launch by 2023 (initiated 2021). This review will focus on utilising sustainable ingredients and packaging. In 2022 we have initiated a project utilising an IT system to review the GHG footprint for existing products to help assess and manage risks and target interventions to reduce the environmental footprint of our products. **Metrics:** Please refer to our Environmental pillar on page 69.

Task Force on Climate-related Financial Disclosures

Risk or Opportunity	Time Horizon Short	Time Horizon Mid	Time Horizon Long	Potential impact	How it is managed
Transition Risks and Opportunities					
Carbon pricing and future environmental taxation	●	●	●	There is uncertainty over the future environmental policy and fiscal landscape of many countries in which we operate. We anticipate increased regulation and other developments related to carbon pricing and broader environmental taxation over the medium to long term. We do not foresee a material impact.	Our Making a Difference plan and associated net zero commitments will help to mitigate some exposure to future carbon pricing and environmental taxation for our operations and our wider value chain. Managed correctly, this may actually present a commercial opportunity where peers have yet to establish a path to decarbonisation and net zero. As part of our 2023 budget process we have incorporated an internal carbon price on emissions at all of our manufacturing facilities which will support our transition to net zero. **Metrics:** Please refer to our Environmental pillar on page 69.
Supply-demand of renewable energy (power and heat)	●	●	●	Competition for renewable energy due to increased demand. Security of renewable energy supply due to impact of climate change. Opportunity to adopt energy efficiency measures to reduce operating costs and exposure to future fossil fuel price/ carbon price increases. We do not foresee a material impact.	Energy efficiency reviews are conducted across our sites and incorporated into our capital expenditure and financial planning processes and are a primary metric alongside return on investment. • Our management team at Zagreb successfully gained accreditation to ISO 50001, the international standard for Energy Management and are currently exploring the potential viability of geothermal energy at the site. • Our Brazilian team reduced refrigerant gas losses in 2022 by 91.0% through collaboration with our European engineering and maintenance team. Transition to renewable power at all sites as quickly as possible including exploring the viability of solar panel utilisation at manufacturing sites beyond our existing installation at the Zagreb site. **Metrics:** Please refer to our Environmental pillar on page 69.
Change in raw material or sourcing cost	●	●	●	Costs and availability associated with low carbon products from core sectors, particularly in areas such as raw materials and packaging. There could be a significant risk associated with increased costs for using high carbon transport modes. Use of lower-emission sources of energy will reduce costs and will reduce exposure to fossil fuel and carbon price changes. Use of more efficient production and distribution processes will reduce operational and logistical costs We do not believe the net impact to be material as we envisage being able to pass on any increased costs to customers.	We have identified four key industries that are crucial to Dechra's value chain; chemicals/plastic, aluminium, pulp, and paper and glass. Risk assessments have been performed on each and we have started collaborating with key suppliers to mitigate transition risks and maximise transition opportunities. Commencing engagement with upstream and downstream partners to recognise sustainable performance during contract renewal processes. Many of the risks associated with incremental cost exposure are not unique to Dechra. They will also be faced by our peers and the wider animal health sector, which should encourage collaboration. **Metric:** Please refer to our Business pillar on page 69.

Metrics and targets

We are committed to mitigating our impact on climate change. We have committed to SBTi, continued to work towards a net-zero ambition by 2050 and released our first separate Sustainability Report this year. Our GHG emissions (Scope 1, Scope 2 and Scope 3) can be found on page 65 and a number of our key metrics and targets are set out below:

Near term targets

- submission and verification of Science Based Targets;
- all paper and wood material to be FSC by June 2023;
- zero waste to landfill by 30 June 2025; and
- sustainability review of all products by June 2023.

Long term target

- net-zero by no later than 2050.

These metrics and targets will help us to track our progress and ability to mitigate the risks to our business, safeguarding our ability to improve animal health and welfare sustainably over the longer term (see page 69 and our separate Sustainability Report).

TCFD Compliance

The below provides an explanation of where in this Annual Report (or other relevant document or location in respect of supplementary information) the various TCFD recommended disclosures can be found:

	Annual Report	Sustainability Report
Governance: The Company's governance around climate-related risks and opportunities		
The Board's oversight of climate-related risks and opportunities	70, 104 and 106	12 and 23
Management's role in assessing and managing climate-related risks and opportunities	70, 76 and 106	12 and 23
Strategy: The actual and potential impact of climate-related risks and opportunities on the Company's business, strategy, and financial planning where such information is material		
The climate-related risks and opportunities which have been identified over the short, medium, and long term	71 to 73 and 80	10
The impact of climate-related risks and opportunities on the businesses, strategy, and financial planning	69, 70 to 73 and 80	
The resilience of the strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	70 and 80	12
Risk: How the Company identifies, assesses, and manages climate-related risks		
The processes for identifying and assessing climate-related risks	70 to 73 and 80	12
The processes for managing climate-related risks	70 to 73 and 80	
How processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management	70 to 73 and 80	12, 23 to 24
Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
The metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process	64 to 67 and 69	10 and 12
Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	65, 69, 71 and 72	10 and 16
The targets used to manage climate-related risks and opportunities and performance against targets.	69 and 73	10 and 12

Non-Financial Information Statement

This section of the Strategic Report constitutes the Group's Non-Financial Information Statement, produced to comply with Sections 414 CA and 414 CB of the UK Companies Act 2006. The information is incorporated by cross-reference.

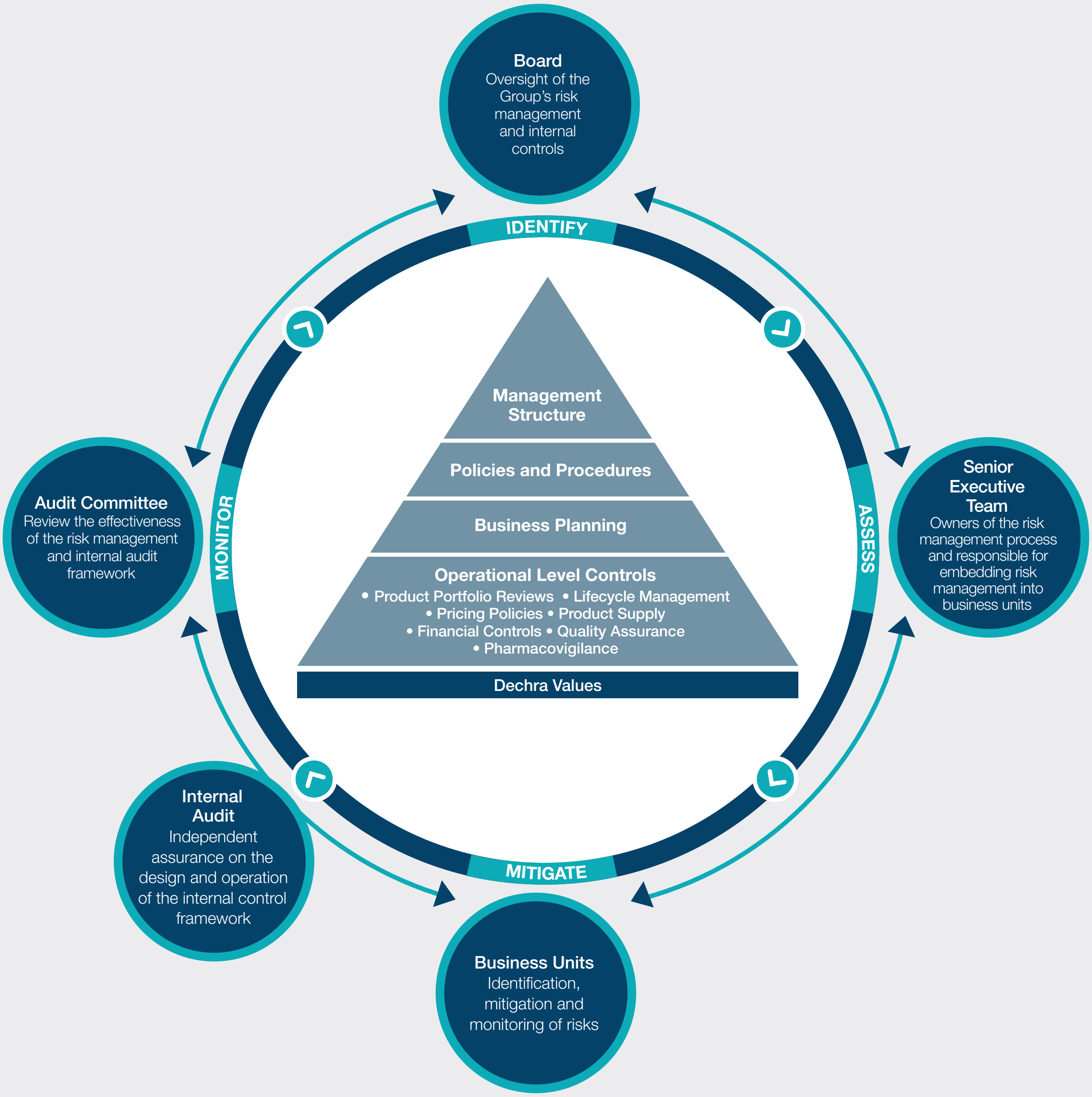
Reporting Requirement	Where to read more	Page number	Policies and Handbook
1 **Environmental matters (including the impact of the Company's business on the environment)***	• Stakeholders: Our Environment • Understanding Our Key Risks	64 to 67 78 to 80	• Code of Conduct
2 **Employees***	• Stakeholders: Employees • Chief Executive Officer's Statement • Section 172 Statement • Understanding Our Key Risks • Sustainability Report	54 to 58 14 to 17 52 78 to 80 **dechra.com/sustainability**	• Staff Handbook • Dignity at Work Policy • Health & Safety Policy • How to Raise a Concern Handbook • HR Policies
3 **Social matters***	• Stakeholders: Communities • Sustainability Report • Section 172 Statement	61 **dechra.com/sustainability** 53	• Volunteer Service Toolkits for Large and Small Events • Donations Policy
4 **Respect for human rights***	• Stakeholders: Suppliers • Sustainability Report	60 **dechra.com/sustainability**	• Human Rights Policy • Modern Slavery Statement
5 **Anti-Bribery and Anti-Corruption***	• Stakeholders: Suppliers • Audit, Risk and Internal Control • Sustainability Report	60 117 to 124 **dechra.com/sustainability**	• Code of Conduct • ABC Policy • Third Party Code of Conduct • How to Raise a Concern Handbook
6 **Business Model**	• Our Business Model • Stakeholders; Veterinary Professionals	22 to 25 59	
7 **Principal Risks in relation to (1) to (5)**	• How the Business Manages Risk • Understanding Our Key Risks	75 to 77 78 to 80	
8 **Relevant non-financial KPIs**	• Key Performance Indicators	51	

* References to our policies, due diligence processes and information on how we are performing on various measures in these areas are contained throughout the Strategic Report.

How the Business Manages Risk

Effective risk management and control is key to the delivery of our business strategy and objectives.

Our risk management and control processes are designed to identify, assess, mitigate and monitor significant risks, and provide reasonable, but not absolute, assurance that the Group will be successful in delivering its objectives.



How the Business Manages Risk

Risk Management Process

Our strategy informs the setting of objectives across the business and is widely communicated. Strategic risks and opportunities are identified as an integral part of our strategy setting process, whilst operational, financial, compliance and emerging risks are identified as an integral part of our functional planning and budget setting processes.

The Board oversees the risk management and internal control framework and the Audit Committee reviews the effectiveness of the risk management process and the internal control framework.

Our Senior Executive Team (SET) owns the risk management process and is responsible for managing specific Group risks. The SET members are also responsible for embedding sound risk management in strategy, planning, budgeting, performance management, and operational processes within their respective Operating Segments and business units.

The Board and the SET together set the tone and decide the level of risk and control to be taken in achieving the Group's objectives.

SET members present their risks, controls and mitigation plans to the Board for review on a rolling programme throughout the year, whilst the Board undertakes a full review of the risk management process biannually. The SET is responsible for conducting self-assessments of their risks and the effectiveness of their control processes. Where control weaknesses are identified, remedial action plans are developed, and these are included in the risk reports presented to the Board.

Internal Audit coordinates the ongoing risk reporting process and provide independent assurance on the internal control framework.

Emerging Risks

Emerging risks are new risks that are unlikely to impact the business in the next year but have the potential to evolve over a longer term and could have a significant impact on our ability to achieve our objectives. They may develop into key risks or may not arise at all.

As part of our risk management process, both the Board and SET are tasked with identifying and assessing our emerging risks. These are then monitored on an ongoing basis and reviewed alongside existing risks.

Ukraine

Russia's invasion of Ukraine has had some impact on our business, with increased energy costs and additional supply chain uncertainty. Our sales to Russia, which were not material, have also ceased. We will continue to monitor the situation in Ukraine and the associated impacts this may have on our principal risks, with regard to our markets, supply chain and people.

Dechra Culture

The Dechra Values are the foundation of our entire business culture including our approach to risk management and control. The Board expects these Values to drive the behaviours and actions of all employees. We encourage an open communication style where it is normal practice to escalate issues promptly so that appropriate action can be taken quickly to minimise any impact on the business.

Internal Control Framework

Our internal control framework is designed to ensure:

- proper financial records are maintained;
- the Group's assets are safeguarded;
- compliance with laws and regulations; and
- effective and efficient operation of business processes.

The key elements of the control framework are described below:

Management Structure

Our management structure has clearly defined reporting lines, accountabilities and authority levels. The Group is organised into business units. Each business unit is led by a SET member and has its own management team.

Policies and Procedures

Our key financial, legal and compliance policies that apply across the Group are:

- Code of Business Conduct and How to Raise a Concern;
- Delegation of Authorities;
- Dechra Finance Manual, including Tax and Treasury policies;
- Anti-Bribery and Anti-Corruption;
- Data Protection;
- Health and Safety;
- Sanctions; and
- Charitable Donations.

Strategy and Business Planning

We have a five-year strategic plan which is developed by the SET and endorsed by the Board annually. Business objectives and performance measures are defined annually, together with budgets and forecasts. Monthly business performance reviews are conducted at both Group and business unit levels.

Operational Controls

Our key operational control processes are as follows:

- Product Pipeline Reviews: We review our pipeline regularly to identify new product ideas and assess the fit with our product portfolio, prioritise development projects, review whether products in development are progressing according to schedule, and assess the expected commercial return on new products.
- Lifecycle Management: We manage and monitor lifecycle management activities for our key products to meet evolving customer needs.
- Pricing Policies: We manage and monitor our national and European pricing policies to deliver equitable pricing for each customer group.
- Product Supply: We continue to develop our demand forecasting and supply planning processes, with monthly reviews of demand and production forecasts, inventory controls, and remediation plans for products that are out of supply.
- Quality Assurance: Each of our manufacturing sites has an established Quality Management System. These systems are designed to ensure that our products are manufactured to a high standard and in compliance with the relevant regulatory requirements.

- Pharmacovigilance: Our regulatory team operates a robust system with a view to ensuring that any adverse reactions and product complaints related to the use of our products are reported and dealt with promptly.
- Financial Controls: Our controls are designed to prevent and detect financial misstatement or fraud and operate at three levels:
  - Entity Level Controls performed by senior managers at Group and business unit level;
  - Month end and year end procedures performed as part of our regular financial reporting and management processes; and
  - Transactional Level Controls operated on a day-to-day basis.

The key controls in place to manage our principal risks are described in further detail on pages 78 to 80. Internal Audit provides independent and objective assurance and advice on the design and operation of the Group's internal control framework. The internal audit plan seeks to provide balanced coverage of the Group's material financial, operational and compliance control processes.

Improvements in 2022

We have continued to strengthen and improve our governance and control processes and the following changes have been implemented:

- New governance and oversight processes to provide transparency of performance, decisions and actions across the manufacturing and supply network.
- We have continued to make improvements to our manufacturing, quality and supply processes, with additional investments in people and production facilities.
- Recruitment of a new Head of Good Distribution Practices and Head of Good Practices to further strengthen the Quality team.
- Launched an independent hotline to enable employees to submit confidential reports using our How to Report a Concern Procedure.
- Roll out of an enhanced Financial Control Framework in response to the BEIS white paper on Restoring Trust in Audit and Corporate Governance. This will put the business in a strong position to comply with the potential requirements of the BEIS proposals.
- Our Environmental, Social and Governance (ESG) strategy has been further enhanced. We continue to execute our 'Making a Difference' plan as well as working towards our commitment of setting verifiable targets across the entire value chain through the Science Based Targets initiative.

Plans for 2023

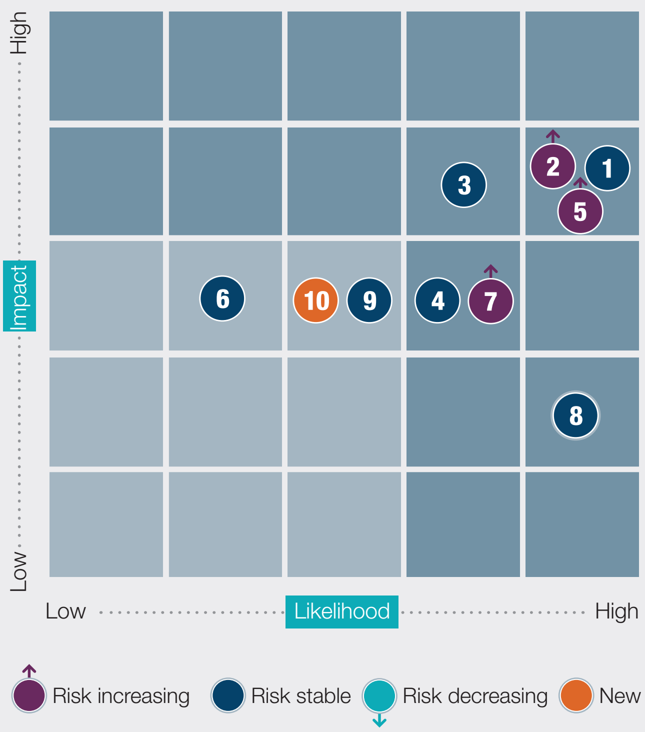
We will continue to refine and strengthen our internal control framework where required in response to changes in our risk profile and improvement opportunities identified by business management, quality assurance and internal audit. Our Manufacturing and Supply processes continue to be the primary focus area for 2023.

We also plan to make further improvements and enhancements to our Sustainability strategy, financial control framework and Group policies.

Principal Risks

The SET has identified and agreed key risks with the Board. Of these, a number are deemed to be generic risks facing every business including failure to comply with financial reporting regulation, foreign exchange and non-compliance with legislation. The risk profile below therefore details the ten principal risks that are specific to our business and provides information on:

- their prioritisation;
- how they link to Group strategy;
- their potential impact on the business; and
- what controls are in place to mitigate them.



Understanding Our Key Risks

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	1 Market Risk: The growth of veterinary buying groups and corporate customers impacts the distribution landscape. We sell and promote primarily to veterinary practices and distribute our products through wholesaler and distributor networks in most markets. In a number of mature markets, veterinarians have established buying groups to consolidate their purchasing, and corporate customers are continuing to expand.	The growth of corporate customers and buying groups represents an opportunity to increase sales volumes and revenue but may result in reduced margins.	We manage and monitor our national and European pricing policies to deliver equitable pricing for each customer group. Our relationships with larger customers are managed by key account managers. Our marketing strategy is designed to support veterinarians in retaining customers by promoting the benefits of our product portfolio in our major therapeutic areas.	→
	2 Competitor Risk: Competitor products launched against one of our leading brands (e.g. generics or a superior product profile). We depend on data exclusivity periods or patents to have exclusive marketing rights for some of our products. Although we maintain a broad portfolio of products, our unique products like *Vetoryl* and *Zycortal* have built a market which continues to be attractive to competitors.	Revenues and margins may be adversely affected should competitors launch a novel or generic product that competes with one of our unique products upon the expiry or early loss of patents. Costs may increase due to defensive marketing activity.	We focus on lifecycle management strategies for our key products such that they can fulfil evolving customer requirements. Product patents are monitored, and defensive strategies are developed towards the end of the patent life or the data exclusivity period. We monitor market activity prior to competitor products being launched and develop a marketing response strategy to mitigate competitor impact.	↑
	3 Product Development and Launch Risk: Failure to deliver major products either due to pipeline delays or newly launched products not meeting revenue expectations. The development of pharmaceutical products is a complex, risky and lengthy process involving significant financial, R&D and other resources. Products that initially appear promising may be delayed or fail to meet expected clinical or commercial expectations or face delays in regulatory approval. It can also be difficult to predict whether newly launched products will meet commercial expectations.	A succession of clinical trial failures could adversely affect our ability to deliver shareholder expectations and could also damage our reputation and relationship with veterinarians. Our market position in key therapeutic areas could be affected, resulting in reduced revenues and profits. Where we are unable to recoup the costs incurred in developing and launching a product this would result in impairment of any intangible assets recognised.	Potential new development opportunities are assessed from a commercial, financial and scientific perspective by a multi-functional team to allow senior management to make decisions as to which ones to progress. The pipeline is discussed regularly by senior management, including the Chief Executive Officer and Chief Financial Officer. Regular updates are also provided to the Board. Each development project is managed by project leaders who chair project team meetings. Before costly pivotal studies are initiated, smaller proof of concept pilot studies are conducted to assess the effects of the drug on target species and for the target indication. In respect of all new product launches a detailed marketing plan is established and progress against that plan is regularly monitored by a new product launch team. The Group has detailed market knowledge and retains close contact with customers through its management and sales teams which are trained to a high standard.	→

Key to Strategic Growth Drivers:
- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

Key to Strategic Enablers:
- Technology
- People
- Manufacturing and Supply Chain
- ESG

Key to Risk Trend:
- ↑ Increased Risk
- ↓ Decreased Risk
- → No Change
- N New

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	4 Supply Chain Risk: Inability to maintain supply of key products due to manufacturing, quality or product supply problems in our own facilities or those of third party suppliers. We rely on third parties for the supply of all raw materials for products that we manufacture in-house. We also purchase many of our finished products from third party manufacturers.	Raw material supply failures may cause: • increased product costs due to difficulties in obtaining scarce materials on commercially acceptable terms; • product shortages due to manufacturing delays; or • delays in clinical trials due to shortage of trial products. Shortages in manufactured products and third party supply failures on finished products may result in lost sales. Whilst the impact of COVID-19 on the supply chain is receding, materials price inflation and the Russian invasion of Ukraine have created new supply chain challenges. However our robust response to recent developments has seen the supply chain risk remain stable.	We monitor the performance of our key suppliers and act promptly to source from alternative suppliers where potential issues are identified. The Group's top products are regularly reviewed in order to identify the key suppliers of materials or finished products. A dedicated external network team exists to manage and support our CMOs to deliver quality products to our regulatory specifications. Demand forecasting and supply planning processes are in place, with monthly reviews of demand and production forecasts, inventory levels, and remediation plans for products that are out of supply. Processes are in place to monitor and improve product robustness, including quality and technical analyses of key products and engagement with internal and external regulatory stakeholders. Business continuity plans are in place at our key manufacturing sites. A new procurement structure and performance measures are being implemented to improve supplier performance management and implement a second source strategy.	→
	5 Regulatory Risk: Failure to meet regulatory requirements. We conduct our business in a highly regulated environment, which is designed to ensure the safety, efficacy, quality, and ethical promotion of pharmaceutical products. Failure to adhere to regulatory standards or to implement changes in those standards could affect our ability to register, manufacture or promote our products.	Delays in regulatory reviews and approvals could impact the timing of a product launch and have a material effect on sales and margins. Any changes made to the manufacturing, distribution, marketing and safety surveillance processes of our products may require additional regulatory approvals, resulting in additional costs and/or delays. Non-compliance with regulatory requirements may result in delays to production or lost sales. Regulatory risk is increasing due to a lack of clarity around Regulation 2019/6; with the new veterinary regulation that legislates for the authorisation, use and monitoring of veterinary medicinal products in the European Union. The Regulation was applied in all EU Member States from January 2022.	The Group strives to exceed regulatory requirements and ensure that its employees have detailed experience and knowledge of the regulations. Manufacturing and Regulatory teams have established quality systems and standard operating procedures in place. A dedicated External Network Quality Director supports our CMOs in complying with our regulatory specifications. Regular contact is maintained with all relevant regulatory bodies in order to build and strengthen relationships and facilitate good communication lines. The Regulatory and Quality teams update their knowledge of regulatory developments and implement changes in business procedures to comply with new requirements. Where changes are identified which could affect our ability to market and sell any of our products, a response team is created in order to mitigate the risk. External consultants are used to audit our manufacturing quality systems. Our Regulatory team operates a robust Pharmacovigilance (PV) process to report any adverse reactions and product complaints related to the use of our products.	↑
	6 Acquisition Risk: Identification of acquisition opportunities and their potential integration. Identification of suitable opportunities and securing a successful approach involves a high degree of uncertainty. Acquired products or businesses may fail to deliver expected returns due to over-valuation or integration challenges.	Failure to identify or secure suitable targets could slow the pace at which we can expand into new markets or grow our portfolio. Acquisitions could deliver lower profits than expected or result in intangible assets impairment.	We have defined criteria for screening acquisition targets, and we conduct commercial, clinical, financial, environmental and legal due diligence. The Board reviews acquisition plans and progress regularly and approves all potential transactions. The SET manages post acquisition integration and monitors the delivery of benefits and returns through a defined process.	→

Understanding Our Key Risks

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	7 People Risk: Failure to resource the business to achieve our strategic ambitions, particularly on geographical expansion and acquisition. As Dechra expands into new markets and acquires new businesses or science, we recognise that we may need additional people with different skills, experience and cultural knowledge to execute our strategy successfully in those markets and business areas. Our growth plans and future success are also dependent on retaining knowledgeable and experienced senior managers and key staff. Post COVID-19, recruitment has been challenging with increased competition for the best talent.	Failure to recruit, develop and retain quality people could result in: • overstretched resources; • weakened succession planning; • capability gaps in new markets; or • challenges in integrating new acquisitions. This could lead to erosion of our competitive advantage, and delay implementation of our strategy. Recent wage inflation has the potential to impact workforce stability.	The Group HR Director reviews the organisational structure with the SET and the Board twice a year to confirm that the organisation is fit for purpose and to assess the resourcing implications of planned changes or strategic imperatives. A development programme is in place to identify opportunities to recruit new talent and develop existing potential. A talent acquisition team and applicant tracking software are in place. The Nomination Committee oversees succession planning for the Board and the SET. Succession plans are in place for the SET together with development plans for key senior managers. Remuneration packages are reviewed on an annual basis in order to help ensure that the Group can continue to retain, incentivise and motivate its employees.	↑
	8 Antimicrobials Regulatory Risk: Continuing pressure on reducing antimicrobial use. The issue of the potential transfer of antibacterial resistance from animals to humans is subject to regulatory discussions globally. Whilst new EU regulations restricting antimicrobial use in animals were not implemented in 2022, there remains continuing pressure on reducing antibiotic risk. This is driven by market & cultural trends.	Reduction in sales of our antimicrobial product range. Our reputation could be adversely impacted if we do not respond appropriately to government regulations and recommendations.	Regular contact is maintained with relevant veterinary authorities to enable us to have a comprehensive understanding of regulatory changes. We strive to develop new products and minimise antimicrobial resistance concerns. We communicate appropriate antimicrobial use in line with best practice.	→
	9 Climate: Severe weather patterns caused by climate change or natural disaster cause damage to manufacturing or distribution facilities impacting our ability to meet customer demand. In addition, the business will face transition risk, such as carbon pricing, change in raw material pricing and movement to renewable energy sources.	Damage to our facilities as a result of climate change could impact our abilities both to supply and manufacture product, which may weaken customer confidence and impact performance, both over a shorter and longer term. Natural disaster could impact on local employability and the communities in which our sites are based. Please read about TCFD on pages 70 to 73	Dechra has committed to setting verifiable targets across the entire value chain through the Science Based Target initiative (SBTi), with a Letter of Intention already submitted. Dechra has also joined the UNFCCC Race to Zero. Scenario planning has been conducted for both physical and transition risks to enable us to mitigate climate related risks. The share of key products manufactured by Dechra, as opposed to CMOs, will be increased in order to manage physical risks better. Dechra is preparing to implement an internal shadow carbon price to bring clarity and to identify climate-related opportunities and the best areas to reduce emissions. Renewable electricity is generated from an existing solar plant at our Zagreb site. We are investigating other renewable energy sources across the Group.	→
	10 Cybersecurity and IT Failure Risk Information security breach or significant disruption to our IT systems, resulting from a cyber-attack or failure of key IT software or infrastructure.	Failure to prevent or adequately respond to a data breach or cyber-attack could result in business disruption, fines, loss of personal data or loss of intellectual property/ commercially sensitive information. Software or infrastructure failure could result in significant disruption to operations and management decision making.	Regular information security and data protection training for employees. Key systems are replicated across dual servers and backed-up. Disaster and data recovery plans are in place and tested regularly. Data encryption and multi-factor authentication is employed on mobile devices. Business interruption and cyber insurance is in place.	N

Viability Statement

Assessment of Prospects

Dechra has consistently delivered on its strategic objectives resulting in a strong track record of growth. The Group's strategy remains unchanged and is set out on pages 26 to 27 of the Strategic Report. The key factors supporting the Group's prospects are explained throughout the Annual Report and are summarised below:

- a clear strategic focus;
- a growing global animal health market;
- a clear portfolio focus with strong market positions in a number of key therapeutic areas;
- a strong development pipeline and a track record of pipeline delivery;
- manufacturing flexibility, with a wide range of dosage forms and small and large scale production batches;
- an entrepreneurial and experienced management team;
- a recognised brand with a strong reputation for providing high quality products with technical support;
- an expanding international focus;
- talented people and expertise; and
- a sound track record of successful acquisitions to expand our product portfolio and geographic reach.

The Board believes that the Group has adequate resilience due to its diversified product portfolio, its geographic footprint, a strong balance sheet, healthy cash generation and access to external financing, which includes committed facilities.

The Assessment Process and Key Assumptions

The Group's prospects are assessed primarily through its strategic and financial planning processes over a five year time period. The strategic plan is supported by a five year financial plan, both of which are updated annually by the SET and reviewed by the Board. The Board also reviews the Group's principal risks on a rolling basis throughout the year, based on updates from SET members.

The planning process considers risks to sales and cost forecasts for each part of the Group, the Group's consolidated income and cash flow forecasts, and includes key assumptions to support longer term projections. The financial plans are reviewed to confirm that adequate financing facilities are in place for the period of the plan. This review is based on the reasonable assumption that the Group will be able to refinance its £340.0 million revolving credit facility, which is currently committed until July 2024.

Progress against financial budgets, forecasts and key business objectives is reviewed through monthly business performance reviews at both Group and business unit levels. Mitigating actions are taken to address under-performance. The latest updates to the plan were reviewed in June 2022 and considered the Group's current position, its future prospects and reaffirmed the Group's stated strategy.

Assessment of Viability and Time Period

The Board has determined that a three year period to 30 June 2025 is an appropriate period over which to base its viability statement. This time period is supported by the Group's budget process, which includes detailed projections for the next two financial years, and broader projections from the third year of the five year strategic planning process. The Board believes this provides a sound framework for providing reasonable assurance on the Group's viability given the inherent uncertainty associated with longer term forecasts.

The Board's assessment has been made with due regard to the Group's current position, its future prospects, adequacy of financing facilities, the strategic plan and the management of the Group's principal risks. The viability assessment takes account of all the committed expenditure of the Group.

Although the output of the Group's strategic and financial planning processes reflects the Board's best estimate of the future prospects of the business, the Group has also conducted stress testing to assess the liquidity impact of a range of alternative scenarios.

These scenarios have been developed by considering those principal risks that could have a material impact on viability. The potential impact of each principal risk is described on pages 78 to 80 of the Strategic Report. A number of severe but plausible stress tests have been conducted on these areas including a significant pipeline delay, significant profit reduction on top ten products, and loss of key high margin products. A combination of the individual scenarios and an overall reverse stress test on the Group's borrowing facilities and covenant commitments have also been considered.

The Board believes the results of the stress testing demonstrate that the Group should be able to withstand the impact in each case due to its strong cash generation, strong balance sheet, and existing financing arrangements.

Viability Statement

Based on the results of this analysis and the assumptions used in the Group's planning process, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period from 30 June 2022.

Governance

Contents

25 ANNIVERSARY
Dechra Pharmaceuticals PLC

Letter from the Chair on Governance

> // **This year marks Dechra's 25th anniversary. Our Values, our Culture, people, and strategy have established Dechra as one of the leading and fastest growing global animal health companies in the world."**
>
> **Alison Platt**

Dear Shareholder

On behalf of the Board, I am pleased to present Dechra's Governance report for the year ended 30 June 2022. This is my first report on behalf of the Board, following my appointment as Chair on 1 January 2022.

Board Appointments

There have been a number of Board changes in the 2022 financial year. In September 2021, the Company announced that Tony Rice, who had been Chair for five years, wished to retire from the Board to devote more time to family and other business and charitable activities. Tony retired on 31 December 2021.

Denise Goode decided to tender her resignation, in November 2021, due to other commitments, and the Board agreed that Julian Heslop should resume the role of Audit Committee Chair whilst a successor was appointed. After an extensive search, John Shipsey was appointed as a Non-Executive Director on 1 June 2022. He brings a wealth of financial and commercial experience to the business following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC and a number of senior finance and strategy roles over the last 20 years. We announced in May 2022 that John would replace Julian Heslop as Audit Committee Chair on 1 September 2022, at which point Julian was subsequently asked by the Committee to sign the Audit Committee Report for the financial year ended 30 June 2022, and has, therefore, agreed to defer his retirement to 5 September 2022.

As communicated in previous Committee reports, the Remuneration Committee Chair (and previously the Senior Independent Non-Executive Director), Ishbel Macpherson, will be retiring in the 2023 financial year. Cognisant of the Parker Review requirements and the new listing requirements regarding diversity targets, the Committee has retained a recruitment consultant who specialises in diverse recruitment to find our new Chair of Remuneration. Following my appointment as Chair, Lawson Macartney took over the role of Senior Independent Director earlier this year.

Purpose and Culture

Our Purpose is clearly defined and underpinned by our Culture and Values. Further details can be found on pages 10, 54 and 55, and 93. Our Values, entrepreneurial attitude and agile approach are the backbone of our Culture. We expect our people to make a difference by working together, and we support them by providing clear guidance on expectations.

This year marks Dechra's 25th anniversary. Our Values, our Culture, people, and strategy have established Dechra as one of the leading and fastest growing global animal health companies in the world and it was a privilege to meet the 100 colleagues who attended the Global Team Meeting in Cheshire recently to celebrate this milestone.

During the year, the Board attended its first site visit in over two years at our site in Uldum, Denmark. Whilst the COVID-19 pandemic restricted our ability to travel, the Board made good use of technology to stay connected to colleagues around the Dechra network.

Throughout the year, we have routinely reviewed the policies which support and enable our Values. Core to this is our Code of Conduct, which includes a set of simple one page policy documents. A Code of Conduct e-learning course was rolled out globally in January 2022. The Board approved the launch of a third party confidential hotline, which went live globally in April 2022, and is available to both employees and Dechra's third parties. Reports can be submitted through an online portal, which is available in 46 languages, or via a hotline, which is manned twenty-four hours a day and is supported in 170 languages.

Stakeholders and Section 172 of the Companies Act

The impact of our decisions on our key stakeholders is front of mind in our decision making. Details of how we consider stakeholders in the Board's decisions and approvals of material transactions, our engagement with stakeholders and our approach to section 172 of the Companies Act 2006 can be found on pages 52 to 63 and 96 to 98.

Board Activities

The current financial year has seen our continued focus on both strengthening the core operations and growing the business. We approved important investments in manufacturing enabling greater resilience and reducing reliance on third party suppliers. We secured the worldwide rights to verdinexor, a novel treatment of all forms and stages of canine lymphoma in dogs.

To achieve the Group's aim of ensuring diversified sources of funding and to extend the Group's debt maturity profile, the Board approved a private placing of EUR50 million seven year and EUR100 million ten year new senior unsecured notes, which was signed post year end on 14 July 2022. All proceeds from the placement were used to repay existing debt on the Group's Revolving Credit Facility.

Post year end, we also approved a placing of 5,247,813 new ordinary shares and a retail offer of 116,870 new ordinary shares. In aggregate, the placing shares and the retail offer shares represented approximately 4.95% of the Company's existing issued share capital, raising gross proceeds of £184.0 million for the Company. The proceeds were used to fund the acquisition of Piedmont Animal Health, Inc. a research and development business with an active product pipeline in North Carolina, USA, and will also provide balance sheet flexibility to execute on an active acquisition pipeline. Piedmont specialises in developing novel and differentiated products for the companion animal market and has a strong development track record.

Compliance with the Code

The UK Corporate Governance Code 2018 (the Code) establishes the principles of good governance for companies; this Governance section of the 2022 Annual Report describes how the Company has applied these principles and complied with the provisions, as well as how it meets other relevant requirements, such as the provisions of the Listing Rules and Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority.

In the opinion of the Directors, the Company has complied with the Code throughout the period, with the exception of provision 38 of the Code ,which relates to the alignment of executive directors' pension contributions to those of the wider UK workforce. This has now been achieved as from 1 July 2022, two of our Executive Directors' pension contributions were at 8%, which matches the minimum offered to our UK workforce. Tony Griffin's pension contribution is at 7.7%, which is aligned with the Dutch workforce contribution.

The Board remains committed to maintaining high standards of corporate governance. The Code can be found at www.frc.org.uk.

Relations with Shareholders

The Annual General Meeting will be held in Northwich on 20 October 2022 (the Meeting). All members of the Board are scheduled to attend the Meeting and the Chair of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting.

Looking Forward

Finally, should you have any questions in relation to this report, please feel free to contact me or the Company Secretary.

Alison Platt
Non-Executive Chair
5 September 2022

Board Leadership and Company Purpose

The Board recognises that excellence in corporate governance is important in order to generate and protect value for our investors. Our governance structure is designed to maintain effective control and oversight of our business, whilst at the same time promoting the entrepreneurial spirit that has underpinned Dechra's success to date. Details in relation to our prudent and effective controls can be found on page 92, stakeholder engagement on pages 96 to 98 and Culture, Purpose and Values on page 93.

Division of Responsibility

We have a strong and balanced Board with a range of complementary skills to support the strategic and operational direction of the Group. The Senior Executive Team (SET) has the responsibility for the overall leadership of the Group, driving the successful implementation and execution of the strategy.

Composition, Succession and Evaluation

The report from our Nomination Committee on pages 107 to 116 sets out the appointment process, its approach to succession for appointments to the Board and SET, the implementation and progress of the Group's diversity policy. Details in relation to our succession planning and the external Board evaluation can be found on pages 107, 114 and 115.

Audit, Risk and Internal Control

The report from our Audit Committee on pages 117 to 124 contains details on how it has assisted the Board in reviewing the financial reporting and internal financial control effectiveness, and the monitoring of the effectiveness of the external audit process and internal audit function. Further details in respect of the Group's risk management and internal control processes are provided on pages 75 to 80 of the Strategic Report, along with the principal risks, controls and mitigating actions, and emerging risks.

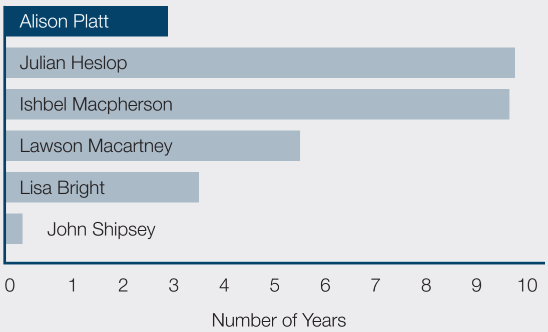
Remuneration

Our Remuneration Policy is designed to promote the long term success of the Group and to reward the creation of long term value for shareholders. The Remuneration Committee has taken into account the pay and principles applied to the wider workforce and the culture of the Company when setting the remuneration of both the Executive Directors and the SET. Further details can be found on pages 128 and 129. During the year, we have undertaken a shareholder consultation on the remuneration of our Executive Directors.

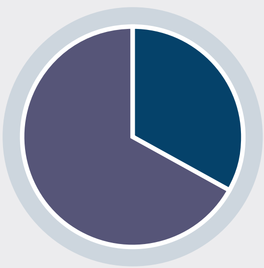
Governance at a Glance

Our Board

Non-Executive Directors' Tenure as at 30 June 2022

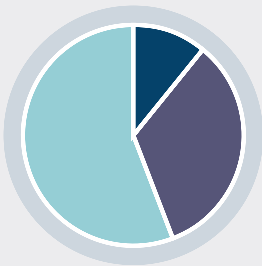


Gender Diversity



- Female 33.3% (3)
- Male 66.7% (6)

Board Independence



- Non-Executive Chair 11.1% (1)
- Executive Directors 33.3% (3)
- Non-Executive Directors 55.6% (5)

Skills and Experience

Name	Skills: Industry Experience	Skills: Knowledge of Sector	Skills: Understanding of Regulatory Process (Pharma)	Leadership: Strategic Thinking	Leadership: Governance	Leadership: Risk Management	Leadership: Financial
Ian Page	●	●	●	●	●	●	●
Paul Sandland	●	●	●	●	●	●	●
Tony Griffin	●	●	●	●	●	●	●
Alison Platt	●			●	●	●	●
Julian Heslop	●	●	●	●	●	●	●
Ishbel Macpherson	●	●		●	●	●	●
Lawson Macartney	●	●	●	●	●	●	
Lisa Bright	●	●	●	●	●	●	
John Shipsey	●			●	●	●	●

Board and Committee Attendance

The Board is scheduled to meet seven times a year, the Remuneration and Audit Committees four times a year and the Nomination Committee three times a year. The June 2022 meetings were rescheduled to July 2022 to coincide with the Global Team Meeting. All meetings up to and including these dates, 12 and 13 July 2022, have been included in this table.

	Board		Audit		Remuneration		Nomination	
Alison Platt Ω	10	10	2	2	6	6	4	5
Ian Page	10	10		N/A		N/A		N/A
Tony Griffin	10	10		N/A		N/A		N/A
Paul Sandland	10	10		N/A		N/A		N/A
Lisa Bright	10	10	4	4	6	6	5	5
Julian Heslop¶	9	10	4	4	5	6	5	5
Lawson Macartney	10	10	4	4	6	6	5	5
Ishbel Macpherson	10	10	4	4	6	6	5	5
John Shipsey*	4	4		N/A	1	1	1	1
Tony Rice†	3	3		N/A	3	3	2	2
Denise Goode‡	2	2	1	1	2	2	1	1

Key

● Number of meetings attended

○ Number of meetings

† Tony Rice attended all meetings until his retirement.

‡ Denise Goode attended all meetings until her resignation.

* John Shipsey attended all meetings since his appointment.

Ω Alison Platt did not attend one Nomination Committee meeting as the meeting had been convened solely to discuss the candidates for the role of Chair. Alison attended all Audit Committee meetings prior to her appointment as Chair.

¶ Julian Heslop was unable to attend an adhoc Board meeting due to a prior commitment; however, he provided the Board with his comments and questions on the subject matter under discussion. He was also unable to attend one adhoc Remuneration Committee due to a prior commitment.

Board of Directors

Executive Directors

IAN PAGE
Chief Executive Officer

Appointed:
June 1997

Committee Membership:
Disclosure (Chairman).

Skills and Experience:
Ian has gained detailed knowledge and experience through various positions he has held within the pharmaceutical and veterinary arena. He has a solid understanding of business development both in the UK and globally. In particular, he has extensive experience in M&A and in the successful delivery of strategic plans.

Ian has played a key role in the development of the Group's growth strategy.

External Appointments:
None.

Pets:

PAUL SANDLAND
Chief Financial Officer

Appointed:
October 2019

Committee Membership:
Disclosure.

Skills and Experience:
Paul qualified as a Chartered Certified Accountant in 2005. He spent five years post qualification at KPMG, during which time he was part of the team which advised the Group on its acquisition of VetXX in 2008.

Paul joined Dechra in January 2010 and has worked both in Corporate as Group Financial Controller and in our sales and marketing organisation as the Group's Dechra Veterinary Products EU Finance Director. Paul is the Board nominated Director responsible for health, safety and environmental matters.

External Appointments:
None.

Pets:

TONY GRIFFIN
Managing Director,
Dechra Veterinary Products EU

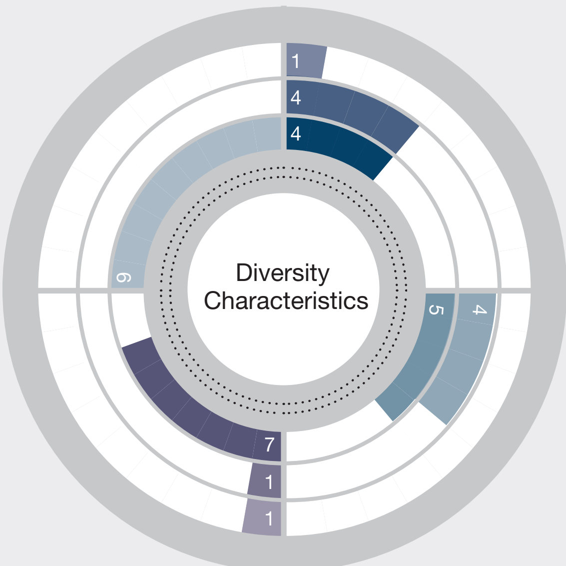
Appointed:
November 2012

Committee Membership:
Not applicable.

Skills and Experience:
Tony has over 30 years' experience in the animal health business and has substantial international experience as a result of living and working outside the UK since 1993. He gained broad experience of running an international animal health business with teams in different European countries as Chief Executive Officer of the AUV Group.

External Appointments:
None.

Pets:



Age
- 41–50 — 1
- 51–60 — 4
- 61–70 — 4

Education
- Vocational — 4
- University — 5

Country of Residence
- USA — 1
- Netherlands — 1
- UK — 7

Ethnicity
- White (all backgrounds) — 9

For further information on the Board of Directors, please see **www.dechra.com**

Non-Executive Chair

ALISON PLATT

Non-Executive Chairman

Appointed:
May 2020

Committee Membership:
Nomination (Chair) and Remuneration

Skills and Experience:
Alison has extensive international and leadership experience in customer-driven organisations in the healthcare, insurance and property sectors.

Alison was awarded a CMG for services to the Foreign Office in 2011 after six years on the FCO Board.

External Appointments:
Alison is a Non-Executive Director at Tesco PLC, Chair of Legal & General Financial Advice and member of the Hampton-Alexander Review steering group.

Pets: None.

Non-Executive Directors

ISHBEL MACPHERSON

Non-Executive Director

Appointed:
February 2013

Committee Membership:
Audit, Nomination, Remuneration (Chair).

Skills and Experience:
Ishbel has a broad range of PLC Board experience in a variety of roles, including Chair, Audit Committee and Remuneration Committee Chair. She has knowledge and understanding of City matters gained over 20 years' experience as an investment banker, specialising in UK mid-market corporate finance.

External Appointments:
None.

Pets:

JULIAN HESLOP

Non-Executive Director

Appointed:
January 2013

Committee Membership:
Audit (Chair), Nomination, Remuneration.

Skills and Experience:
Julian has considerable financial experience as a result of the senior finance roles he has held in the pharmaceutical, food, property and brewing sectors.

He is a Fellow of the Institute of Chartered Accountants in England and Wales.

External Appointments:
None.

Pets:

DR LAWSON MACARTNEY

Senior Independent Non-Executive Director

Appointed:
December 2016

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
Lawson is a veterinarian, with over 30 years' experience in a range of senior roles in pharmaceutical R&D, sales and marketing, as well as spending several years in veterinary practices.

External Appointments:
He is the Chair of Viking Therapeutics Inc. as well as the Chair of the Nomination and Corporate Governance Committees.

Pets:

LISA BRIGHT

Designated Non-Executive Director for Employee Engagement

Appointed:
February 2019

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
Lisa has strategic and operational leadership experience in global market leading pharmaceutical and emerging biotech companies gained over her 30 year career in the industry.

External Appointments:
Lisa is also a Non-Executive Director at Ascendis Pharma A/S, a Danish listed company.

Pets:

JOHN SHIPSEY

Non-Executive Director

Appointed:
June 2022

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
John has considerable financial and commercial experience as a result of senior financial roles he has held in engineering, technology and beverage sectors over the last 20 years. He also has valuable experience leading innovative, high growth international companies.

John is a Chartered Accountant and has an MBA from INSEAD.

External Appointments
None.

Pets:

Senior Executive Team

The Senior Executive Team (SET) was established in 2013 to lead the development and implementation of the business strategy. The SET is led by the Chief Executive Officer and is comprised of the three Executive Directors and the Business Directors responsible for leading each of the Group's key functions. The SET is scheduled to meet formally four times a year to discuss the implementation of the strategy, share best practice and provide updates on their business or function as well as sharing market trends which impact the business.

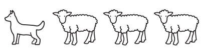
GILES COLEY

Dechra Veterinary Products International Group Director

Background:
Giles joined Dechra in January 1999 as sales and marketing manager for Arnolds Veterinary Products, having previously spent 14 years primarily involved in dairy farming business consultancy. During his time at Dechra he has been responsible for the launch and market development of our leading brand Vetoryl, as well as a number of our other key brands. Giles has also been an integral member of the teams that ensured fast and smooth integrations of several of our acquisitions, and in particular as lead in the integration of Apex in 2016 and Venco in 2019.

In his role of Dechra Veterinary Products International Group Director, his responsibilities are extremely varied and involve managing and growing our existing business through ANZ and South American business and distribution partners, as well as further developing our Dechra International strategy through product registrations and market development. Giles has a BSc degree in Agricultural Technology. He is located in Sansaw, UK.

Pets:



MIKE ELDRED

President North America

Background:
Mike joined Dechra in 2004 and is responsible for Dechra Veterinary Products' North American business. Mike has more than 20 years' experience in the animal health sector, having held senior positions in business development, sales and operations at Virbac Corporation, Fort Dodge Animal Health and Sanofi Animal Health.

As our first employee in the USA, he has built the USA, Mexican and Canadian teams to 414 people. Mike has also been involved in several commercial agreements and acquisitions for the Group including Pharmaderm, DermaPet, Phycox Animal Health and Putney. Mike has a BA in Business, and an MBA. He is located in Kansas, USA.

Pets:

KATY CLOUGH

Group HR Director

Background:
Katy joined Dechra in April 2014 from AppSense Ltd where she was the Vice President of HR Europe and Rest of the World. With over 15 years' experience operating at Director level within Software, Health, Travel and Finance industries, Katy brings with her a wealth of HR expertise gained in both blue chip corporates and smaller entrepreneurial companies.

She has strong international, leadership and M&A experience and has taken responsibility for driving the global people agenda for the Dechra Group. She is located at Head Office, Northwich, UK.

Pets:

Senior Executive Team

MELANIE HALL
Company Secretary

Committee Membership:
Disclosure.

Background:
Melanie joined Dechra in January 2010 as the Assistant Company Secretary, and was promoted to Deputy Company Secretary in May 2015, and Company Secretary in July 2017. Prior to joining Dechra, she has gained over 25 years' experience in various company secretarial roles including at GKN plc, TRW Automotive Inc and Pendragon PLC. Melanie is a Fellow of the Chartered Governance Institute.

Melanie is responsible for the Company Secretarial and Legal team.

She is located in Northwich, UK.

Pets:

MILTON MCCANN
Group Manufacturing and Supply Director

Background:
Milton was appointed as Group Manufacturing & Supply Director on 1 April 2021, following 11 months as Interim Group Manufacturing & Supply Director. He joined Dechra in January 2016 as Group Manufacturing Finance Director. In February 2019, he was the Interim Site Director at our Skipton Facility until being appointed as Group Supply Chain and Procurement Director, Dechra Pharmaceuticals Manufacturing & Supply in October 2019.

Before joining Dechra, Milton had senior financial roles in different manufacturing industries including coatings, adhesives and chemicals. Just prior to joining Dechra he worked for Aramark in the food and facilities services sector.

Milton is responsible for our internal and external manufacturing sites in Europe and the USA.

He is located in Northwich, UK.

Pets:
None.

PATRICK MEEUS
Group Scientific Officer

Background:
Patrick joined Dechra in July 2022, and has over 30 years' experience in animal health covering vaccine, small molecule and diagnostics product development across all animal species, large and small. He also brings substantial international experience having lived and worked in academia and industry on four different continents. Prior to moving into industry, he spent time doing research and teaching at the University of Zambia, the Tropical Institute of Antwerp (Belgium) and the University of Florida (USA). In 2004 Patrick joined Pfizer Animal Health, now Zoetis, where he led a wide range of teams, projects and strategic initiatives from early discovery through product development and launch. He also led regional R&D hubs in Latin America and APAC for Zoetis, before joining Elanco in 2018 as the Senior/ Executive Director of Companion Animal Product Development.

Patrick has a Veterinary Degree from the University of Gent (Belgium), a PhD in Infectious Diseases from the University of Florida (USA) and was a founding Diplomate of both the European Veterinary Parasitology College and the American College of Veterinary Microbiologist-Parasitology.

Patrick is currently based in Basel, Switzerland within close proximity of Dechra's UK and Netherlands teams.

Pets:

Board Leadership and Company Purpose

Board Leadership and Company Purpose

Effective and Entrepreneurial 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.

Our Board is composed of highly skilled professionals who bring a range of skills, perspectives and corporate experience to our boardroom. Our entrepreneurial roots have led us to evolving an agile approach to the way we do things.

The Board oversees the effective delivery of the Group's strategy as set out on pages 26 to 29 of the Strategic Report. Dechra has consistently delivered on its strategic objectives resulting in a strong track record of growth as can be illustrated by the dividend growth on page 62, underlying diluted earnings per share growth on page 50 and our Total Shareholder Return performance on page 141.

Strategy

The Group's strategy remains unchanged and is set out on pages 26 to 27 of the Strategic Report. The key factors supporting the Group's prospects are explained throughout the Annual Report and are summarised below:

- a clear strategic focus;
- a growing global animal health market;
- a clear portfolio focus with strong market positions in a number of key therapeutic areas;
- a strong development pipeline and a track record of pipeline delivery;
- manufacturing flexibility, with a wide range of dosage forms, small and large scale production batches;
- an entrepreneurial and experienced management team;
- a recognised brand with a strong reputation for providing high quality products with technical support;
- an expanding international focus;
- talented people and expertise; and
- a sound track record of successful acquisitions to expand our product portfolio and geographic reach.

The Board believes that the Group is resilient due to its diversified product portfolio, its geographic footprint, strong balance sheet, healthy cash generation and access to external financing, which includes committed facilities.

KPIs have been designed to measure progress and delivery of the strategic plan and our four growth drivers. Further details are provided on pages 50 and 51.

Strategy Day

The Strategy Day held in November 2021 provided an opportunity to update the Board on emerging trends in the animal health sector and across the markets in which we operate. It created the space for the Senior Executive Team (SET) to share the challenges and opportunities they see in their business and enabled the Board to contribute their experience and perspectives. The first session of the day saw an update on the Group's Sustainability strategy, which was presented by the Group Sustainability Director and allowed the Board to consider their role in supporting Dechra's Sustainability programme, 'Making a Difference'.

The context for the day was provided by the Chief Financial Officer sharing the five year financial plan and ambitions and updating the Board on the Group's financial and economic performance to date.

There were four strategy sessions which covered:

- Geographical Expansion: the next steps;
- Pipeline: a brief overview and vaccines strategy;
- Future of veterinary distribution; and
- Future of the Veterinary Practices.

Guest speakers, one of which was from a UK wholesaler and the other from an EU Buying Group, contributed to the latter two sessions. These presentations provided evidence of the good relationships Dechra has with our key stakeholders and both presentations were insightful, enabling the Board to have a better understanding of the routes to market and the consolidation of the market.

This session was followed by a debate at the Board meeting in December, which included high level discussions to challenge whether the strategy remains fit for purpose and responsive enough to the market and environment. The five year plan was approved and the Board deemed that the strategy remains fit for purpose.

Prudent and Effective Controls

Internal Controls and Risks

The Board retains overall responsibility for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems, and confirms that:

- there is an ongoing process for identifying, assessing, managing and monitoring the Group's principal risks;
- the SET's assessment of the principal risks is considered to be robust and those risks that have the potential to impact liquidity have been considered in the assessment of the Group's viability;
- the principal risks and internal control processes have been monitored by the SET throughout the year and reviewed by the Board on a rolling programme throughout the year; and
- no significant failings or weaknesses in internal control processes have been identified.

Based on its review throughout the year, the Board is satisfied that the risk management and internal control systems in place remain effective and provide reasonable, but not absolute, assurance that the Group will be successful in delivering its objectives.

Further information on internal control and risk management can be found in the Governance Report on page 122 and the Strategic Report on pages 75 to 80.

Matters Reserved for the Board

There is a formal schedule of matters reserved for the Board. The schedule of matters covers a number of areas including strategy, approval of acquisitions and business development proposals, dividend policy, budget, internal controls and risk management and Group policies. The schedule of matters can be found on our website.

The schedule of matters is reviewed periodically and was last reviewed in December 2021 along with the Delegation of Authority Policy.
The Delegation of Authority Policy defines who is authorised to make decisions on behalf of the Group and their authority limits for both monetary and non-monetary decisions.

Culture, Purpose and Values

Culture

Our Values, entrepreneurial attitude and agile approach to the way we do things are the backbone of our Culture. We expect our people to make a difference by collaborating with each other and support them by providing clear guidance on expectations.

Our Purpose

The sustainable improvement of animal health and welfare globally

Our Values

Everything we do is underpinned by our Values

Dedication
We are dedicated to delivering products and services that meet the highest level of service and quality to our customers

Enjoyment
We endeavour to create an environment where our people want to come to work and feel a part of Dechra

Courage
We want a business where we dare to challenge each other, where innovation and creativity can flourish

Honesty
We are honest and open in all interactions and act with integrity and fairness

Relationships
We see our customers and suppliers as business partners and thereby work together for common success

Ambition
We are goal oriented and deliver solid results through our energetic and resilient approach

Our Culture Defined

Entrepreneurial & Agile
We move quickly to make decisions and have 'light touch' bureaucracy. We expect accountability and encourage our people to seek out new opportunities to help us grow

Transparent
We are open and honest with our people and our suppliers and customers. We tell it like it is

Collaborative
We know that the best outcomes arise from true team working. We operate in a matrix structure, sharing best practices around the globe and harnessing the power of our different cultures

Enthusiastic/Energetic
We want our people to enjoy coming to work, we are informal and look for people who share our passion for what we do. We love people that want to make a difference

Monitoring Our Culture

No of acquisitions*
7
* Product acquisitions

Lost Time Accidents
6

Employees Engagement
90% of employees completed the survey in 2021, Dechra's trust index has increased to 77% (2018: 67%)

Board Leadership and Company Purpose

How The Board Monitors Culture

Moving Annual Turnover of Employees Retention of employees is an indicator of a positive culture	**Engagement survey** This helps to determine levels of employee engagement on a wide range of matters and provides oversight of the implementation of the Values
Employee engagement with the Board via designated Non-Executive Director Provide an update on employee views and any concerns raised	**Internal Audit Reports** Identifies any actions required in relation to deviations of Values and Culture
Site Visits Provides the Board with direct interaction with the Culture of the Company	**Approval of Group Policies such as Code of Conduct** Enables the Board to monitor that the policies reflect the Values and Culture of the Group
Raise a Concern Reports The How to Raise a Concern procedure encourages any individual who has genuine concerns about any form of malpractice, including any breaches of the Values, within Dechra (or in relation to its business) to report these concerns. Summaries of these are then discussed with the Board, along with the mitigating actions taken as well as updates on the actions taken	**External Culture audit with Great Place to Work for the UK** Provides an external assessment of the Group's Culture **Acquisitions** Provides an indicator of our entrepreneurial Culture
Health and Safety Updates Enables the Board to assess the effectiveness of our safe working practices and behaviours	**OneDechra** All of the Board has access to our intranet, OneDechra, which contains news items posted by our employees on activities and achievements

Case Study:

Denmark Site Visit

In April, we held the Board, Remuneration and Nomination Committee Meetings in Uldum, Denmark. This was the Board's first site visit since the pandemic. Denmark was chosen as the warehouse expansion, which the Board had approved in the 2021 financial year, had been completed (see 2021 Annual Report). This was the first phase of the proposed seven step plan to the warehouse expansion plan and included the building of a new warehouse with an underground cold storage facility. The underground cold storage facility has replaced six refrigerated containers and external facilities. In addition, the capital expenditure of €7.0 million has delivered 1,200 sustainable cold storage pallet spaces in the basement and 6,600 ambient pallet spaces on the ground floor, providing a strategic and cost effective solution to meet our expected storage requirements for five to seven years.

On day one of the visit, the Designated Non-Executive Director for Employee Engagement and the Remuneration Committee Chair met with a group of employees from various departments. This provided the Board an opportunity not only to hear the views of the employees but also to experience the Culture of the organisation. On day two, the Board were taken on a site tour of the new warehouse facility by the EU Logistics Director and the Logistics Manager. This was followed by the opening of the facility by the spouse of the founder of the original business and the local mayor. All employees of the facility were present, which gave the Board further opportunity to engage with the employees.

Case Study:

Global Team Meeting

A Global Team Meeting was held in Knutsford, UK, at which 100 delegates from across the Group attended the three day event, 11 to 13 July 2022. Delegates came from as far afield as Australia and Brazil and represented each of our divisions (Corporate, Product Development, Regulatory Affairs, Manufacturing, DVP EU, DVP NA and DVP International). This provided the delegates an opportunity to share ideas and attend a number of presentations and workshops, which covered subjects such as market developments, sustainability, branding, regulatory and manufacturing updates.

The Board welcomed the opportunity to meet a number of colleagues from Dechra's businesses around the world. The restrictions set by COVID-19 have hampered the Board's ability to meet our people in their own markets; so to be able to meet both formally and informally was extremely rewarding.

Presentations in the Board meeting itself from the North America, International and Product Development teams gave the Board insight to the markets, the competitors and the priorities for the Dechra teams. It afforded the Board the opportunity to learn more and to gain insight into the challenges and opportunities in each area. Having all the team in the room to listen and comment on each other's data was hugely valuable and allowed them to gain an understanding of the unique characteristics at play in the various markets in which we trade.

Supplementing this were two opportunities over evening functions to meet and talk with colleagues in a much more informal setting. The Board were struck by the positive energy and commitment articulated consistently by Dechra people, whether long standing or new to the organisation. It is evident that the Culture at Dechra is a major asset in attracting and retaining high quality professionals and people spoke openly of the empowerment they feel, the ability to operate at pace that this affords and the support they feel from the Group.

Board Leadership and Company Purpose

Key Stakeholders

The Board is responsible, under section 172 of the Companies Act 2006, for promoting the long term success of the Company for the benefit of its shareholders, having regard to its stakeholders.

As disclosed above, our Delegation of Authority Policy outlines who is authorised to make decisions and financial commitments throughout the Group. This also supports our entrepreneurial nature and agile approach. Therefore, a lot of decisions relating to the business and stakeholder engagement are carried out below Board level. However, all material decisions are discussed and approved by the Board and the following provides an outline of some of the matters that the Board considered and engaged with our stakeholders on. The supporting Board papers for these decisions require an assessment on how the key stakeholders are impacted by the proposal. Further details on how the Board and the Group considers key stakeholders can be found on pages 52 to 63.

Shareholders

Principles:

The Board's principal role is to promote the long term success of the Company for the benefit of its shareholders.

How the Board Engages:

Direct:

- The Chair and Senior Independent Director are available to meet shareholders upon request, and all Directors normally meet shareholders at the Annual General Meetings
- The Chair and Senior Independent Director met an analyst group
- The Chair has engaged with institutional shareholders regarding the diversity of the Board
- Where material changes in respect of remuneration or governance are proposed, the Board seeks to consult with its major shareholders before implementing such changes. Post year end, the Remuneration Chair wrote to our major shareholders (approximately 68.8%) with regard to the proposed changes to the Executive bonus percentage and the Chair salary increase, both of which were in line with the Remuneration Policy
- A rolling programme of meetings between institutional shareholders and the Chief Executive Officer and Chief Financial Officer has been running throughout the year (a summary of the main events is on page 62). These meetings seek to foster a mutual understanding of both the Company's and shareholders' objectives

Indirect:

- The Board reviewed and considered feedback, collated by the Company's brokers, after investor roadshows
- Board approval is required for significant announcements
- The Stockbrokers and Financial Advisers attended the January meeting to update the Board on the market and a July 2022 meeting to advise the Board in relation to funding considerations

Influencing Decisions:

- During the year, we have discussed the financing of potential acquisitions and in particular the likely views of shareholders on the acquisition of Piedmont Animal Health, Inc., which increases the research and development spend of the Group. With regards to the financing of Piedmont, we discussed the quantum of the equity placing in light of shareholder views and market conditions

Employees

Principles:

The Board believes that the Group's employees are its greatest asset. Our ongoing objective is to continue to be a high performing business driven by highly skilled and committed teams. A key element of our People Plan is that we want Dechra to be a great and safe place to work.

How the Board Engages:

Direct:

- Site Visit to Uldum, Denmark (see case study on page 94)
- Dinners with Senior Executive Team (SET) in the UK and senior leaders in Denmark
- Chair visited the offices at Sansaw and Northwich and the manufacturing site at Skipton where she attended the senior leaders meeting
- Lisa Bright, the Non-Executive Director designated for employee engagement, attended seven meetings (see Employee Engagement Update)
- 25th Anniversary/Global Team Meeting, which was attended by 100 employees from across the Globe, representing all divisions

Indirect:

- The Group HR Director provided an update to the Board in April 2022 on the Future Facing Leaders programme
- The Board met formally with the SET for business updates
- Twice a year a comprehensive Health and Safety Report is provided to the Board for its review
- Global SAYE was launched in September 2021 with a participation rate of 38.4%
- Lisa Bright, the Non-Executive Director designated for employee engagement, provided three reports to the Board

Influencing Decisions:

- Remuneration payouts for Executive Directors, pension contributions and to be a living wage employer
- Capital investments such as DPM&S ERP system which will require additional employees to resource the project (see case study on page 99)
- Approval of the Global SAYE scheme to increase employee ownership

Customers

Principles:

To innovate, develop, register, manufacture, supply and market high quality products to the veterinary profession worldwide. We provide high levels of service, technical support and educational training to develop a strong relationship with, and be recognised as an important partner to, veterinarians.

How the Board Engages:

Direct:

- Meet UK wholesaler and EU Buying Group at Strategy Day

Indirect:

- Each of the SET members for DVP EU, NA, and International has provided in-depth presentations on their markets, customer requirements and customer consolidation. DVP EU presented a summary of the customer insights research
- Approval of licensing arrangements, which will bring new technologies and products into our pipeline and product portfolios
- The Board reviews the Product Development Pipeline twice a year and the Business Development pipeline at every meeting
- The Board discussed the various initiatives taken by manufacturing to enable products to be delivered more quickly to the market from the product development pipeline
- Two Quality updates were provided, which covered both the internal and external sites
- Feedback on our customer interactions was provided by the Non-Executive Director Designated for Employee Engagement following meetings held with sales representatives and leaders

Influencing Decisions:

- Executive Directors approved the Manufacturing budget, which included additional people resource in Manufacturing and in particular in Quality to enable products to be released in a timely manner
- DPM&S ERP system will improve planning and supply reducing risk around product delivery and reducing the likelihood of delays and backorders

Board Leadership and Company Purpose

Suppliers

Principles:

The Company is committed to acting responsibly and with integrity, respecting the laws and regulations of the countries in which it operates. It expects its suppliers to trade with honesty and integrity.

How the Board Engages:

Direct:

- The Board reviewed and approved the Modern Slavery Statement and Human Rights Policy
- The Audit Committee receives updates on the Anti-Bribery and Anti-Corruption (ABC) risk assessments of third parties, and reviews and approves the ABC policy and Third Party Code of Conduct

Indirect:

- The Group Manufacturing and Supply Director presented to the Board and this included a discussion on the Contract Manufacturing Organisation strategy
- The Board has discussed, as part of the budget approval process, the rising cost of raw materials and energy as well as the Group's strategy with regards to alternative sources of energy

Influencing Decisions:

- The Board approved a CMO contract for the manufacture, testing, release and supply of approximately 80 products, which would maintain the supply of products to customers; maintain one of the key partner relationships by providing clear contract terms; and guarantee supply from a key supply partner to drive the profitability of the business going forward

Community

Principles:

The Board encourages the business units to contribute to the social and economic welfare of the local communities in which they operate. It recognises that by taking voluntary action in this area it is helping to protect and develop its own business.

How the Board Engages:

Direct:

- Executive Directors attend community days

Indirect:

- The Chief Financial Officer provided an update of the progress of the ESG Committee in implementing the Sustainability strategy, including the various working groups, the setting of targets and the approach taken with regards to the recommendations of the Task Force on Climate-related Financial Disclosures
- The Board is informed of the Group donations made to local communities and these are made subject to our Group Donations and ABC policies
- The Group Sustainability Director provide an update of the progress of the Sustainability strategy at the Strategy day

Influencing Decisions:

- The Board supported the Science Based Target initiative application

Case Study:

Principal Decisions

DPM&S ERP System

Customers People Shareholders Suppliers

Background

In December 2021, the Board was asked to consider the implementation of a fit for purpose ERP system for DPM&S, as there were various ERP systems across the organisation, which were not harmonised and were receiving different levels of support. The capital implementation costs were expected to be £21.2 million, which under the delegation of authority and schedule of matters required Board approval.

Stakeholder Considerations

In consideration of section 172 duties it was noted that the project was in line with the strategic drivers and enablers and:

- it would provide an information source which will enable easier collaboration for complex processes across DPM&S with a repository of information in one system. This will ultimately increase employee productivity and job satisfaction. Training would be provided to all employees who would be system users, which would require a time commitment from the employees;
- the approach would allow better visibility and management of suppliers globally, and processes such as invoice payment and billing would be made more efficient;
- the improvements in planning, supply and manufacturing processes would enable
  - products to reach the customer more quickly and consistently. The improvement in planning and supply systems would mean reduced risks around product delivery and a reduction in the likelihood of significant delays and back orders. In the longer term, more efficient and effective planning, supply and manufacturing systems would increase the consistency of supply and reduce the overall cost of supply;
  - faster and more consistent supply with reduced quality events and lower cost; this would enhance shareholder value through greater financial efficiency and a better reputation within the markets in which we operate. The new system would also support future acquisition and growth, providing a Dechra platform and regulatory and quality framework (system and business processes) to integrate new products and entities. This would further enhance shareholder value; and
- although no major impact was expected on the Community, the reduction on the reliance on paper based systems (and associated storage) would help further the sustainability agenda.

Outcome

The Board approved the chosen ERP solution for DPM&S, the recruitment of resource to the project delivery team (critical path constraint) including the backfilling of any substantive roles; and that the governance and oversight of the project be delegated to the Steering Committee who would provide periodic progress updates to the Board.

The Board agreed that the ERP solution would facilitate the delivery of DPM&S strategic objectives, and it would also underpin the strategy to support growth by facilitating previous and future acquisitions (products and entities), which are, and can be, integrated into a harmonised system with common and consistent processes by using a common operating platform. The adoption of one core business application across all DPM&S sites will harmonise and significantly improve existing business processes, facilitate faster and more effective time to market for new products and market extensions. It will allow the collection, interrogation and reporting of key performance data, which will increase regulatory compliance, reduce supply risk, identify key business trends and facilitate cost reduction through having a common, consistent and real time data source. It also allows the adoption of a cloud approach, which will future proof this major and critical investment for the Group.

Board Leadership and Company Purpose

Case Study:

Principal Decisions

Acquisition of Piedmont Animal Health, Inc

Customers People Shareholders

Background
Originally, the Group were in negotiations to acquire the global rights to a novel new injectable indicated for cats for treatment of upper respiratory infections. Further analysis and engagement with the sellers highlighted the attractiveness of the wider opportunity to acquire the remaining product portfolio of Piedmont Animal Health, Inc (Piedmont). In April 2022, the Board was asked to consider a non-binding offer for Piedmont, which was in line with the Pipeline Delivery strategic driver.

Stakeholder Considerations
In considering section 172 duties the Board noted:

- the increasing challenges in recruiting highly experienced development and regulatory staff. The acquisition would bring a new team of people whose main priority would be to focus on the Piedmont projects and add strength and expertise throughout the Group;
- the novel pipeline is complementary to Dechra's existing CAP portfolio, providing the opportunity to strengthen significantly Dechra's presence in key therapeutic areas of dermatology, pain management and anti-infectives, which will assist with retaining Dechra's margin profile; and
- the provision of specialist novel products is the basis for Dechra's strong relationship with veterinarians, which in turn allows us to sell branded generic products.

Outcome
The Board approved the non-binding offer and the subsequent acquisition. The acquisition of Piedmont for $210 million (£175 million) completed post year end on 25 July 2022. Integration commenced in August 2022, and updates will be provided to the Board in the 2023 financial year.

Case Study:

Principal Decisions

Equity Placing

Shareholders

In June 2022, we reviewed the funding considerations in relation to the acquisition of Piedmont and the future acquisition pipeline. Over the course of four meetings, and after reviewing a number of financing options, we agreed that a placing and a retail offer (together the Capital Raise) would provide balance sheet flexibility to fund the acquisition of Piedmont and execute on an active acquisition pipeline thereafter. Our brokers, Investec Bank plc, attended two of the meetings to provide advice on market and other funding considerations.

Stakeholder Considerations
In considering our S172 duties, the Board noted that the Capital Raise would:

- allow the Group to have the necessary funds for the acquisition of Piedmont and other potential acquisitions which are in line with the Group's strategy of Pipeline Delivery, Portfolio Focus and Acquisition as well as the Manufacturing Enabler; and
- at the same time enable the Company to maintain the previously communicated strategy of maintaining leverage below 2 times, or for the right acquisition 2.5 times, as long as the Company was able to return leverage to below 2 within a 12 month reporting period.

It was agreed to provide a retail offer to enable non-institutional investors to participate in the Capital Raise.

Outcome
Post year end, the Group raised gross proceeds of approximately £184 million through a non-pre-emptive placing of 5,247,813 new ordinary shares and issue of 116,870 new ordinary shares via a retail offer, which together represents approximately 4.9% of the existing issued share capital.

Employee Engagement Update

Lisa Bright

Areas of Focus
- Focused discussion on specific areas identified through the Great Place to Work (GPTW) employee survey, in particular wellbeing and ESG
- Broadening engagement
- Resuming scheduled site visits in addition to remote discussions

Meetings with Employees
- Great Places to Work Discussion groups: Remote attendance at four sessions in Skipton (UK), Fort Worth (US) and Bladel (Netherlands)
- Logistics: In person meeting with representatives at our Uldum site (Denmark)
- Europe: In person attendance at the European Senior Leadership meeting over two days
- International: Remote discussion with members of International team
- Monthly discussions with the Group HSE Director and Group HR Director

Our Approach
At the beginning of the year, the Board agreed priority areas of focus for employee engagement. We incorporated the governance of the Designated NED activities into the Nomination Committee as well as providing a summary to the broader Board. The excellent feedback from the GPTW provided us with a great platform to engage with employees as they worked through the feedback and agreed priority actions at a local level. The ability to resume in person visits has provided an opportunity to attend larger events as well as combine Board meetings with broader site visits.

Key Themes and Highlights:
- As reflected in the result of the GPTW survey, staff engagement and morale generally remain high, with only a few areas of concern where management has prioritised action
- Gratitude for colleagues, especially those in manufacturing and distribution, who enabled continuity of supply during lockdown under difficult circumstances
- Establishing a new normal in terms of working practices with the reopening of offices and access to our customers, whilst retaining the benefits and innovative practices that remote working created. In particular, supporting leaders to be mindful of colleagues' wellbeing and adapting the ways we work to be more customer centric
- Increasing communication internally as Dechra grows in scale and complexity to maintain our culture and values
- A strong commitment to our ESG plans

Plans for 2022/2023 Financial Year
- Expanding in person and remote conversations with delegates across functions and geographies
- Confirming actions arising from the GPTW survey have been delivered by management
- Creating further opportunities for employee development
- GPTW survey scheduled for March 2023
- Attend Future Facing Leaders course

Board Leadership and Company Purpose

Workforce Policies and Practices

The Board or the relevant Committee reviews all key policies/handbooks on an annual basis, these include the Code of Conduct, Dignity at Work Policy, Health and Safety Policy, Travel and Entertainment Policy and How to Raise a Concern Procedure. These reviews concluded that all policies/handbooks were operating effectively.

Our internal Code of Conduct includes a set of simple one page policy documents, which are summaries of the main Group policies. A Code of Conduct e-learning course has been developed and was rolled out in English at the end of June 2021, and was translated into eight languages rolled out globally in January 2022. It is a global mandatory course completed on an annual basis.

The Dechra Health, Safety and Wellbeing (HSW) Committee remit is to reinforce our culture of zero harm across the entire business, which involves employees being engaged in the design and ownership of health, safety and wellbeing programmes and providing them with the confidence to challenge unsafe behaviours.

The HSW Committee has continued to develop the wellbeing strategy, THRIVE, which provides centralised guidance with local deployment with:

- foundation elements of the wellbeing programme being mandatory and non-negotiable;
- employee driven by local country requirement or market driven expectation; and
- optional elements driven by population at facility.

Further details of which can be found on page 58.

The wellbeing programme is particularly important, as following the results of the Great Place to Work survey, one of the two key areas of focus Group-wide is wellbeing. With this is mind, we have provided a subscription to all employees to a third party app to support Emotional Wellbeing, and developed an online training module aimed at Line Managers to help them identify issues relating to wellbeing and signpost employees to the right place for support. Regular communications around employee wellbeing have been posted to the Group's intranet and our confidential Employee Assistance Programme has remained available to all.

How to Raise a Concern

The Board is committed to the highest possible standards of openness, integrity and accountability and encourages any individual who has genuine concerns about any form of malpractice, including any breaches of the Values, within Dechra (or in relation to its business) to raise those concerns at an early stage via its How to Raise a Concern procedure.

In December, the Board approved the amended How To Raise a Concern procedure which had been updated in light of the changes to the EU Directive on Whistleblowing. Dechra has adopted the changes proposed by the Directive due to the number of its operations that are within the EU. In addition, the Board approved the launch of a third party confidential hot line, which went live globally in April 2022, and is available to both employees and Dechra's third parties. Reports can be submitted through an online portal, which is available in 46 languages, or via a hotline, which is manned twenty-four hours a day and is supported in 170 languages. All reports are treated with utmost confidentiality by independent staff, who will summarise the content of the call or online report and pass it to the Company Secretary, the Group HR Director and the Head of Internal Audit and Assurance for investigation.

This now means that we offer five reporting channels for concerns to be raised: Line Manager; the Senior Management Team; Group Management Team; a mailbox accessed only by the Company Secretary; and a confidential hot line. Every effort is made to protect confidentiality to encourage reporting. We fully investigate reports and take appropriate actions to address these. A summary of any reported concerns is provided to the Board.

Constructive use of the Annual General Meeting

The 2021 Annual General Meeting was held at offices of the Company in Northwich. In addition, we offered a live webcast to enable shareholders to watch the Meeting virtually, subject to prior registration. Shareholders were provided with the opportunity to submit questions in advance of the meeting with the view that the Board would respond to those questions via the website or at the Meeting. No questions were submitted and no shareholders used the online facility.

All members of the Board are scheduled to attend the Annual General Meeting (the Meeting) and the Chairs of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting.

The 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. The results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Company's website.

Conflicts of Interest and External Board Appointments

Under the Companies Act 2006 (the 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. As permitted under the Act, the Articles of Association of the Company enable the Directors to consider and, if appropriate, authorise any actual or potential conflict of interest which could arise.

The Board has established procedures for the disclosure by Directors of any such conflicts, and also for the consideration and authorisation of these conflicts. Directors are required to submit any actual or potential conflicts of interest they may have with the Company to the Board. The non-conflicted Directors are able to impose limits or conditions when giving or reviewing authorisation. The Board reviews the Conflicts of Interest register annually and on an adhoc basis when necessary. Any potential conflicts of interest are considered by the Board prior to the appointment of new Directors. During the financial year under review, no actual conflicts have arisen.

None of the Executive Directors have external Board appointments.

Alison Platt
Non-Executive Chair
5 September 2022

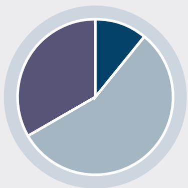
Division of Responsibilities

Division of Responsibilities

The Board oversees the effective delivery of our strategy, which is developed and implemented by the SET. Further details of the Board and SET can be found on pages 88 to 91.

Board Membership

Details of the Directors, together with details of their respective Committee membership, skills and experience, backgrounds and external appointments can be found on pages 86 and 89, and on the website. As detailed in the pie chart below, the Board consists of one Non-Executive Chair, five Non-Executive Directors and three Executive Directors.



Two of the Non-Executive Directors have exceeded nine year tenure, Julian Heslop in January 2022 and Ishbel Macpherson in February 2022. On the resignation of Denise Goode in November 2021, Julian agreed to remain on the Board until a successor for the role of Audit Committee Chair could be appointed. In January 2022, the Board concluded that both Julian and Ishbel remained independent due to the fact that Julian had indepth financial expertise and had consistently shown independent judgement, and Ishbel's knowledge and understanding of City matters gained over 20 years' experience as an investment banker provided an independent view on the Board discussions on financing and the financial risks of acquisitions. Therefore, in line with the Code, at least half the Board, excluding the Chair, is determined by the Company to be independent. The Chair was deemed independent on appointment in accordance with provision 10 of the Code. Following the appointment of Alison Platt as Chair of the Company, Lawson Macartney was appointed the Senior Independent Director. Julian is retiring from the Board on 5 September 2022.

The Board has determined, following the results of the internal Board evaluation, that the Non-Executive Directors have sufficient time to meet their Board responsibilities and any proposed new appointments are disclosed to the Board, for their approval, to assess whether there are any conflicts of interest or time.

The Board has formally delegated specific responsibilities to Committees, namely the Audit, Remuneration, Nomination and Disclosure Committees. The Disclosure Committee members are the Chief Executive Officer, the Chief Financial Officer, the Corporate Development Director and the Company Secretary. The full terms of reference for each of these Committees are available on the Company's website (www.dechra.com) or on request from the Company Secretary. Other matters have been delegated to the SET and other committees such as the Data Protection Committee, ESG Committee, Strategic Portfolio Prioritisation Committee and Treasury Committee.

The SET is led by the Chief Executive Officer and is comprised of the three Executive Directors and the Business Directors responsible for leading each of the Group's key functions. The SET is scheduled to meet formally four times a year to discuss the implementation of the strategy, share best practice and provide updates on their business or function, as well as sharing market trends which impact the business.

Board Meetings

The Board is scheduled to meet seven times per year. During the year, three additional meetings were held to discuss the 2022 financial year Budget, financing and proposed acquisition targets. The scheduled June 2022 meeting was postponed to July 2022 to coincide with the Global Team Meeting and the attendance at the Board meetings during the year includes the July meeting. Where Directors cannot attend a meeting, the Board papers are still provided allowing the Director to raise any queries or discussion points through the Chair. A schedule of the number of meetings and attendance can be found on page 87. Julian Heslop was unable to attend an adhoc meeting due to a prior commitment. However, he provided the Board with his comments and questions on the subject matter under discussion.

The Non-Executive Directors meet informally before every meeting. They also meet once with the SET on an informal basis during the year.

Should Directors have concerns of any nature, which cannot be resolved within the Board meeting, they have the right to have their view recorded in the minutes. In the months where there is no Board meeting scheduled, an update is provided on the business. In addition, arrangements are in place should Board approval be required outside of the scheduled meeting dates.

Division of Responsibilities

The Dechra Board

Key Responsibilities

The Board is collectively responsible for the long term sustainable success of the Company for the benefit of shareholders taking into account the impact of its decisions on the other stakeholders and the environment by:

- setting the strategy and overseeing its implementation
- monitoring the overall financial and operational performance of the Group
- establishing a framework of prudent and effective controls, which enable risk to be assessed and managed
- establishing the Company's purpose, values and culture, and promoting the desired behaviours
- establishing an effective corporate governance framework

The Board Activities Table details the actions in relation to the above.

Details relating to the formal schedule of matters reserved for the Board can be found on page 92 and on our website.

The Board has delegated certain matters to the following Board Committees

Audit Committee
The Audit Committee's key role is to review and report to the Board on financial reporting and internal financial control effectiveness, and to monitor the effectiveness of the external audit process and internal audit function.

Read more on pages 117 to 124

Nomination Committee
The purpose of the Nomination Committee is to lead the appointment process, satisfy itself that plans are in place for orderly succession for appointments to the Board and senior management, and oversee the development of a diverse pipeline for succession.

Read more on pages 107 to 116

Remuneration Committee
The Remuneration Committee's key role is to determine remuneration policies, that are designed to support strategy and promote long term sustainable success, and set the remuneration of the Company's Chair, Executive Directors and Senior Executive Team.

Read more on pages 125 to 150

Disclosure Committee
The Disclosure Committee's key role is to develop and maintain adequate procedures, systems and controls to comply with the Company's obligations regarding identification and disclosure of inside information.

Other Key Committees

Treasury Committee
To establish, implement and monitor compliance with Treasury Policies as approved by the Audit Committee.

Data Protection Committee
To oversee and implement the Data Protection Policy and accompanying policies, handbooks and procedures.

To monitor compliance with the GDPR and other data protection laws, and with the Policies.

ESG Committee
To oversee the development of, and to make recommendations to, the Board regarding the Group's Sustainability strategy, establish objectives and targets for the Group's ESG activities, and oversee the measurement and reporting of performance against these targets.

Health Safety and Wellbeing Committee
To recommend and monitor the implementation of priorities to management and employees to achieve Zero Harm across the Group; actively monitor, measure, review and report on Health, Safety and Wellbeing compliance and performance.

Senior Executive Team

- Leads the development and implementation of the business strategy.
- Manages day-to-day operations of respective functions.

1
Non-Executive Chair

- Leads the Board in the determination of Group strategy and achievement of its objectives;
- Drives the effectiveness of the Board in all aspects of its role;
- Facilitates the effective contribution of the Non-Executive Directors, enabling all decisions to be subject to constructive debate and supported by sound decision making processes; and
- Arranges for shareholder views to be brought to the attention of the Board.

2
Chief Executive Officer

- Manages day-to-day operations of the Group and leads the Senior Executive Team (SET);
- Drives performance and results of the Group;
- Proposes strategy; and
- Executes strategy agreed by the Board.

3
Chief Financial Officer

- Responsible for IT, financial planning and reporting for the Group;
- Manages financial risk;
- Develops and executes the strategic plan in conjunction with the Chief Executive Officer;
- Secures funding as required; and
- Nominated Director for health, safety and environmental matters.

4
Managing Director Dechra Veterinary Products (DVP) EU

- Management of the segment which contributes the majority of Group revenue; and
- Development and execution of strategy in the EU.

5
Designated Non-Executive Director for Employee Engagement

- Gathers and understands the views of the workforce; and
- Enables the voice of the workforce to be heard in the boardroom.

6
Company Secretary

- Advises the Board on matters of procedure and governance;
- Provides all required information to the Board on a timely basis;
- Enables information flows between the SET, the Board and its Committees;
- Provides support to the Chairman and Non-Executive Directors; and
- Responsible for compliance with relevant statutory and regulatory requirements.

7
Non-Executive Director

All of the Non-Executive Directors:
- are considered independent;
- are free of any business or other relationship which could materially interfere with, or compromise, their ability to exercise independent judgement;
- are considered to have 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;
- provide an independent and constructive challenge; and
- evaluate strategy and risks.

8
Senior Independent Non-Executive Director

- Provides a sounding board for the Chair and is available to shareholders if they have concerns that have failed to be resolved through the normal channels;
- Leads the annual evaluation of the performance of the Chair by the Non-Executive Directors; and
- Chairs the Nomination Committee when it is considering the succession of the Chair.

Division of Responsibilities

Board Activities

At each meeting the Board receives trading, financial and strategic updates from the Chief Executive Officer and Chief Financial Officer. During the year, each SET member will present to the Board, providing the Board the opportunity to take a deep dive into the operations and strategic plans of the respective businesses, as well as reviewing their specific risks. In addition to its routine business, the table below details the other matters discussed during the year and the respective key stakeholders affected.

Key responsibility	Key activities, discussions and outcomes in 2021/2022	Stakeholder	Strategic Driver/Enabler
Setting the strategy and overseeing its implementation	• Full Strategy Review and approval of five year plan	Customers, People, Shareholders, Suppliers	Pipeline Delivery, Portfolio Focus, Geographic Expansion, Acquisitions
	• Bi-annual update on product pipeline and product development	People, Shareholders	Pipeline Delivery
	• Incorporation of new subsidiaries in Korea and Switzerland	Customers, People	Geographic Expansion
	• Approval of Acquisition Proposals	Customers, People, Shareholders	Acquisitions
Monitoring the overall financial and operational performance of the Group	• Approval of 2021 Full Year Results, final dividend recommendation, 2022 Half-Yearly Results and interim dividend	Customers, People, Shareholders, Suppliers	
	• Functional presentations from the SET, Head of Legal, Business Development Director, Regulatory Affairs Director and DPM Internal Sites Director	Customers, People, Shareholders, Suppliers	Pipeline Delivery, Portfolio Focus, Geographic Expansion
	• Approval of the 2022/2023 budget and capital expenditure projects	People, Shareholders	Pipeline Delivery, Portfolio Focus
	• Consideration of private placement and equity placing	Shareholders	Acquisitions
Establishing a framework of prudent and effective controls, which enable risk to be assessed and managed	• Approval of Half Year and Full Year principal risks and emerging risks	Customers, People, Shareholders, Suppliers	Pipeline Delivery, Portfolio Focus, Geographic Expansion, Acquisitions
	• Presentations from the SET on their respective risks	Customers, People, Shareholders, Suppliers	Pipeline Delivery, Portfolio Focus, Geographic Expansion, Acquisitions
	• Risk Assessment Review and Viability Statement review	Shareholders	Pipeline Delivery, Portfolio Focus, Geographic Expansion, Acquisitions
	• Review and approval of Schedule of Matters and Delegation of Authority	People, Shareholders	
	• Insurance renewal update	Shareholders	People, Manufacturing and Supply Chain
	• Quality Updates and approval of DPM&S ERP system	Customers, People	Manufacturing and Supply Chain
Establishing the Company's Purpose, Values and Culture, and promoting the desired behaviours	• Review and approval of the people strategy and employee engagement	People	People
	• Review of the bi-annual Health and Safety Report	People	People
	• Review and approval of Modern Slavery Statement	People, Suppliers	People, Manufacturing and Supply Chain
	• Review and approval of How To Raise Concern Procedure and Reports	Customers, People, Suppliers	People
Establishing an effective corporate governance framework	• Review of Disclosure Committee's Terms of Reference, Share Dealing Code and Inside Information Policy	Shareholders	
	• Review and approval of Group Policies, such as the Code of Conduct and Approval of the Anti-Trust Policy and Group H&S Policy	Customers, People, Suppliers	People
	• Approval of appointments of Non-Executive Director, Chair and Committee membership and Committees' Terms of Reference	People, Shareholders	People
	• Review of Task Force on Climate-related Financial Disclosures	Customers, People, Shareholders, Suppliers	ESG
	• Review of 2022 Internal Board Evaluation	Shareholders	

Stakeholder Key:

Customers People Shareholders Suppliers

Strategic Driver/Enabler Key:

Pipeline Delivery Portfolio Focus Geographic Expansion Acquisitions Manufacturing and Supply Chain Technology People ESG

Details relating to the formal schedule of matters reserved for the Board can be found on page 92 and on our website.

Alison Platt
Non-Executive Chair
5 September 2022

Composition, Succession and Evaluation

Letter from the Nomination Committee Chair

5

Nomination Committee Meetings Held

Areas of Focus This Year

- Diversity
- Board appointments and succession planning
- SET succession planning and leadership needs of the Group

Key Responsibilities

- To oversee the development of a diverse pipeline and to satisfy itself that plans are in place for orderly succession
- To recommend appointments to the Board
- To review the results of the performance evaluation of the Board, its individual members and its Committees

Read more about Our Committee Membership and Attendance on page 87

Dear Shareholder

On behalf of the Board, I am pleased to present this year's Nomination Committee (the Committee) report.

Succession Planning

There have been a number of Board changes in the 2022 financial year. In September 2021, the Company announced that Tony Rice wished to retire from the Board. Following a comprehensive search process, I was pleased to be appointed as Chair with effect from 1 January 2022. Tony retired on 31 December 2021.

Denise Goode decided to tender her resignation, in November 2021, and Julian Heslop resumed the role of Audit Committee Chair whilst a successor was appointed. John Shipsey was appointed as a Non-Executive Director on 1 June 2022. He brings a wealth of financial and commercial experience to the business and will replace Julian Heslop as Audit Committee Chair on 5 September, at which point Julian will retire from the Board.

The Remuneration Committee Chair (previously the Senior Independent Non-Executive Director), Ishbel Macpherson, will be retiring in the 2023 financial year. The commencement of the recruitment process for a new Remuneration Committee Chair was delayed as the Committee's first priority this year was to find a replacement Audit Committee Chair.

There have also been a number of changes in the Senior Executive Team (SET), which included the retirement of Susan Longhofer as Chief Scientific Officer on 31 December 2021. Her replacement, Patrick Meeus, commenced employment with Dechra on 1 July 2022.

Diversity

Dechra is committed to building high performing diverse teams at all levels in the organisation. As a Board our focus is to further our diversity through the planned succession process and we will work hard to broaden the Board's make up further over the coming year. To assist us in this, as stated in our 2021 Annual Report, we have worked with an external recruitment company to identify future potential candidates from a wide range of backgrounds, cultures, and experience. This has always been our plan and prior to our recent elevation into the FTSE 100 (December 2021) we were on track to meet and indeed exceed

Composition, Succession and Evaluation

the target and deadline of 2024 (the Parker Review target date for FTSE 250 companies). Cognisant of the Parker Review requirements and the new listing requirements regarding diversity targets, the Committee has retained Audeliss, an executive search firm for diverse talent, to assist with the recruitment of a Remuneration Chair.

Composition
The Committee believes that the Board continues to have the appropriate skills, knowledge and experience to oversee the effective delivery of our strategy. The Committee also believes that the Group has an experienced SET to lead the development and implementation of this strategy.

Internal Evaluation
During the financial year, I have led the annual Board evaluation, which was an internal evaluation, with the support of the Company Secretary and Senior Independent Director as appropriate, the details of which can be found on pages 115 and 116 of this report.

The following report provides an overview of the work carried out during the year under review.

Should you have any questions in relation to this report or the Committee, please contact me or the Company Secretary.

Alison Platt
Non-Executive Chair
5 September 2022

Purpose
The purpose of the Committee is to lead the appointment process, satisfy itself that plans are in place for orderly succession for appointments to the Board and Senior Management, and oversee the development of a diverse pipeline for succession.

Membership, Meetings and Attendance
The membership of the Committee, together with appointment dates and attendance at meetings during the year, is set out in Governance at a Glance. John Shipsey joined the Committee on his appointment to the Board in June 2022, and Denise Goode resigned from the Committee on her resignation from the Board on 30 November 2021. Tony Rice resigned from the Committee on his retirement from the Board on 31 December 2021. Alison Platt was appointed Chair of the Committee on 1 January 2022 on her appointment as Chair of the Company; following this appointment, on 1 March 2022, Lawson Macartney was appointed the Senior Independent Director.

All Committee members are Non-Executive Directors, and are deemed to be independent. Other attendees at the meetings include the Chief Executive Officer, the Group HR Director and the Company Secretary (who acts as secretary to the Committee).

The Chair does not chair the Committee meeting if it is dealing with the appointment of her successor. The Senior Independent Director, Lawson Macartney, takes the chair when required.

Effectiveness of the Committee
The Committee's performance was evaluated as part of the 2022 Board and Committee internal evaluation (further details of which are provided on page 115 of the Governance Report). The findings of the internal evaluation were presented to the Committee for discussion at the April and the July 2022 meetings. The Committee considered the results and it was agreed that the Committee remained effective and was covering all areas within its remit. However, it was acknowledged that more time should be allocated to enable enough focus and time to be given to agenda items and for regular discussions between Non-Executive Directors and the Chief Executive Office to be held to discuss the SET's development. In relation to concerns raised, the Nomination Committee's meetings have been rescheduled so that they are the first meeting of the day, and the Chief Executive Officer has attended one meeting with Non-Executive Directors to discuss the development of the SET.

Role and Responsibilities
The role and responsibilities of the Committee are set out in the written terms of reference, which are available on the Company's website at www.dechra.com. The Committee's terms of reference are reviewed on an annual basis. During the 2022 financial year, this took place at the February meeting, and the terms of reference were updated to cover the fact that the Designated Non-Executive Director for Employee Engagement would report into the Nomination Committee, as well as the Board, going forward. It was noted that there was a technical non-compliance with the terms of reference as both Julian Heslop and Ishbel Macpherson had exceeded the nine year tenure limit in January and February 2022, respectively. The Board concluded both remained independent due to the fact that Julian had in-depth financial expertise and had consistently shown independent judgement, and Ishbel's knowledge and understanding of City matters gained over 20 years' experience as an investment banker and subsequent other board experience provided an independent view on the Board discussions on financing and the financial risks of acquisitions. An overview of the terms of reference is detailed on pages 104 and 107 of the Governance Report.

The Committee provides a report to the Board on its activities at the Board's next scheduled meeting.

Major Activities of the Committee during the Year

The Committee met five times since the last Annual Report was issued, three of these meetings were scheduled and two were ad hoc and dealt with the nomination of a Non-Executive Director. The Committee Chair and the Company Secretary have developed an annual programme of business. This allows the Committee to consider standing items of business alongside any exceptional matters that may arise during the course of the year.

The table below shows the other key areas of the Committee activities:

Purpose and Function (see page 108)	• Review of the Committee's terms of reference	• Review of the effectiveness of the Committee
Composition (see pages 109 to 113)	• Review of Board skills, knowledge and experience	• Recruitment of Non-Executive Director • Appointment of Chair
Succession (see pages 113 and 114)	• Consideration of Non-Executive Directors' tenure	• Review of SET succession plans and leadership needs
Evaluation (see pages 114 and 115)	• Review of composition of the Board	• Review of Director effectiveness
Diversity and Inclusion (see pages 112 and 113)	• Review and approval of the Diversity Policy	• Review of the Dignity at Work Policy

Composition

The Board seeks to ensure that both the Board and the Committees have an appropriate composition to manage their duties succession issues effectively. It supports diversity in its broadest sense and considers it an essential driver of Board effectiveness. The Board recognises it is important that its composition is sufficiently diverse and reflects a wide range of knowledge, skills and experience. The Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least once a year and, usually at the June meeting, which this year was postponed to July to tie in with our 25th Anniversary Celebration and Global Team Meeting. Both the Audit Committee and Remuneration Committee undertake an annual review of their composition, and any concerns would be reported to the Board.

Board Skills, Knowledge and Experience

Following the review of the Board, the Committee concluded that the Board had a combination of skills, experience and knowledge as illustrated in the diagram on this page. The Non-Executive Directors have relevant and complementary expertise, including industry and listed company experience, international markets, finance, corporate finance, pharmaceuticals, sales and marketing. Lawson Macartney is a veterinarian by training with a pharmaceuticals background, which allows him to give excellent insight into the customer base and the products. The Executive Directors are highly regarded for their contribution to the Board, insights into the business, and their high level of transparency and openness.

The Committee concluded that the Board is deemed to be of an appropriate size, and any increase in size is temporary to allow for effective succession, and for the wealth of knowledge and experience of the outgoing Non-Executive Directors to be shared with the new Non-Executive Directors. The internal evaluation found that the Non-Executive Directors continue to provide an excellent range of relevant and complementary skills.

Training

Regular briefings are provided to the Directors, which cover a number of legal and regulatory changes and developments relevant to each Director's area of responsibility. In addition, the Company Secretary informs the Directors of any external training courses which may be of relevance, and all Directors are encouraged to raise any training needs with the Company Secretary. The Remuneration Committee has been provided with updates from Deloitte LLP. In addition, all new Directors are encouraged to enrol on the Deloitte Academy, which provides a wide-ranging programme of technical briefings and education.

Paul Sandland completed the Wavelength Connect programme, which focuses on the future of businesses, in the 2022 financial year. This programme allowed Paul to meet and interact with a wide range of leaders from other successful innovative companies with the opportunity to share experiences and learnings from them.

Each Director is entitled, upon request, to receive information to enable them to make informed judgements in order to discharge their duties adequately. 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.

Composition, Succession and Evaluation

In order to assist the Board in maintaining 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. Following two years of COVID-19's restrictions on travel, the Board were able to resume this practice and visited the logistics centre in Uldum, Demark. Prior to the Board meeting, the Designated Director for Employee Engagement and the Remuneration Committee Chair met with a group of employees from this site (further details can be found on page 94). During the visit the Board had a tour around the new warehouse, which the Board had approved in September 2020, and met employees at the opening ceremony as well as attending a dinner with the senior management team.

Board Appointments

The Board understands the importance of balance and refreshment in terms of its composition and keeps these matters under review.

As part of the Committee's overall succession discussions, it was agreed to identify potential successors for the role of the Chair of the Company, and a horizon scan was undertaken for potential candidates should the Chair of the Company decide to retire. As part of this exercise, the recruitment consultant, Heidrick & Struggles interviewed Alison Platt and provided feedback to the Committee on her suitability as a potential candidate. The Committee agreed that although Alison had been identified as an excellent candidate, further candidates would be identified when the Chair notified the Board that he wished to retire. Following the announcement on 6 September 2021 that the Chair wished to retire, the Committee commenced a recruitment process and a shortlist, which included Alison Platt, was approved by the Committee for the interview process. The Committee was pleased to recommend to the Board that Alison Platt be appointed as Chair of the Company.

Following the resignation of Denise Goode, the Committee commenced the recruitment of an additional Non-Executive Director who would both further strengthen the Board and also have the relevant experience required for the role of an Audit Committee Chair. An independent recruitment consultancy, Odgers Berndston (Odgers), was retained. Odgers was provided with a role description, detailing the skills (both cognitive and personal strengths) and experience required for the role of Audit Committee Chair. The Committee, in drafting the role description, took into account the challenges and opportunities facing the Group and what skills and expertise were needed. In particular, it was determined that the individual should have relevant financial experience in an international company. In addition, they were required to have a broad business experience and be a good fit with the culture and values of the Company. The search produced two outstanding potential candidates who went through the full scrutiny process. We were pleased that John Shipsey was appointed to the Board on 1 June 2022.

The Committee recommended the appointment of John due to his wealth of financial and commercial experience in the business following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC and a number of senior finance and strategy roles over 20 years.

Odgers was previously retained in 2020 in relation to the recruitment of the DVP EU Finance Director, and Heidrick & Struggles was previously retained in 2019 in relation to the recruitment of the Group Financial Controller. Neither recruitment consultants have any other connections with the Company or individual Directors.

Audit Committee Chair Appointment Process

1 Nomination Committee

One of the criteria was that the candidates should have financial experience in an international company, as well as broad business experience and be a good fit with the culture of the Company.

2 Engage

Odgers was appointed.

3 Meet

To assist Odgers with the understanding of the requirements of the role, they met with the Chair and the Senior Independent Director.

4 Consider

The long list of candidates (14) was circulated to the Committee for comments before a short list of seven was agreed.

5 Select

All of the candidates had a broad range of experience from a wide range of different backgrounds including executives in blue chip FTSE organisations, partners in consulting firms and a number of candidates with an established portfolio career.

6 Interview

The first interviews were with the Chair and Senior Independent Director. The shortlist was then reduced to three candidates who were interviewed by the Chief Executive Officer, the Group HR Director and the Chief Financial Officer. Further interviews were held with the Audit Committee Chair, and successful interviewees met with the remaining Non-Executive Directors, and Company Secretary prior to appointment.

John's other appointments were considered to check there was no conflict of interest or time. References were taken.

7 Appoint

John Shipsey was appointed to the Board on 1 June 2022.

Further details relating to his background and experience can be found on page 89.

8 Induct

Please refer to the process on page 111.

Induction

All newly appointed Directors are provided with comprehensive documentation in relation to the remit and obligations of the role, current areas under consideration for the Board and the latest equity research reports. New Directors visit the various business units in order to allow them to meet with the management teams and to be shown around the operations. During the initial couple of months, we scheduled a number of meetings for John with members of the Senior Executive Team and the Head of Internal Audit as well as meeting a significant number of employees at the Global Team Meeting. He will also attend the next scheduled Group Finance Lead Team meeting. In addition, John has met with the Audit Committee Chair and the Lead Audit Engagement Partner. Deloitte LLP has provided an introduction to UK executive remuneration and governance to John.

In the Autumn we will continue with step two and commence steps three and four of our induction process as described below.

Induction Process

1 Understanding the Business

Key documentation is provided such as a schedule of Board and Committee dates, Schedule of Matters and Delegation of Authority, Programmes of Business, Articles of Association, and Group Policies and Procedures.

2 Meeting the Management Team

Meet the SET informally and formally.

Meet key management at Head Office and leadership teams at the main sites.

3 Director and Committee Responsibilities

Receive induction/training on Director and Committee responsibilities (if applicable).

Market Abuse Regulations online training course.

4 Visit the Business

Visit a key site for each function (PDRA, Manufacturing, Sales and Marketing, and Head Office).

Case Study:

Alison Platt: Transition from Non-Executive Director to Chair

It was my great privilege to join the Dechra Board in March 2020 and commence the process of learning and induction, albeit through the pandemic. Like many businesses, COVID-19 and its impacts provided a test of not only the strength of the demand for Dechra's products but also the resilience of its processes, systems and Values, which underpin the organisation. Throughout that period, the Board continued to support Ian and his team in leading through significant uncertainty. The decisions taken were a testament to the integrity of the espoused Values of the business at all levels, with no use of government funds, no enforced redundancy and no colleagues furloughed. Our manufacturing operations continued with colleagues covering for those forced to isolate and our ability to supply our customers went uninterrupted.

The value of continuity at Board level was evident throughout and the collegiate approach taken enabled strong and swift decision making in support of the management team. Dechra's strong track record of growth has depended on swift and efficient decision making supported by an open and inclusive approach in the boardroom. The culture is straightforward and relies on a shared intent, to do the right thing by all our stakeholders. It was against that backdrop that, just ahead of my second anniversary, I was delighted to be appointed to the role of Chair.

The selection process was both rigorous and robust, conducted independently and led by the Nomination Committee, chaired by the Senior Independent Non-Executive Director, and took just over three months to conclude. It afforded me the opportunity to think about the key tasks for the role over the next five years, the critical characteristics to hold on to and those areas we might consider developing. Since taking up the position, I have thoroughly enjoyed building a partnership with Ian as Chief Executive Officer and further strengthening my knowledge and experience inside the business. Facing into succession driven changes at Board level has also been important and I have been delighted by our ability to attract really high calibre candidates to join the Board. Equally important is to hold onto the open, professional and collaborative approach the Non-Executive Directors have to bringing positive challenge to Ian and the team. Despite being early days, I am confident we are continuing in the high standard set my be my predecessors in that regard.

I look forward to continuing my development and, as travel routes open up again, taking the opportunity to meet colleagues in Dechra's other markets around the world.

Composition, Succession and Evaluation

Diversity and Inclusion
The Committee reviews the policy on diversity and its implementation every year and, during 2022 this review took place in July. The policy was expanded to cover Board Committees; and factors such as ethnicity, sexual orientation, disability and socioeconomic background, as well as age, gender, education and professional background. The Group recognises that diversity of thinking and skills and an inclusive culture is beneficial for the Dechra business, its processes, and its performance. Our objective is to continue to be a high performing business driven by highly skilled and committed teams. In the market in which we compete, we believe that the diversity of our workforce contributes significantly to developing strong relationships with veterinarians, a substantial and growing proportion of whom are women, in the many markets and cultures in which we trade.

As a Board our focus is to further our diversity through the planned succession process and we will work hard to broaden the Board's make up further over the coming year. To assist us in this, we have worked with an external recruitment company to identify future potential candidates from a wide range of backgrounds, cultures, and experience. This has always been our plan and prior to our recent elevation into the FTSE 100 (December 2021) we were on track to meet, and indeed exceed the target and deadline of 2024 (the Parker Review target date for FTSE 250 companies). Our progress towards a more diverse Board is detailed under Board Succession Planning.

We are also working hard to ensure diversity is not solely a Board issue. Led by our Group HR Director, we are working hard and investing in developing and growing talent across all our communities worldwide. As a global company with operations in 26 countries, we recognise that a rich and diverse employee base is key to our continued success.

We are committed to providing an inclusive culture at Dechra and in the last 12 months have rolled out two core modules that are included in all our Company management development programmes: Diversity, Equity, and Inclusion in Dechra and OneDechra; and an exploration of our Company Culture and Values and what they mean to our people.

During the year, we have launched a new development programme called Future Facing Leaders (further details of which can be found in SET Succession Planning on page 114 and the Case Study on page 34).

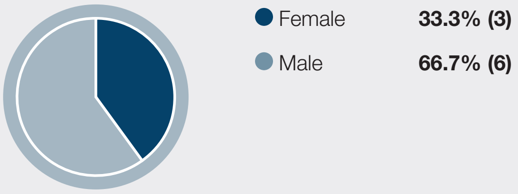
The chart on page 113 illustrates the diversity characteristics of our Board.

Progress on Diversity Policy

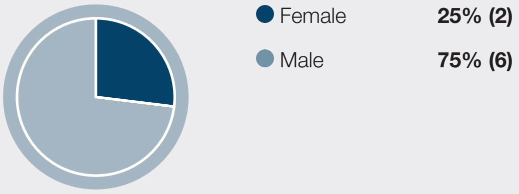
Policy	Progress
Dignity at Work	Our Dignity at Work Policy was drafted and launched within the UK in January 2020, and is now incorporated into the Code of Conduct. In accordance with the Dechra Values, we believe that our position on diversity and inclusion is key to providing a place of work that is free from bullying and harassment, and which is characterised by respect, collaboration, openness, safety and equality. One of our aims is to promote a climate in which employees feel able to raise complaints of harassment, bullying or discrimination without fear of victimisation. We are now able to provide online training globally using an externally hosted training portal and supported by licensed trainers within the Company. In addition to this, we have developed a Diversity, Equity and Inclusion module, which is one of three core modules that is included in all Leadership and Management development programmes. We encourage all employees to speak out and report any direct or indirect discrimination, harassment or bullying. This is supported by our Grievance Policy and our How to Raise a Concern Handbook. All reports are investigated and acted upon. During the 2022 financial year, we have launched an externally hosted 'whistle-blowing' hotline to facilitate this process and to provide further reassurance to employees.
Fair Pay	In the UK, only one of our subsidiaries, Dechra Limited, has to report under the Gender Pay Gap regulation. Dechra Limited employees sit within our UK manufacturing, product development and regulatory affairs businesses. We are pleased to report that as a result of our proactive management, the gender pay gap has reduced from 17.7% in 2017 to 2.8% in 2021. However, the latest decrease relates largely to the payment of COVID-19 bonuses to all site-based staff at the Skipton site during the pandemic and will rise again next year as this is not applicable on an ongoing basis. Following our accreditation in the UK in March 2021, we are a Living Wage employer and in countries where there is no equivalent of the Living Wage, we have used the OECD low pay formulation, or pay at least twice the local/federal minimum wage. It is our intention to retain this approach to fair pay.
Board and Senior Executive Directors	We recognise that gender and ethnic diversity at Board level offers a competitive advantage to our organisation. As a global company with a very wide range of stakeholders, we are committed to greater alignment with our customer base at home and overseas as our growth continues. Our approach to recruiting at Board level has always been based on our stated policy; that everyone should be recruited and promoted on the basis of their personal ability, contribution and potential. However, we acknowledge that we need to work harder to make sure that we are attracting a wider and more diverse talent pool to these roles. We are currently recruiting working with Audeliss, an executive search firm for diverse talent, who are supporting us with the recruitment of a new Remuneration Committee Chair.

Numbers in brackets represent the number of females and males.

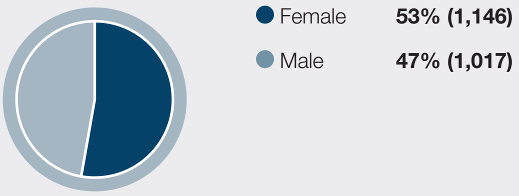
The Board
as at 30 June 2022



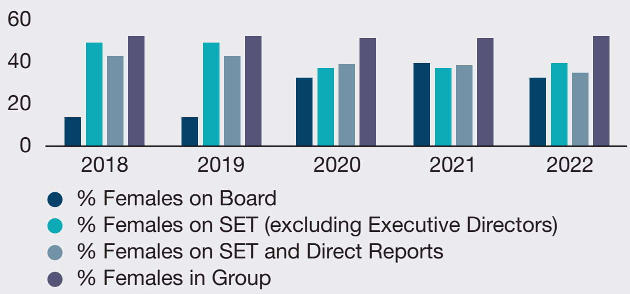
Senior Executive Team (including Executive Directors)
as at 30 June 2022



Overall Workforce
as at 30 June 2022

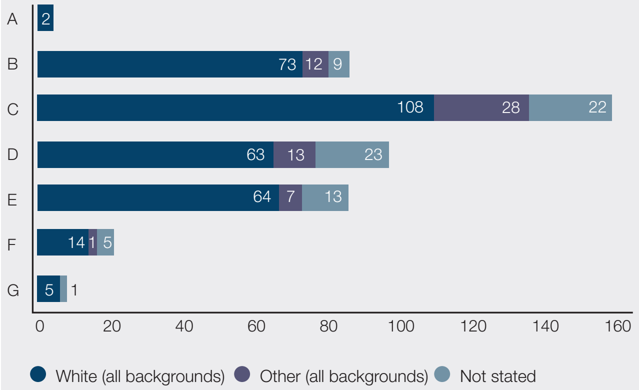


Diversity
as at 30 June 2022



Dechra excludes the Executive Directors from the Senior Management data. However, the data includes their direct reports. Direct reports will cover employees at various grades of the Group and will cover managers and junior professionals.

UK Employee Ethnicity by Grade



Board Succession Planning

Non-Executive Directors

It was originally planned that both the Audit Committee Chair and Remuneration Committee Chair would retire in 2022. The Audit Committee Chair was due to retire in early 2022, however due to the decision of Denise Goode to resign from the Company he agreed to remain on the Board until a successor was appointed The Remuneration Committee Chair (previously the Senior Independent Non-Executive Director), Ishbel Macpherson, will be now retiring in the 2023 financial year. The commencement of the recruitment process was delayed as the Committee's first priority this year was to find a replacement Audit Committee Chair.

Cognisant of the Parker Review requirements and the new listing requirements regarding diversity targets, the Chair and Group HR Director interviewed two recruitment consultants who specialise in diverse recruitment, one of which was a non-profit organisation. The Committee has retained Audeliss and they were provided with a description, detailing the skills (both cognitive and personal strengths) and experience required for the role of Remuneration Committee Chair. The Committee, in drafting the role description took into account the challenges and opportunities facing the Group and what skills and expertise were needed. In particular, it was determined that the individual should have relevant remuneration experience in an international company. In addition, they were required to have a broad business experience and be a good fit with the Culture and Values of the Company.

SET Succession Planning (including Executive Directors) and Leadership Needs of the Group

One of our key risks is people focused and this is the failure to resource adequately the business to meet strategic ambitions, including geographical expansion, and acquisitions.

To assist with this, the Group HR Director presents to the Committee on the Group's succession planning annually. The Committee discusses the succession plan for the SET, which includes the Executive Directors, and the Non-Executive Board. Plans are in place for sudden, unforeseen absences, for medium term orderly succession and for longer term succession. For each SET member, we have either identified an internal candidate who is in the pipeline for succession, or we accept that for some roles, where we have no successor, we will need to approach the external market. In these cases, we aim to build strength and depth in the team below to allow a smooth transition to the new leader.

Composition, Succession and Evaluation

During the financial year, Susan Longhofer retired as Chief Scientific Officer on 31 December 2021, and following a recruitment process her replacement, Patrick Meeus, commenced employment with Dechra on 1 July 2022. In addition, the Group HR Director has worked on strengthening the team below the SET, which has resulted in the appointment of a Chief Information Officer and Head of Investor Relations reporting into the Chief Financial Officer and a General Counsel reporting into the Company Secretary. The DPM&S management team has been strengthened with the appointment of a Group Quality Director and Group Supply Chain Director and the DVP EU management team has been strengthened by the appointment of a Commercial Director.

The Committee has reviewed the emergency succession planning, which clearly identified individuals capable of covering key management roles on an interim basis. All these individuals will receive, or have received, the necessary coaching to assist them in obtaining the required skills to provide any critical support when needed. Furthermore, a forward looking review of the future anticipated shape of the organisation has been undertaken to identify any potential gaps that may emerge, and plans have been outlined to enable the organisation's structure to remain fit for purpose. A number of the individuals identified as emergency cover or a successor to the SET are on the Future Facing Leaders development programme, which was launched in April 2022 or the Wavelength Connect Programme. Further details of the Future Facing Leaders programme can be found in the case study on page 34.

We encourage regular contact between members of the SET and the Board, with all SET members presenting to the Board at least once a year, leading site visits of their respective businesses and attending one-to-one sessions with Non-Executive Directors to discuss specific issues when applicable.

Evaluation

Annual Evaluation

The Chair manages the Board and oversees the operation of its Committees with the aim of monitoring that they operate effectively by utilising the diverse range of skills and experience of the various Board members. The effectiveness of the Board is imperative for the success of the Group and the Board undertakes an annual evaluation of its performance and that of its Committees to monitor that they remain fit for purpose, details of which can be found on page 116.

This year's evaluation was internally facilitated, led by the Chair and Company Secretary. The Committee's review of the structure, size and composition of the Board can found above on page 109.

The 2021 External Board Evaluation

Below is an update on the actions arising from the 2021 external evaluation:

Action	Progress
Planning succession for SET members and strengthening diversity	The Nomination Committee was updated in February 2022 on the succession plans for the SET. The participants of the Future Facing Leaders programme are gender and ethnically diverse, and in the majority of cases, the successors for the SET are within this group.
Providing opportunities for the Board to consider major strategic themes as the Company emerges from the pandemic	The Group Strategy day provided the Board an opportunity to consider the routes to market and strategic themes.
Gaining further insight into stakeholders and, in particular, customers and routes to market	**Customers:** The Group Strategy day provided an opportunity for the Board to meet a UK wholesaler group and a European Buying Group. Presentations were provided on the future of veterinary distribution, including white labelling, and the future of Veterinary practices. In addition, a presentation on insights of the DVP EU customers was provided at the April meeting. **Shareholders:** The Board receives shareholder (fund manager) feedback following presentations and is updated on Shareholder Governance recommendations and queries and responses at each meeting. **Employees:** The Designated Non-Executive Director for Employee Engagement continues to update the Board and the Nomination Committee has been tasked with reviewing the plans of the Designated Non-Executive Director for Employee Engagement.
Continuing the focus on optimising the assurance framework to mitigate non-financial risks	The newly appointed Quality Director has introduced the strategic foundation for Dechra's growth based around three areas: Compliance, Technical Competencies, and Business and Operational Performance. The Quality Director presents once a year and provides a report every six months to the Board.
Reviewing speak up channels	The How to Raise a Concern Procedure (HTRC) has been reviewed internally and by external counsel in light of the forthcoming changes due to the EU Directive on Whistleblowing. The Board approved the HTRC Procedure in December 2021. The hotline was launched globally on 4 April 2022. As each EU country adopts the EU Directive, a country specific addendum will be provided where relevant.

The 2022 Internal Board Evaluation

Following the external evaluation in 2021, it was agreed to undertake an internal evaluation for the 2022 financial year, focusing on the following areas: (i) Strategy; (ii) Working Together; (iii) Management of the Board; (iv) Culture; (v) Engagement with stakeholders; (vi) Progress on External Board Evaluation Matters; and (vii) specific questions on the function and effectiveness of the Board and future strategy days.

The internal evaluation process is detailed below and took the format of a questionnaire, which was distributed to all of the Board, with the survey results presented on an anonymous basis. The responses were received in March, and were discussed at the April Board Meeting. In addition, the Chair held individual interviews with the Board members prior to the results of the questionnaire being known and afterwards to discuss any particular concerns raised. The Senior Independent Director discussed the performance of the Chair with the Directors and the Chair in April. The Board discussed the findings of the internal Board evaluation at the July meeting with the view of determining actions for the 2023 financial year.

Internal Board Evaluation Process

The process of the Internal Evaluation of the Board and its Committees was as follows:

1 Preparation

The questionnaires were updated to reflect the themes derived from the External Board Evaluation.

2 Questionnaire

Questionnaires were made available electronically for online completion and submission. One was in relation to the effectiveness of the Audit Committee and one each in relation to the Remuneration and Nomination Committees. They were forwarded to both the members of the Committees and the regular attendees of the respective Committees, which included the Group HR Director, the External Audit Engagement Partner, the Head of Internal Audit and Risk Assurance and the Company Secretary. The third questionnaire related to the Board and was sent to the Board members only.

3 Interviews

The survey results were presented on an anonymous basis to the Chair and the Senior Independent Director for discussion with the individual Directors. The Senior Independent Director discussed the performance of the Chair with the Directors and the Chair in April.

4 Review

A presentation was provided to:

- each of the Committees, to allow them to discuss their effectiveness; and
- the Board in relation to the various findings and suggested actions.

5 Outcomes

Following a review of the responses and a discussion with the participants, the Chair discussed at the July 2022 Board meeting the general themes raised by the survey, and any other survey-related points they wished to discuss.

Overall, the review once again indicated that the Board operates effectively but noted the following focus areas:

- Bring the customer's voice into Board discussions;
- Focus on future proofing Dechra in relation to people, product portfolio and pipeline delivery; and
- Better understanding of key trends in the financial markets and stakeholder views on issues such as ESG.

These findings are consistent with the Board's expressed desire to give more time to the strategic and mid to long range risks and plans for Dechra.

Composition, Succession and Evaluation

Progress made on these action points during the forthcoming year will be reported in next year's Annual Report. The Board has agreed that an internal evaluation will be undertaken during the 2023 financial year. The results of the 2023 internal Board evaluation will be reported in next year's Annual Report.

Effectiveness of Directors
Following the internal evaluation, which concluded that the Board remained fit for purpose; any comments received related to evolving the Board's contribution rather than any under performance or issues of cohesion. Each of the Board members commented that they appreciate the culture and atmosphere at the Board (further details of which, including the outcomes and actions, are provided on page 115 of the Governance Report). The Committee has concluded that each of the Directors continues to perform effectively and demonstrates commitment, not only in respect of their roles and responsibilities, but also in relation to the Group and its shareholders. At the forthcoming Annual General Meeting, John Shipsey, who was appointed to the Board on 1 June 2022, will offer himself for election, and all of the remaining Directors will retire and offer themselves for re-election.

In addition, the Board has evaluated and determined that each Non-Executive Director has sufficient time to meet their Board responsibilities and any proposed new appointments are disclosed to enable the Board to assess whether there are any conflicts of interest or time. The Board in August 2022 reconsidered Ishbel's independence and concluded that she remained independent. The Board confirmed that Alison Platt met the independence criteria as set out in the Code on appointment as Chair of the Company due to the fact that she was declared independent on her appointment as a Non-Executive Director in March 2020; and that there have been no changes to her circumstances that would affect this independence.

Alison Platt
Nomination Committee Chair
5 September 2022

Audit, Risk and Internal Control

Letter from the Audit Committee Chair

4

Audit Committee Meetings Held

Areas of Focus This Year

- Appointment of new Audit Committee Chair
- BEIS 'Restoring Trust In Audit and Corporate Governance'
- Anti-Bribery and Anti-Corruption and Sanctions

Key Responsibilities

- To review and oversee the Group's financial and narrative reporting processes, to monitor the integrity of the financial statements, and advise the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable
- To review the effectiveness of the Group's internal financial control systems and the work of the internal audit function
- To oversee the relationship with, and review the effectiveness of, the external auditor, monitor their independence and objectivity, and set the policy for non-audit work

Read more about our Committee Membership and Attendance on page 87

Dear Shareholder

On behalf of the Board, I am pleased to present this year's Audit Committee (the Committee) report, which will also be my last. During the year, in addition to our regular duties, we focused on the following matters:

Committee Membership

Following Denise Goode's decision to tender her resignation, in November 2021, I resumed the role of Audit Committee Chair whilst a successor was appointed. The independence of all Board members is regularly reviewed but my independence was subject to particular scrutiny when I resumed the role of Audit Committee Chair. The Board determined that I remained independent and continued to provide sufficient challenge to the Executive Team. I am pleased to report that the recruitment process resulted in the appointment of John Shipsey, who brings a wealth of financial and commercial experience to the business following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC and a number of senior finance and strategy roles over 20 years. John joined on 1 June 2022 to allow a smooth and orderly transition. John will be appointed as Chair of the Audit Committee upon my retirement on 5 September 2022.

BEIS 'Restoring Trust in Audit and Corporate Governance'

The Committee has considered how the implementation of BEIS 'Restoring Trust in Audit and Corporate Governance' would impact the Group, and has identified where the Group already meets the requirements, the gaps and the corresponding actions required to mitigate the gaps. The development and launch of a new Financial Control Framework during the financial year extends the scope of the Group's control standards. In the event that a control cannot be performed as intended, then the risk will be assessed and mitigating controls put in place, whilst options to implement the control as intended in the future are investigated and progressed.

Audit, Risk and Internal Control

Anti-Bribery and Anti-Corruption and Sanctions

The Committee has received two updates during the year on the Company's Anti Bribery and Anti-Corruption processes, which it believes are operating effectively. As increased sanctions have been applied to Russia, the Committee has reviewed the policy on sanctions and obtained assurances that the Company's activities do not breach any of them.

Annual Report 2022

The following report sets out how the Committee has complied with the principles of the Corporate Governance Code 2018 and specifically provisions 25 and 26, and assisted the Board with its compliance in respect of provisions 24, and 27 to 31. We reviewed, at the request of the Board, whether the 2022 Annual Report was fair, balanced and understandable and concluded that it was. The basis supporting our conclusion is set out on page 122.

Should you have any questions in relation to this report or the Committee, please contact my successor as Audit Committee Chair, John Shipsey, or the Company Secretary.

Julian Heslop
Audit Committee Chair
5 September 2022

The Purpose and Function of the Audit Committee (the Committee)

Purpose

The Committee's key role is to review and report to the Board on financial reporting and internal financial control effectiveness, and to monitor the effectiveness of the external audit process and internal audit function.

Membership, Meetings and Attendance

The membership of the Committee, together with appointment dates and attendance at meetings, are detailed on page 87. John Shipsey joined the Committee on his appointment to the Board in June 2022, and Denise Goode left the Committee on her resignation from the Board on 30 November 2021. Alison Platt also resigned from the Committee on her appointment as Chair of the Company on 1 January 2022. All Committee members are Non-Executive Directors.

The Board considers that all members of the Committee are independent and have competencies relevant to the sector in which the Company operates. Julian Heslop has relevant financial experience as a result of his financial background and qualifications, and Ishbel Macpherson also brings financial experience to the Committee following her career as an Investment Banker. Lawson Macartney and Lisa Bright provide product development and commercialisation of pharmaceuticals experience, which support the Committee in meeting its objectives. John Shipsey brings recent and relevant financial experience to the Committee, following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC, and his previous experience in a number of senior finance and strategy roles. The biographies of all Committee members are detailed on pages 88 and 89.

The Company Secretary attends each meeting and acts as its secretary, assisting the Chair in circulating all papers prior to each meeting in a timely manner and providing advice on all governance related matters. Other members of the Board normally attend each meeting together with the PricewaterhouseCoopers LLP (PwC) External Audit Engagement Partner, the Group Financial Controller and the Head of Internal Audit and Risk Assurance. During the year, other employees also attended the meetings to provide updates on specific matters:

Attendee	Matter
Group IT Director	Cyber Security Update
Group Treasurer	Treasury and Group's Borrowing Facilities Update
Head of Tax and Transfer Pricing	Tax Strategy, Risk and Compliance Update
Head of Group Reporting	Reporting and Accounting Update
Senior Legal Counsel	Anti-Bribery and Sanctions Update

In addition, the Committee Chair meets with the Chief Financial Officer, the Head of Internal Audit and Risk Assurance and the External Audit Engagement Partner outside of the Committee meetings in order to understand fully the key topics to enable these subjects to be discussed meaningfully at the meetings.

The Committee meets with the external and internal auditors without management being present, after each scheduled meeting, to discuss their respective areas and any issues arising from their audits.

The Committee provides a report to the Board on its activities at the Board's next scheduled meeting.

Neither the Company nor its Directors have any relationships that impair the external auditor's independence.

Effectiveness of the Committee
The Committee's performance was evaluated as part of the internal review of the effectiveness of the Board and all its Committees that took place in 2022 (further details of which can be found on page 115 of the Governance Report). The evaluation confirmed that the Committee is functioning well, supported by a strong finance team, with meetings demonstrating good engagement from Non-Executive Directors, management and assurance functions. The evaluation also confirmed that the overall risk framework is well-embedded and adding value.

Role and Responsibilities
The main role and responsibilities of the Committee are set out in the written terms of reference, which are available in the Corporate Governance section of our Company's website (www.dechra.com). The Board reviewed the Committee's terms of reference at the December 2021 meeting and it was agreed that no changes would be made to them; however, it was noted that there was a technical non-compliance with the terms of reference as the Committee Chair had exceeded the nine year tenure limit in January 2022 and Ishbel Macpherson had exceeded the limit in February 2022. The Board concluded that Julian Heslop had in-depth expertise and had consistently shown independent judgement, and therefore deemed that Julian remained independent. The Board agreed that they considered Ishbel Macpherson as independent, and that her knowledge and understanding of City matters gained over 20 years' experience as an investment banker and subsequent considerable board experience provided an independent view on the Board discussions on financing and the financial risks of acquisitions.

The main responsibilities of the Committee are summarised on pages 104 and 117 of the Governance Report.

Major Activities of the Committee During the Year
The Committee met four times since the last Annual Report was issued. These meetings were scheduled meetings, and are generally timed to coincide with the financial reporting timetable of the Company. The Committee Chair and the Company Secretary have developed an annual programme of business. This allows the Committee to consider standing items of business alongside any exceptional matters that may arise during the course of the year.

At each meeting, the Committee reviews the following items routinely:

- status of statutory audits and reporting, global tax management and compliance;
- non-audit fees (including actual and projected spend); and
- the internal audit progress and assurance report.

Annual Programme of Business

August

- Review of preliminary results and announcement
- Review of draft Annual Report
- Review of external audit findings, report and representation letter
- Confirmation of Going Concern and Viability
- Fair, Balanced and Understandable Review
- Compliance relating to financial statements
- Review of final dividend and distributable reserves
- External auditor effectiveness
- Review of Risk Management process effectiveness
- Auditor reappointment

December

- Review of Committee Terms of Reference
- Review and approval of interim plan of external auditor

February

- Review of Half Year Results
- Review of Interim dividend and distributable reserves
- Review of Internal Controls
- Review and approval of Internal Audit Charter

April

- Approval of External Audit strategy, scope, fees and independence
- Review of Committee Effectiveness
- Tax, Treasury and GDPR Compliance Update
- Review of Board's Risk Controls
- Borrowing Powers Confirmation
- Approval of internal audit plan

Audit, Risk and Internal Control

The table below shows the key areas of the Committee activities:

Purpose and Function (see page 118 and 119)	• Review of the Committee's terms of reference • Review of the effectiveness of the Committee	• BEIS Requirements 'Restoring trust in audit and corporate governance'
Financial and Narrative Reporting (see pages 121 and 122)	• Review of the Accounting Treatment of R&D Projects and Technical Transfers • Review of year end accounting treatment for acquisitions and licensing arrangements, non-underlying items and new accounting standards • Review and endorsement of key judgements made by management in determining half-year and full year results • Review of the Group's Half-Yearly Report and supporting papers • Consideration of the Half-Year Review Memorandum prepared by the external auditor • Review of the Group's preliminary statement, draft Annual Report (including the Audit Committee Report) for the year ended 30 June 2022 and management presentation to investors	• Consideration of the Audit Memorandum prepared by the external auditor, including: – review of accounting treatment of non-underlying items – assessment of acquired intangible assets and goodwill including impairment reviews undertaken – accounting for licensing agreements – commentary on the general control environment across the Group • Fair, Balanced and Understandable recommendation of the Annual Report • Review of Viability Statement process • Review and commend the Going Concern and Viability Statements • Review of the dividend policy and interim and final dividend proposals
Internal Controls and Risk Management (see page 122)	• Review of Anti-Bribery and Anti-Corruption (ABC) and Sanctions policies • ABC and Sanctions compliance update • Half-year and full year review of internal financial controls • Review of tax strategy and policy framework • Review of treasury policy and practice	• General Data Protection Regulation (GDPR) compliance update • Review and approval of the internal control and risk management statements • Review of cyber security and adoption of NCSC 10 Step Framework
Internal Audit (see page 123)	• Review of the Internal Audit Plan, completion of audit recommendations and effectiveness of Internal Audit	• Review and approval of Internal Audit Charter
External Audit (see pages 123 and 124)	• Review and approval of PwC Half-Yearly review plan • Review and approval of PwC full year external audit strategy (including timetable, risk assessment, materiality, scope and fees) • Review of findings from the external audit	• Review of the external audit effectiveness • Review of external auditor's independence and level of non-audit fees • Review of the non-audit work and fee policy • Discussion in relation to the Company's expectations of the external auditor and audit process

BEIS 'Restoring Trust in Audit and Corporate Governance'

The Committee has considered the requirements based on the initial consultation document and is now considering the draft Audit Reform Bill published on 31 May 2022. This includes assessments and planning for the requirements relating to strengthening our Internal Control Framework and Fraud Prevention Measures, a Resilience Statement, Dividends and Capital Maintenance, and an Audit & Assurance Policy.

ESEF Reporting

The Committee has considered the new requirement to prepare the Company's consolidated financial statements in digital form and is satisfied that the necessary actions have been taken including the appointment of a third party.

Financial and Narrative Reporting

All significant matters that the Committee considered during the year were supported by relevant justification papers and were fully discussed so that due and appropriate consideration was given before any decision was approved. Further detail in relation to a number of significant matters is provided below.

Financial Judgements

The Committee reviewed both the half-year and the annual financial statements. This process included an analysis by management of key judgements made in determining the results. The Committee reviewed this in detail and endorsed management's judgements.

The Committee gave particular attention to significant matters where judgement was involved, which were complex in nature, or where alternative performance measures (APMs) were provided to enhance investors' understanding of the underlying performance. The Group uses various non-GAAP APMs within internal management reporting, the Half-Yearly Report and the Annual Report. The objective of these APMs is to isolate the impact of exceptional, one-off or non-trading related items, to allow the Board and users of the accounts to understand better the underlying performance of the business. The Group also uses constant exchange rate growth percentages to eliminate the impact of exchange rate fluctuations and to show the underlying business growth. These matters were well supported by briefing papers provided by management and were specifically reviewed and agreed by the external auditor in their reports to the Committee and in related discussions.

The key matters reviewed are shown in the table below:

Significant risks considered by the Committee in relation to the financial statements	Corresponding actions taken by the Committee to address the issues
Review of the carrying value of intangible assets and goodwill of £730.5 million, which represents 56.5% of total Group assets.	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. In respect of assets not subject to amortisation, it reviewed the papers provided by management and noted the headroom between the value in use and the carrying value of goodwill. In addition, it considered the ongoing viability of capitalised R&D projects compared to their carrying value. Finally, it reviewed the process adopted by management to review amortised assets for impairment. It endorsed management's conclusion that no impairment of these assets had taken place. The Committee considered PwC's report on these matters.
Review of the remeasurement of the intangibles and associated contingent consideration for the licensing transactions, which were remeasured during the year.	The Committee reviewed the accounting basis of the adjustments, which supported the remeasurements and considered the appropriateness of the accounting treatment.
Valuation and accounting for the acquired commercial licensing agreement intangibles of £96.1 million together with the related contingent consideration.	The Committee reviewed the calculations and agreed the accounting treatment for the assets acquired and their useful economic lives.
Review of the corporate tax rate for the year being a charge of 25.0% (22.5% on underlying operations).	The Committee discussed the key risks in respect of corporate tax and reviewed that appropriate controls were in place to confirm that taxation calculations were not materially misstated. Areas where significant judgements, such as uncertain tax positions, had been applied were reviewed and challenged, and external audit work and conclusions were considered. The Committee reviewed progress in settling outstanding transfer pricing and other matters.
In order to assist investors with a better understanding of the underlying performance of the business, management present within the financial statements figures for underlying profit and earnings. These measures are reconciled to the figures provided in the financial statements and exclude items such as impairment and amortisation of acquired intangible assets and related contingent consideration, acquisition costs, manufacturing cloud computing arrangement costs, and the fair value uplift on inventory acquired through business combinations.	The Committee reviewed the basis for calculating the underlying figures and its consistency with the previous year's figures. It also sought confirmation from the external auditor, PwC, that they were satisfied that the application of the accounting policy relating to this treatment was appropriate. The Committee also reviewed to see if there were any material one off income or costs within the underlying results meriting separate disclosure and endorsed management's conclusion that there were no such items during the year.

Audit, Risk and Internal Control

Going Concern and Viability Statements

The Committee reviewed the Group's Going Concern and Viability Statements set out on pages 49 and 81 of the Strategic Report. In considering the Viability Statement, the Committee paid particular attention to the robustness of the stress testing scenarios, the cash flows forecast by the business and the committed bank facilities available to the Group in the period under review and management's conclusion that it would be able to refinance the £340.0 million revolving credit facility, which is currently committed until July 2024. The external auditor reviewed management's assessment and discussed their review with the Committee.

Fair, Balanced and Understandable Assessment of the Annual Report

At the request of the Board, the Committee considered whether the 2022 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance (pages 42 to 49), business model (pages 22 to 25) and strategy (pages 26 to 34).

The Committee based its assessment on a review of the processes and controls put in place by management. These included:

- the relevant senior management providing information on their own business units and their confirmation that it was fair, balanced and understandable; and
- the Executive Directors and Company Secretary providing confirmation that each section of the report has been subject to a rigorous review process built around four tiers:
  - ongoing internal review by members of the Annual Report project team;
  - Board review of the Annual Report with all comments received being considered by the owners of the respective reports;
  - external review by advisers, including the external auditor; and
  - a final review by all members of the Senior Executive Team (SET).

The above was an integral part of the process and each tier was invited to comment so that issues could be debated and a final assessment made. The Annual Report project team concluded that the 2022 Annual Report met the fair, balanced and understandable test. In addition, all members of the SET concluded that it met the fair, balanced and understandable test.

An integral part of the process was the Committee's final review; other Board members and the external auditor were invited to comment so that issues could be debated and a final assessment made. The Committee was satisfied that all material matters, which had been disclosed in the SET's reports to the Board throughout the year, had been adequately reflected in the Annual Report and that the business model, strategy and the Group's performance were correctly reflected and clearly presented.

PwC have also concluded that the fair, balanced and understandable statement is materially consistent with the financial statements and with the knowledge they gained during their audit and their report can be found on pages 156 to 164.

This assessment was carried out by the Committee on 30 August 2022, following which the Committee reported to the Board that it was satisfied that, taken as a whole, the 2022 Annual Report is fair, balanced and understandable.

Internal Controls and Risk Management

The Board retains overall responsibility for the management of the Group's risk management and internal control framework, and has delegated the ongoing monitoring and review of the effectiveness of the Group's internal financial controls to the Committee.

The Group's risk management and internal control processes include:

- confirmation that the rolling programme of risk and control reviews by the Board has been completed;
- a review of the SET's assessment of material internal control effectiveness;
- a review of the Going Concern and Viability Statements, together with the financial stress testing conducted to support these statements; and
- a review of baseline financial controls and management representations as to their effectiveness across the Group.

During the 2022 financial year, a Financial Control Framework has been launched. This framework extends the scope of the baseline controls standards to an increased number of controls. Prior to launch, the Divisional Finance Directors undertook an initial review and confirmed that the majority of the controls were in place or there were other controls that would mitigate the risk.

The Committee has continued to oversee the Group's adoption of the NCSC 10 Step Framework, and other mitigating actions. The Committee was provided with management assurances on the key risk areas and concluded that the mitigating controls were appropriate, and that the financial control framework remains effective.

The Committee confirms that it has not been advised of, or identified, any failings or weaknesses which it would classify as significant to the Group's internal control system. The Committee further confirms that the Group's internal control systems have been in place for the year under review and up to the date of approval of this Annual Report and Accounts are in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC.

Further details in respect of the Group's risk management and internal control processes are provided on pages 75 to 77 of the Strategic Report, along with the principal risks, controls and mitigating actions and emerging risks. The Board's statements on the effectiveness of these processes are provided on page 92 of the Governance Report.

Review of Policies and Procedures

During the year, the Committee undertook the annual review of the Group Tax Policy and Strategy, the Group Treasury Policy, the Sanctions Policy, the Anti-Bribery and Anti-Corruption (ABC) Policy and the Third Party Code of Conduct.

The Committee is provided with regular updates on the outcomes of the risk assessments as part of both ABC and Sanctions due diligence processes, as well as updates to procedures. During the year, all relevant employees have been required to complete the ABC e-learning courses. The Committee has monitored completion rates during the year of the ABC and Pharmacovigilance courses.

Internal Audit Function

The Internal Audit and Risk Assurance function provides objective assurance and advice on the management of the Group's risks and its systems of internal control. Internal Audit operates a co-sourced arrangement with KPMG LLP with a mix of seconded and specialist resources to provide a flexible resource model and access to specialist expertise and language skills in worldwide geographies. In accordance with a strategy to develop the Internal Audit function in line with projected business growth, an additional in-house resource will be recruited in the 2023 financial year. This will bring the team to three permanent employees and one overseas contractor.

Internal Audit Plan

Internal Audit operates a three year assurance plan, which seeks to provide balanced coverage of the Group's material financial, operational and compliance control processes. It consists of a rolling programme of core assurance activities, together with initial control reviews on new acquisitions and reviews of major business process and systems changes. The annual audit plan, which defines the specific assurance projects to be delivered each financial year, is developed from the three year plan. The annual plan for the year to June 2023 was approved by the Committee in April 2022, and was based on meetings with key stakeholders from across the Group to understand the risks, challenges and projects/initiatives within each area of the business and priorities for internal audit coverage; and consideration of core operational and financial processes to provide cyclical assurance to the Committee and the Board.

Throughout the course of the COVID-19 pandemic, audits have been delivered virtually where practicable. Initially this significantly increased the time spent on each audit, and led to delays in the completion of the work originally planned. However, as the team has adapted to delivering audits remotely, and the impact of COVID-19 has receded, output has returned to, and exceeded, pre-pandemic levels.

The key areas addressed in this year's audit plan have been:

- Financial: Payment Cycle Controls, Group Treasury, Financial Control Framework, DVP EU Pricing and Discounting Controls, DVP NA Order to Cash Controls;
- Operational: IT Governance, Cyber risk, Governance in DVP EU and DVP International, New Products Launch Process, and Fraud Investigations; and
- Compliance: Fraud Procedures and Awareness, UK Gender Pay Gap Reporting, Payroll System Steering Committee, the Fraud Prevention Programme, South America Monitoring and Pharmacovigilance.

Internal audit recommendations are communicated to the relevant business leaders, appropriate control improvements are agreed with them, and the implementation of agreed actions is monitored monthly. Audit reports are provided to the Committee, together with regular progress reports on management's implementation of control improvements.

Independence and Effectiveness of Internal Audit

During the year, the Committee reviewed and approved the updated Internal Audit Charter, which has been amended to align it with the Institute of Internal Audit's Model Internal Audit Activity Charter. The Committee, based on an assessment of the internal auditor's work, agreed that the internal audit team continued to have sufficient resources (particularly following the proposed new resource being in place) and access to technical experience to act as an effective third line of defence for Dechra. The Committee concluded that the internal audit function was effective and independent.

External Auditor

Following a competitive tender in 2015, PwC were appointed as the Company's external auditor effective from the 2016 audit. The Company complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services.

Audit Plan

PwC agreed their audit plan with the Committee, which included their audit scope, key audit risk areas and materiality. The Committee discussed the audit plan with PwC and approved it, together with the fees proposed.

Independence, Effectiveness and Objectivity of the Audit Process

The Committee conducted a review of the external auditor's independence, effectiveness and objectivity based on:

- the Committee's own assessment of the quality of the audit plan, the rigour of the audit findings and conclusions, the extent to which the External Audit Engagement Partner understands the business and constructively challenges management and the quality and clarity of the technical and governance review provided;
- the results of a questionnaire on external auditor effectiveness and efficiency (further detail on which is provided below);
- a report prepared by PwC setting out its processes to ensure independence and its confirmation of compliance with them; and
- the level of non-audit fees as a percentage of the audit fees paid to the external auditor, which were 6.0% (2021: 7.6%) in relation to services rendered by PwC.

Responses to the questionnaire have been received from the Finance Leadership Team across the Group who provided information and assistance to the external auditor.

The questionnaire covered a number of areas, including:

- planning and preparation;
- quality of the audit team and continuity;
- knowledge and understanding of the Group;
- appropriateness of the areas of audit focus;
- interaction with audit specialists; and
- timeliness and adequacy of communication by the external auditor.

The results of the questionnaire were reported to the Committee at the meeting on 30 August 2022.

Based on the review set out above, the Committee is satisfied with the external auditor's independence, effectiveness and objectivity.

Audit, Risk and Internal Control

Re-Appointment of External Auditor

At the forthcoming Annual General Meeting, a resolution to re-appoint PwC as the external auditor and to authorise the Committee to set their remuneration will be proposed.

In recommending the re-appointment of the external auditor at the Annual General Meeting, the Committee also takes into account the Competition and Markets Authority (CMA) Order on mandatory audit tendering. Dechra will be required to retender its audit no later than for the 2026 financial year. The Committee will complete this process well before the start of the year preceding the 2026 financial year to maximise the firms able to tender and to permit the firm selected to have sufficient time to meet the required independence regulations.

External Audit Engagement Partner Rotation

In line with the FRC Ethical Standard, the External Audit Engagement Partner is rotated every five years. The current External Audit Engagement Partner, Mark Skedgel, was appointed by the Board on the recommendation of the Audit Committee for the 2021 financial year.

Non-Audit Assignments

With respect to non-audit services undertaken by the external auditor, the Company's policy is that the provision of such services does not impair their independence or objectivity.

Since May 2018, the policy for the use of the auditors, PwC, for non-audit work permitted in accordance with FRC guidance, is capped at 30% for the ratio of non-audit fees to the audit fee and the underlying principle is that the external auditor should never be used where another professional firm can provide the same or similar service. This principle is stricter than the FRC guidance as it is expected that non-audit work performed by the external auditor will be limited to the review of the half-year accounts and any other work required to be carried out by the statutory auditor in accordance with legislation. The annual review of the policy was undertaken in April 2022 and there were no proposed changes. Should another professional firm be unable to provide the same or similar service, the Committee will continue to approve in advance any non-audit work carried out by the external auditor. In all instances, the Committee will assess the qualification, expertise, independence and objectivity of the external auditor prior to granting approval. Safeguards are in place to provide for continued external auditor independence, including the use of separate teams to undertake any non-audit work (other than the review of the Half-Yearly Report) and the audit work. As such, non-audit fee spend is a standing item on the agenda for every Committee meeting.

A summary of audit and non-audit fees in relation to the year is provided in note 7 to the Group's financial statements. This shows that non-audit work carried out by the external auditor represented 6.0% (2021: 7.6%) of the annual audit fee. The 2022 other non-audit fees relate to the engagement of PwC (as statutory auditor) to provide an annual attestation to NOMA (the regulator in Norway) and as such the services were permitted under the non-audit fee policy.

	2022 PwC	2021 PwC	2020 PwC	2019 PwC	2018 PwC
Audit fees including related assurance services (£m)	**1.8**	1.4	1.1	0.89	0.80
Non-audit fees (£m):					
Review of Half-Yearly Report	**0.1**	0.1	0.06	0.04	0.04
Other work	**0.002**	0.006	0.002	0.002	0.52*
Ratio of non-audit fees to audit fees	**6.0%**	7.6%	5.5%	6.7%	70.0%

* The 2018 Audit Committee Report sets out the reasons for the engagement of PwC.

Julian Heslop
Audit Committee Chair
5 September 2022

Directors' Remuneration Report

Letter from the Remuneration Committee Chair

6

Remuneration Committee Meetings Held

Areas of Focus This Year

- Review of compensation across the Group, including the Executive Directors
- Review of Chair's fee
- Executive Director and Senior Executive Team (SET) Performance Objectives, including ESG targets

Key Responsibilities

- To determine the remuneration, bonuses, long term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chair and SET
- To oversee any major changes in employee benefit structures
- To approve the design of any employee share scheme
- To oversee workforce pay policies

Read more about our Committee Membership and Attendance on page 87

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2022. Following this letter we have set out the following additional information:

- Our Pay Principles, which we adopted in 2020, together with a summary of the market reference points considered by the Committee and our approach to wider workforce remuneration.
- Remuneration Philosophy: The link between our Directors' Remuneration Policy and our Strategy.
- Governance: How our Remuneration Policy is aligned with the requirements of the UK Corporate Governance Code.
- Remuneration at a glance: Summary of Executive Directors' Total Remuneration for the 2021 and 2022 financial years.

There then follows the two principal sections of the Remuneration Report: the Annual Report on Remuneration and an abbreviated form of the Directors' Remuneration Policy (the Policy) (the full version can be found at www.dechra.com). The Annual Report on Remuneration provides details of the amounts earned in respect of the 2022 financial year and how the Policy will be implemented in the 2023 financial year.

The Directors' Remuneration Report (excluding the Policy) will be subject to an advisory vote at the 2022 Annual General Meeting.

Our Directors' Remuneration Policy

The Policy was approved by shareholders at the Annual General Meeting on 27 October 2020, with 90.81% of all votes cast in favour, and will remain in force until 2023. We review the application of this Policy regularly, with a view to it remaining appropriate, linked to strategy and reflective of developing market practices. No changes to the Policy are proposed for the forthcoming year.

Further details on how the Policy was implemented during the 2022 financial year and our approach to the implementation of the Policy in the 2023 financial year, including our approach to performance measures for the annual bonus and LTIP awards, are described later in this letter.

Directors' Remuneration Report

Remuneration Committee Decisions in 2022

Our 2022 financial year has been another one of success for Dechra, with continued strong progress and a move into the FTSE100. On remuneration, our aim is to always consider the wider workforce, our shareholders and other stakeholders by taking a fair, prudent and balanced approach. The table below summarises the implementation of the Policy for Executive Directors in respect of the 2022 financial year.

Element	Implementation
Salary	As discussed with shareholders during our consultation process last year, Ian Page's salary was increased to £612,000 and Paul Sandland's to £405,000. The increases were effective from 1 January 2022. The 2022 base salary increase for Ian Page and Paul Sandland moved their base to around 90% of the market median of companies ranked 51 to 150 in the FTSE 350 and companies with a market capitalisation of £2.5 billion to £4.5 billion (based on 12 month average market capitalisation to 31 December of 2020). Tony Griffin's salary was increased by 3% to €385,043, which was broadly in line with the average range of increases awarded to employees throughout the Group.
Retirement Benefit	Company pension contribution/cash in lieu of pension of 8% of salary for Ian Page and 6% of salary for Paul Sandland. Tony Griffin received an employer's contribution of 7.7% of salary into the Netherlands pension scheme. In line with the commitment made in our 2020 Remuneration Report, the employer pension contribution rate for our UK employees was increased to 8% from 1 July 2022.
Annual Bonus	Maximum opportunity for the 2022 financial year of 125% of base salary. The bonus for the 2022 financial year was based on underlying profit before tax (as regards up to 110% of salary), personal objectives (up to 10% of salary) and ESG measures (up to 5% of salary). We have delivered underlying profit before tax during the year of £170.0 million, an improvement of 15.5% at constant exchange rates (13.3% at actual exchange rates) on the prior year. Reflecting the performance of the Group in relation to profit targets and the performance of Executive Directors against personal objectives and ESG measures as described on pages 134 to 136, bonuses for the year equal to 92.0% of salary have been earned by Ian Page and Paul Sandland. The profit element of Tony Griffin's bonus is calculated by reference to the underlying operating profit of Dechra Veterinary Products EU (up to 55% of salary) and Group underlying profit before tax (up to 55% of salary). His bonus earned for the year is 76.5% of salary, which reflects the financial performance and the satisfaction of his personal objectives and ESG measures. The Committee considers the level of payout is reflective of the overall performance of the Group in the year and is appropriate. The bonus is subject to a bonus deferral, requiring that 20% of any bonus earned is deferred into Dechra shares for two years. The annual bonus is subject to malus and clawback provisions.
Long Term Incentive Plan	Awards of 200% of base salary for Ian Page, 150% of base salary for Paul Sandland and 100% of base salary for Tony Griffin were granted in September 2021. All of these awards are subject to a two year post vesting holding period. LTIP awards granted on 6 September 2019 are scheduled to vest on 5 September 2022: • as to 96% of the TSR element (one third of the total award) reflecting just under upper quartile performance; and • as to 50.3% of the underlying diluted EPS element (two thirds of the total award) reflecting that the compound annual growth in the underlying diluted EPS at 11.0%, whilst strong, was below the maximum threshold of 17% (with the assessment of underlying EPS taking into account the Akston licensing agreement, as referred to below). In aggregate, taking into account the ROCE underpin (reflecting that the ROCE at 19.5% had not fallen below 10.0%), the LTIP awards will vest as to 65.5%. The Committee considers the level of payout is reflective of the overall performance of the Group over the three year performance period ended 30 June 2022 and is appropriate. See page 139 for further details. Awards made under the LTIP are subject to malus and clawback provisions.

Chair's Fee

In last year's Remuneration Report we reported that we decided to increase the Chair's fee in two stages, with an increase to £159,000 (which included the fee for being Chair of the Nomination Committee, £5,000) from 1 January 2021 and to £188,000 from 1 January 2022.

As part of the Shareholder Consultation on Remuneration, which was undertaken between February and July 2021, we highlighted that we would revisit the appropriate fee level in the event of Dechra becoming a constituent of the FTSE 100, or in the event of a change of Chair. On the appointment of Alison Platt as Chair in January 2022 the Chair's fee was set at £200,000. This positions the Chair fee below lower quartile compared to the FTSE 30–100 and around lower quartile of the FTSE 100–150. As at 1 July 2022, Dechra was ranked 95 in the FTSE 100.

Performance Conditions for LTIP Awards

As detailed in the Directors' Remuneration Report last year, the impact of the Akston licensing agreement is relevant for the 2020 Grant (three year performance period to 30 June 2022) and 2021 Grant (three year performance period to 30 June 2023). In order to measure performance on a fair and consistent basis, the Committee has adjusted the final year underlying EPS for the 2020 Grant to reflect the actual Akston R&D costs incurred at the vesting date. This adjustment recognises that these R&D costs were not included in the base year of the performance period and maintains the overall level of stretch in the targets so the targets are not less difficult to satisfy. For the 2022 Grant (three year performance period to 30 June 2024) and future years, the Committee is mindful that the base year will have some R&D actual costs from the Akston deal. Therefore, the actual Akston R&D costs will be adjusted for both the base year and the year of vesting to enable performance to be measured on a like-for-like basis as was agreed for the 2021 Grant. The Committee believes that this is the right approach as the payments for the development of Akston are lumpy and uncertain as to timing between financial years.

Forward Looking: Implementation of Policy for 2023 Financial Year

We will apply the Policy in the 2023 financial year as follows (more information is given on page 144):

- **Salary:** Executive Directors' salaries will continue to be reviewed in January. It is planned that any increases to Executive Directors' salaries will be in line with the range of any increases proposed for the wider workforce.
- **Pension:** From 1 July 2022 the employer pension contribution for the wider UK workforce (including Paul Sandland) was increased to 8%. This aligns the pension contribution to that of Ian Page (who may receive cash in lieu). Tony Griffin received an employer's contribution of 7.7% of salary, in line with the wider Dutch workforce.
- **Bonus:** Our Policy, approved by shareholders at the 2020 Annual General Meeting, allows for a maximum annual bonus opportunity of 150% of base salary. Taking into account the growth in the size and complexity of the Group since the Policy was approved, the maximum bonus opportunity for the 2023 financial year with respect to the Chief Executive Officer and the Chief Financial Officer will increase from 125% to 150% of salary. This positions the maximum bonus at lower quartile compared to the FTSE 30–100 for the Chief Executive Officer (around median for the Chief Financial Officer) and around median of the FTSE 100–150. The value of the total package continues to be modest against the market norm for a company of our size and complexity. The value of total package for our Chief Executive Officer and Chief Financial Officer continues to be positioned towards the lower quartile of the market.

  In line with our Policy for the Chief Executive Officer and the Chief Financial Officer, the level of bonus deferred into Dechra shares for two years will increase from 20% to 33% of any bonus earned (and not just any additional bonus earned). The increase in the level of deferral alongside the increase in the maximum bonus opportunity means that the amount of cash earned for any level of performance is not increased. The increase in the bonus opportunity is, therefore, delivered in deferred shares, which further enhances the alignment with shareholders. The bonus will be based on a mix of stretching underlying profit before tax targets (in respect of a bonus of up to 130% of salary), personal objectives (in respect of a bonus of up to 10% of salary) and an ESG measure (in respect of a bonus of up to 10% of salary).

  The bonus opportunity for Tony Griffin will remain at 125%. The level of bonus deferred into Dechra shares for two years will be 20% of any bonus earned (and not just any additional bonus earned). The bonus will be based on a mix of stretching underlying profit targets (in respect of a bonus of up to 105% of salary), personal objectives (in respect of a bonus of up to 10% of salary) and an ESG measure (in respect of a bonus of up to 10% of salary). For Tony Griffin, and consistent with the approach for the 2022 financial year, half of the opportunity based on underlying profit (i.e. up to 52.5% of salary) will be assessed by reference to the underlying operating profit of Dechra Veterinary Products EU, reflecting his responsibility for that part of our business, and the other half of the profit based opportunity by reference to Group underlying profit in line with the other Executive Directors, so that a significant part of the profit based opportunity is aligned with the shareholder experience in respect of overall Group performance.

  The Committee has also reviewed the level of stretch in the annual bonus targets to reassure itself that the higher maximum opportunity for the 2023 financial year will only be earned for delivery of appropriately stretching levels of performance.
- **LTIP:** No changes are proposed to the maximum LTIP opportunity for the 2023 financial year. Awards for the 2023 financial year will be granted at the level of 200% of salary for Ian Page, 150% of salary for Paul Sandland and 100% of salary for Tony Griffin.

  The Remuneration Committee is aware that, despite strong performance in line with expectations, the Company's share price is lower than the £49.09 share price used to determine the number of shares subject to the LTIP awards granted on 19 September 2021. It is intended that the LTIP awards for the 2023 financial year will be granted in the 42 days following the announcement of the Company full year results. The Committee will finalise the quantum of the grants at that time having regard to business and share price performance and market conditions at that time. Taking into account the fact that the current share price is higher than the share price used for the LTIP awards granted in 2020 and 2019 (£32.37 and £25.06 respectively) our current intention is that LTIP awards for the 2023 financial year will be granted in line with our standard approach (with the number of shares to be awarded based on the three day average middle market quotation preceding the grant).

  Any shares that vest will be subject to a two year holding period. The performance measures remain as per the grant of LTIP awards made on 19 September 2021, details of which can be found on page 139. The upper target for the underlying diluted EPS performance condition will be 15% CAGR. Taking account of internal forecasts of performance over the performance period including the impact of the recent acquisitions, the markets in which the Group operates, our long term growth ambitions and the expectations of the investment community of the Group's future potential performance, this upper target is considered to be a stretching and ambitious upper target, which requires significant out-performance. The strong performance delivered in the 2022 financial year, which is the base year for the 2023 LTIP grant, also adds to the stretch.

Directors' Remuneration Report

Chair and Non-Executive Directors
A review of the Chair and Non-Executive Directors' base and additional fees will also be undertaken in January 2023 along with the pay review process for the wider workforce.

Wider Workforce Remuneration and Employee Engagement
We recruit and promote people on the basis of their personal ability, contribution and potential. We are committed to promoting, supporting and maintaining a culture of fairness, respect and equal opportunity for all. We are also committed to fair employment practices and comply with national legal requirements regarding wages and working hours.

The Group aims to provide a remuneration package that is competitive in an employee's country of employment and which is appropriate to promote the long term success of the Group. The Company's SAYE scheme and Employee Stock Purchase Plan (ESPP) encourage share ownership by qualifying employees and enable them to share in value created for shareholders. In the 2022 financial year, we offered SAYE to 1,636 employees in 19 countries, and received a 38.57% take up. In the 2023 financial year, we propose to offer the SAYE to our employees in Brazil, so offering 270 additional employees the opportunity to acquire shares in Dechra.

Further details on our pay principles and workforce remuneration are set out on page 129.

As the Non-Executive Director designated under the 2018 Code for employee engagement, Lisa Bright engages directly with employees on a range of topics of interest to them. As discussed on page 101, workforce engagement activities during the 2022 financial year included seven discussions with cross function teams in the EU and US. These have provided an upward channel for views, comments and debate, as well as an opportunity to provide positive feedback on the Group's decision not to furlough employees during the pandemic. The Committee provided an update on the Remuneration Review, including the Executive Directors' remuneration increases, to the wider workforce via the OneDechra intranet.

Gender Pay
We are pleased to report that, as a result of our proactive management with regards to our gender pay gap in Dechra Limited (who employ 69.3% of our UK employees), the gap has reduced from 17.7% in 2017 to 2.8% in 2021. However, the latest decrease relates largely to the payment of COVID-19 bonuses to all site-based staff at the Skipton site during the pandemic and will rise again next year as this is not applicable on an ongoing basis.

Looking Ahead: Key Focus Areas for the Committee for 2023
During the course of the 2023 financial year, we will be reviewing our Policy to check that it continues to support our strategic priorities. The Committee is mindful of the need to attract and retain high calibre individuals in an increasingly competitive market and to remunerate executives fairly and responsibly. As part of this review, and alongside the development of our science based climate targets, we will also consider the extent to which we should enhance the focus on ESG targets in the reward framework. We will consult with our shareholders in advance of the next triennial shareholder vote on the policy at the 2023 Annual General Meeting.

I will also transfer Remuneration Committee responsibilities to a new Committee Chair during the course of the year.

In Conclusion
We greatly appreciate the feedback and the level of support we have received from shareholders regarding our approach to remuneration.

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. We believe that the Policy operated as intended and consider that the remuneration received by the Executive Directors in respect of the 2022 financial year was appropriate, taking into account Group performance, personal performance and the experience of shareholders and employees.

I trust that we will continue to receive your support at the Annual General Meeting later this year. Should you have any queries in relation to this report, please contact me or the Company Secretary.

Ishbel Macpherson
Remuneration Committee Chair
5 September 2022

Additional Remuneration Information

Information Dechra Pay Principles

Our pay principles adopted in the 2020 financial year and detailed below, support us in attracting, motivating and retaining the key talent required to support the sustainable improvement of animal health and welfare globally.

Fair Pay	Equal pay for work of equal value
Market Competitiveness	We aim to remain competitive on compensation in our different marketplaces, whilst maintaining internal integrity
Living Wage	We set a target to become a real Living Wage Employer* in the UK during the 2021 financial year. Living wages vary by country, but our aim does not. As we continue to grow in countries across the globe, we will implement elsewhere in the world**
Stake in the Company	We want to increase the number of employees who are able to hold a stake in the Company through employee share ownership
Reward for Contribution	In addition to base pay, we have a number of different local incentive schemes across the Group

* Defined in the UK by The Living Wage Foundation.

** Implemented early during the 2021 financial year.

Workforce Remuneration

	Executive Directors	Senior Executive Team	Wider Workforce
Base Salary	Increases considered in the context of business wide review of remuneration, focusing on the lowest paid in our organisation and the top 60 Senior Leaders.		We are accredited as a Living Wage Employer in the UK and have implemented the equivalent elsewhere in the world.
Pension	**Ian Page:** Reduced to 8% of base salary with effect from 1 July 2021. **Paul Sandland:** 8% of base salary with effect from 1 July 2022 in line with the increase in the employer pension contribution rate for the UK wider workforce. **Tony Griffin:** 7.7% of base salary pension contribution in line with the employer pension contribution for the wider Dutch workforce.	Between 8% and 12% of base salary dependent on length of service.	For the 2021 financial year: between 6% and 12% of base salary dependent on length of service and/or grade*. We increased our minimum employer pension contribution from 6% to 8% with effect from 1 July 2022 in the UK.
Bonus	125% of base salary for the 2022 financial year, 150% of base salary for the 2023 financial year for Ian Page and Paul Sandland and 125% for Tony Griffin. **Ian Page and Paul Sandland**: Targets for the 2023 financial year: personal (up to 10% of salary), ESG (up to 10% of salary) and financial (up to 130% of salary). **Tony Griffin**: Targets for the 2023 financial year: personal (up to 10% of salary), ESG (up to 10% of salary) and financial (up to 105% of salary).	Increased from 50% of salary to 75% of salary for 2022 financial year. Targets: from 1 July 2021 financial and personal. From 1 July 2022 financial, ESG and personal.	All senior managers and professionals. Max. 40% of base salary. Targets: financial and personal.
Long Term Incentive Plan	Max. 200% of base salary. Currently 200% of base salary for Ian Page, 150% of base salary for Paul Sandland and 100% of base salary for Tony Griffin. Three year performance period, two year holding period. Target: TSR (one third), underlying diluted EPS (two thirds) and ROCE underpin.	Max. 100% of base salary. Three year performance period. Target: TSR and underlying diluted EPS with a ROCE underpin.	All senior managers and professionals. Discretionary awards. Market value options, three year performance period. Target: EPS growth 12% above inflation.
Sharesave†	Up to £500 per month Three year savings period or two years for the Employee Stock Purchase Plan (US)		

* Data provided for UK only.

† Austria, Belgium, Canada, Croatia, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, UK and USA.

Directors' Remuneration Report

Remuneration Philosophy

The Link between our Directors' Remuneration Policy and our Strategy

The table below describes how certain remuneration elements are linked to our strategy.

Remuneration Element	Strategic Growth Driver and Enabler	Link to our Key Performance Indicators
Annual Bonus Our annual bonus incentivises the delivery of the long term strategy through the achievement of short term objectives. Up to 130% of salary can be earned based on a stretching profit target, which requires performance above budget and market expectations to trigger the payment of a maximum bonus. Up to 10% of salary can be earned based on the achievement of personal objectives, which reflect the priorities of the business, achievement of which is necessary to deliver the longer term strategy. Up to 10% of salary can be earned based on ESG measures.		**Sales Growth** Strong sales performance is required to maximise profit
Long Term Incentive Plan The LTIP is designed to reward the generation of long term value for shareholders. Performance measures reflect our long term objectives, including sustainable profit growth and the enhancement of shareholder value. Awards are based on growth in underlying diluted EPS and the delivery of shareholder returns. For the 2022 and 2023 financial year awards, the weightings are two thirds underlying diluted EPS and one third total shareholder return. The application of a ROCE underpin focuses Executives on using capital efficiently and appropriately to allow the business to capitalise on growth opportunities in new territories and markets, whilst maintaining returns. The post vesting holding period aligns management with the long term interests of shareholders and the delivery of sustained performance. The performance conditions for LTIP awards made in respect of the year ended 30 June 2022 and future years include discretion to override formulaic outcomes.		**Underlying Diluted EPS Growth** This is a key measure of our performance and the return we generate for our stakeholders **Return on Capital Employed** This measures how efficiently we use our capital to generate returns in the medium and long term **New Product Sales** This measure encourages innovation, growth and sustainability

Alignment of Policy with Code

In determining the Policy, the Committee took into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture, as set out in the Code.

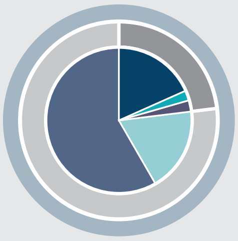
Principle	
Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Our remuneration arrangements are transparent and aligned with our Purpose, Values and Strategy and our disclosures are clear to both our shareholders and our employees. Performance targets are set in line with Group budgets and plans and reviewed and tested by the Committee.
Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	We believe that our remuneration structures are as simple as they practicably can be. We follow a standard UK market approach to remuneration with established variable incentive schemes that operate on a clear and consistent basis.
Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• Both the annual bonus and LTIP are subject to malus and clawback provisions, and the Committee has discretion to override formulaic outcomes, which may not accurately reflect the underlying performance of the Group. • LTIP awards are subject to a two year post-vesting holding period, and any bonus opportunity in excess of 100% of salary requires deferral into shares also applies. Each of these factors provides longer term alignment with shareholders' interests. • The post-employment shareholding requirement means that alignment with shareholders' interests continues after an Executive Director has left Dechra.
Predictability: the range of possible values of rewards to individual directors and other limits or discretions should be identified and explained at the time of approving the policy.	The range of possible values of rewards and other limits or discretions can be found in the full Policy included in the 2020 Remuneration Report, and the Risk section above refers to limits and Committee discretion.
Proportionality: the link between individual awards, the delivery of strategy and the long term performance of the Company should be clear. Outcomes should not reward poor performance. **Alignment to Culture:** incentive schemes should drive behaviours consistent with Company Purpose, Values and Strategy.	The variable elements of awards are linked to base salary. The performance targets are closely linked to the corporate, financial, strategic and other non-financial objectives of the Company. This enables the Committee to reward the Executive Directors' contribution to both the annual financial performance and the achievement of specific objectives of the Company, so that poor performance cannot be rewarded. In determining the Policy, the Committee was clear that this should drive the right behaviours, reflect our Values and support the Company Purpose and Strategy. The Committee will review the remuneration framework regularly so that it continues to support our Strategy.

Directors’ Remuneration Report

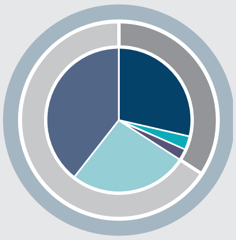
Executive Director Total Remuneration

Ian Page

2021



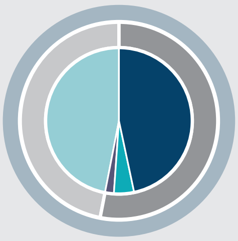
2022



	2021	2022
Fixed		
Salary	18.4%	**28.8%**
Benefits	2.3%	**3.1%**
Pension	2.6%	**2.3%**
Performance-linked		
Bonus	18.4%	**26.5%**
LTIP	58.3%	**39.3%**

Paul Sandland

2021

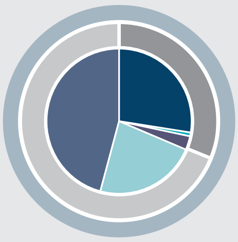


2022

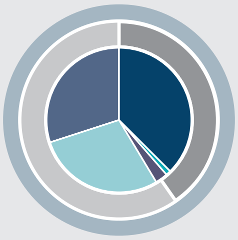
	2021	2022
Fixed		
Salary	46.9%	**41.1%**
Benefits	4.4%	**3.5%**
Pension	1.8%	**2.5%**
Performance-linked		
Bonus	46.9%	**37.7%**
LTIP	N/A	**15.2%**

Tony Griffin

2021



2022



	2021	2022
Fixed		
Salary	27.5%	**37.7%**
Benefits	0.8%	**1.0%**
Pension	3.0%	**2.9%**
Performance-linked		
Bonus	22.8%	**28.6%**
LTIP	45.9%	**29.8%**

2022 Annual Report on Remuneration

The following section provides detail of remuneration earned by the Directors during the year in line with the Directors' Remuneration Policy approved by the shareholders at the Annual General Meeting held on 27 October 2020, along with details of how the Policy will be applied in the 2023 financial year. The sections of the 2022 Annual Report on Remuneration that are audited by PricewaterhouseCoopers LLP (PwC) are indicated on pages 133 to 141.

Executive Directors' Remuneration (Audited)

Single Total Figure of Remuneration

The table below sets out the total remuneration for each person who has served as an Executive Director in the period ended 30 June 2022. The table shows the remuneration for each such person in respect of the year ended 30 June 2022 and in respect of the year ended 30 June 2021:

Executive Director	Year	Salary £000	Benefits £000	Annual Bonus £000	Long Term Incentive £000	Pension £000	Total £000	Total Fixed £000	Total Variable £000
Ian Page	**2022**	**597**	**65**	**549**	**814**	**48**	**2,073**	**710**	**1,363**
	2021	551	68	551	1,748	77	2,995	696	2,299
Paul Sandland	**2022**	**383**	**33**	**351**	**142**	**23**	**932**	**439**	**493**
	2021	330	31	330	N/A	13	704	374	330
Tony Griffin	**2022**	**322**	**9**	**245**	**255**	**25**	**856**	**356**	**500**
	2021	327	9	271	547	36	1,190	372	818
Total 2022	**2022**	**1,302**	**107**	**1,145**	**1,211**	**96**	**3,861**	**1,505**	**2,356**
Total 2021	2021	1,208	108	1,152	2,295	126	4,889	1,442	3,447

Please note the following methodologies have been used in respect of the above table:

1. Salary – this is the cash paid or received in respect of the relevant period. Included in the 2021 base salary, are increases which were effective 1 January 2021 and paid post 2021 year end.
2. Benefits – this represents the taxable value of all benefits paid or received in respect of the relevant period. The Company provides benefits in line with market practice and each Executive Director has the use of a fully expensed car (Ian Page: £53,372), medical cover and life assurance. SAYE options granted in the 2021 financial year have also been included in the benefits column in respect of any year in which there was a grant. These have been valued using the fair value as per note 26 to the Group's financial statements.
3. Annual Bonus – this is the amount of cash and deferred shares bonus earned in respect of the financial year.
4. Long Term Incentive – this is the value of any relevant long term incentives vesting where the performance period ended in the relevant period.
5. Pension – this is the amount of the employer contribution to the Group stakeholder personal pension scheme or, in the case of Tony Griffin, defined contribution pension plan, plus the value of any salary supplement paid. The value of any contribution or salary supplement for the 2021 financial year in respect of the salary increases effective 1 January 2021 were paid post year end as referred to in note 1 above.
6. The 2021 value assigned to the long term incentives for Ian Page and Tony Griffin was shown in last year's Annual Report as an estimate, with the value determined by reference to a share price of £40.422 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2021). This has been restated to show the actual value determined by reference to a price of £51.30 (being the market value of a share on 20 September 2021, the date of vesting).
7. Tony Griffin's remuneration is paid in Euros but reported in Sterling for the purpose of this table. The exchange rate used for this purpose was 1.1287 for 2021 and 1.1807 for 2022. His salary was €385,043 from 1 January 2022 and €373,831 from 1 January 2021.

Directors' Remuneration Report

Additional Disclosures in Respect of the Single Figure Table

Salaries and Fees

Our approach to Executive Directors' salaries in the financial year is explained in the Committee Chair's letter on pages 125 to 128. The Executive Directors' salaries applying with effect from 1 January 2022 are as follows.

Executive Director	Salary with effect from 1 January 2022	Previous Salary	% increase
Ian Page	**£612,000**	£582,400	5.1%
Paul Sandland	**£405,000**	£360,000	12.5%
Tony Griffin	**€385,043**	€373,831	3.0%

The Committee's approach to Executive Directors' salaries for the year ending 30 June 2023 is summarised in the Committee Chair's letter on page 127.

Benefits

The Company provides benefits in line with market practice and each Executive Director has the use of a fully expensed car, medical cover and life assurance.

Annual Bonus

Annual bonuses were awarded by the Committee in respect of the 2022 financial year having regard to the performance of the Group and personal performance and ESG objectives for the year. The amount achieved for the year ended 30 June 2022 against targets for the 2022 financial year is set out below. Bonuses for the year equal to 92.0% of salary have been earned by Ian Page and Paul Sandland. Tony Griffin's earned a bonus for the year of 76.5% of salary. In line with the Policy, 20% of any bonus earned will be deferred into Dechra shares for two years. The Committee considers that the level of payout is reflective of the overall performance of the Group in the year and is appropriate.

Ian Page and Paul Sandland: Group underlying profit before tax

				Bonus earned (percentage of salary)	
				Ian Page	Paul Sandland
Threshold (10% of salary) £156.9 million	Target (55% of salary) £165.2 million	Maximum (110% of salary) £181.7 million	Actual (at budgeted rates) £171.6 million	77%	77%

Tony Griffin: Group underlying profit before tax and Dechra Veterinary Products EU underlying operating profit

					Bonus earned (percentage of salary)
					Tony Griffin
Group underlying profit before tax	Threshold (5% of salary) £156.9 million	Target (27.5% of salary) £165.2 million	Maximum (55% of salary) £181.7 million	Actual (at budgeted rates) £171.6 million	38.0%
Dechra Veterinary Products EU underlying operating profit	Threshold (5% of salary) €132.7 million	Target (27.5% of salary) €139.7 million	Maximum (55% of salary) €153.7 million	Actual (at budgeted rates) €137.8 million	23.0%

Personal Objectives and ESG measure

		Bonus earned (percentage of salary)		
		Ian Page	Paul Sandland	Tony Griffin
Personal Objectives	Each Executive Director could earn a bonus of up to 10% of salary by reference to the achievement of personal objectives based on key aspects of delivering the Group's strategy (see table opposite)	10%	10%	10%
ESG measure	Each Executive Director could earn a bonus of up to 5% of salary by reference to the achievement of ESG measures aligned with their area of responsibility (see table opposite)	5%	5%	5%

The personal objectives of each Executive Director for the year ended 30 June 2022 are set on an individual basis and are closely linked to the corporate, financial, strategic and other non-financial objectives of the Company. This enables the Committee to reward the Executive Directors' contribution to both the annual financial performance and the achievement of specific objectives. A summary of the objectives is set out below along with a description of the performance against them. The Committee reviewed the performance of each Executive Director against their specific objectives based on a report by the Chief Executive Officer and, with respect to the Chief Executive Officer, a report by the Chair. The ESG measure for each Executive Director was similarly set on an individual basis linked to the Executive Director's area of responsibility. A summary of the measure and performance against it is set out below.

Personal Objectives

Director	Strategic Enabler	Objective	Performance
Ian Page	People	Recruit and onboard a new Chief Scientific Officer to replace Dr Longhofer, bringing new experience and innovation to the PDRA group	Patrick Meeus, a veterinarian with wide experience in product development and regulatory affairs, commenced employment on 1 July 2022
	Pipeline Delivery	Through business development; expand our new product pipeline for 2022/23 and beyond, through acquisition, investment or partnering arrangement	A number of new candidates were explored; *Laverdia* was added to the pipeline through acquisition and Piedmont significantly strengthened the scale and novelty of the pipeline
	Governance	Work with the Chair and the Nominations Committee to continue to shape the Board structure to build stability and continuity for the long term Provide mentorship to the Chief Financial Officer to continue to develop a succession strategy	We have successfully appointed Alison Platt as Chair of the Board and in the year we have recruited a new Non-Executive Director, John Shipsey, as Audit Chair and have commenced the search for a new Remuneration Committee Chair The Chief Financial Officer continues to develop and has exceeded expectations. We have recruited a number of talented people below the Senior Executive Team to strengthen the organisation with a view to potential future succession opportunities
Paul Sandland	Shareholder	Improve effective engagement with shareholders	Established investor relations function, onboarded Head of Investor Relations (post year end), developed IR plan, timetable and investor engagement programme, improved guidance and consensus tracking
	IT	Drive efficiencies through implementation of technology solutions	Appointed Chief Information Officer (joined June 2022). Successful implementation of/progress against key milestones on pivotal Group IT projects (Veeva, eQMS, Oracle, ADP, Concur). Enhanced security and reduced risk of cyber-attacks through sponsoring delivery of NCSC 10 steps
	Governance	Sponsor transition to Internal Controls Over Financial Reporting (ICOFR)	Launched Financial Control Framework, identified and remediated any weaknesses, established BEIS project team with a view to full transition in the 2023 financial year in line with anticipated timetable and requirements
Tony Griffin	Commercial	Drive the European change programme to ensure the organisation is ready for the future	Workshops held with senior team to determine future model/framework, and roll out has commenced. All markets now on Sales Force CRM. All country managers trained in Change Management and all have carried out training of own teams. Analysis of top 20 products completed for pricing alignment
	People	Agree focus areas for improvement as a result of the Great Place to Work (GPTW) survey	Career and development were the agreed focus areas for DVP EU. A mentor programme has commenced and all product managers have received specific training
	People	Support the One Dechra organisation working closely with the SET in building a strong cohesive team	Monthly meetings with the Group DPM&S Director, resulting in the establishment of cross functional teams to solve problems as they arise

Directors' Remuneration Report

ESG Measure

Director	Objective	Performance
Ian Page	Provide sponsorship to the Sustainability strategy of the Group and drive changes through the organisation to support meeting the targets set in the Group Strategy. Act as sponsor of the One Dechra Engagement actions during the financial year specifically the Group wide actions on Communication and Wellbeing	ESG is permanently embedded within the organisation. All global team members understand and are engaged in achieving the objectives set by the ESG Committee
Paul Sandland	Sponsor and execute the agreed Sustainability strategy	Established carbon reduction targets in accordance with Science Based Targets, met TCFD reporting requirements and enhanced employee engagement through roll out of Deedster application, execution of multi-channel communication plan and recruitment of ESG ambassadors
Tony Griffin	Work closely with the Sustainability Director to reduce the carbon footprint of the European business and in delivering the Group's science based goals for the 2022 financial year	All DVP EU facilities have established and are implementing a sustainability plan which includes green electricity, recycling, and LED lighting. Uldum has completed the shipment analysis to reduce the number of small inefficient shipments. All countries are now offering either hybrid or fully electric cars

Long Term Incentive Plan

The LTIP awards granted on 6 September 2019 are due to vest on 5 September 2022. The performance targets for these awards are as follows: one third of the award is subject to a performance condition based on the Company's total shareholder return (TSR) performance relative to the constituent companies of the FTSE 250 index (excluding investment trusts) over the performance period as follows:

TSR performance	Vesting percentage
Below median	0%
Median	25% of the TSR portion will vest
Between median and upper quartile	Pro rata vesting between 25% and 100% based on the Company's ranking in the comparator group
Upper quartile	100% of the TSR portion will vest

Two thirds of each award is subject to a performance condition based on the growth in the Group's underlying diluted earnings per share (EPS) over the performance period as follows:

EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 17%	Pro rata vesting between 25% and 100%
>17% CAGR	100% of the EPS portion will vest

Both the TSR element and the EPS element are subject to an additional return on capital employed (ROCE) performance underpin. Unless the Group's ROCE is 10% or more in the final year of the performance period, the awards will lapse in full regardless of TSR and EPS performance.

The Company's TSR performance was 34.8% compared with a 11.5% TSR for the median company and 35.7% TSR for the upper quartile company in the comparator group (FTSE 250 Index (excluding investment trusts)). Therefore, 96% of the TSR element will vest. As we explained in the 2019 Directors' Remuneration Report, having regard to the impact of the Akston licensing agreement and in order to measure performance on a fair and consistent basis, the Committee has adjusted, for the purposes of this LTIP grant, the underlying diluted EPS for financial year 2022 to exclude the actual Akston R&D costs incurred as these costs were not included in the base year. This adjustment changes the 2022 underlying diluted EPS for the purposes of this LTIP grant from 120.84 pence to 123.23 pence resulting in CAGR of 11.0% such that 50.3% of the EPS element will vest. Overall, taking into account that ROCE performance for 2022 was 19.5%, the LTIP awards will vest as to 65.5% of the maximum opportunity.

The Committee considered that the level of vesting reflected the underlying performance of the Group over the period.

In the single figure table on page 133, the value attributable to this award is calculated by multiplying the number of shares in respect of which the award is expected to vest by £35.405 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2022).

The September 2019 awards were granted when the value of a share was £29.64 (being the three day average middle market quotation preceding the grant). The following table shows the amount of the award attributable to share price appreciation from that value to £35.405 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2022).

Executive Director	Number of shares in respect of which the Award is expected to vest	Amount of award attributable to share price at grant £000	Amount attributable to share price appreciation £000	Total award £000
Ian Page	22,981	£681	£133	£814
Paul Sandland	3,999	£119	£23	£142
Tony Griffin	7,194	£213	£42	£255

Each award is subject to a two year post vesting holding period. Other than shares sold to satisfy tax liabilities arising in connection with the acquisition of shares or to fund the exercise price of the tax qualifying option, no shares acquired may be sold before the second anniversary of vesting. The Company has measures in place to prevent the shares from being sold or transferred during the holding period. During the holding period, the Executive Directors, as beneficial owners of the shares, will be entitled to any dividend payments and will be able to vote at any general meeting of the Company.

SAYE

No options were exercised under the SAYE Scheme by Executive Directors during the year.

Pension

Ian Page and Paul Sandland were members of the Dechra Pharmaceuticals PLC Group Stakeholder personal pension scheme throughout the year. Ian Page elected to receive his entire pension contributions as a salary supplement.

Contributions made by Dechra Pharmaceuticals PLC on behalf of the Executive Directors during the year equated to no more than 8% of pensionable/base salary for both Ian Page and Tony Griffin. Tony Griffin received an employer's contribution of 7.7% of salary into the Netherlands pension scheme. As explained in the Committee Chair's letter on pages 125 to 128 with effect from 1 July 2022, the wider UK workforce are eligible for employer pension contributions of between 8% (increased from 6%) and 12% of base salary dependent on length of service and/or grade.

Our Chief Financial Officer, Paul Sandland's, pension was already aligned with the wider workforce, and therefore increased from 6% to 8% with effect from 1 July 2022.

Directors’ Remuneration Report

Non-Executive Directors’ Remuneration (Audited)

(Audited) Single Total Figure of Remuneration

The table below sets out the total remuneration for each person who has served as a Non-Executive Director in the period ended 30 June 2022. The Chair and the other Non-Executive Directors are paid a fee for their role. The table shows the remuneration for each such person in respect of the year ended 30 June 2022 and, where relevant, the year ended 30 June 2021:

	Additional responsibilities	Base fee £000		Additional fee £000		Benefits £000		Total £000	
		2022	2021	2022	2021	2022	2021	2022	2021
Tony Rice π	Chair and Nomination Committee Chair	**80**	144	**–**	3	**4**	–	**84**	147
Alison Platt	Chair and Nomination Committee Chair (from 1 January 2022)	**129**	54	**–**	–	**3**	**–**	**132**	54
Ishbel Macpherson	Senior Independent Director (to 28 February 2022) and Remuneration Committee Chair	**58**	54	**22**	20	**3**	–	**83**	74
Julian Heslop	Audit Committee Chair (apart from between the period 22 October to 1 December 2021)	**58**	54	**14**	12	**2**	–	**74**	66
Lawson Macartney	Senior Independent Director (from 1 March 2022)	**58**	54	**3**	–	**17**	–	**78**	54
Lisa Bright	Employee Engagement Designated Non-Executive Director	**58**	54	**10**	8	**4**	–	**72**	62
Denise Goode†		**24**	11	**1**	–	**1**	–	**26**	11
John Shipsey*		**5**	–	**–**	–	**–**	–	**5**	–
Total		**470**	425	**50**	43	**34**	–	**554**	468

∏ Tony Rice retired on 31 December 2021.
† Denise Goode was appointed on 26 April 2021 and resigned on 30 November 2021.
* John Shipsey was appointed on 1 June 2022.

The Non-Executives are not eligible to participate in any of the Company’s share schemes, incentive schemes or pension schemes.

The Committee’s approach to the Chair’s fee in the financial year is explained in the Committee Chair’s letter on pages 125 to 128. As explained in the letter, at the same time as the Committee considered the Executive Directors’ salaries and the Chair’s fee, fees for the other Non-Executive Directors were reviewed by the Board. The Chair's and other Non-Executive Directors’ fees applying with effect from 1 January 2022 are as follows.

Office	Fee with effect from 1 January 2022	Previous fee
Chair	**200**	159*
Non-Executive Director	**58**	57
Chair of the Audit Committee	**15**	15
Chair of the Remuneration Committee	**15**	15
Senior Independent Director	**10**	10
Designated Non-Executive Director for Employee Engagement	**10**	10

* The Chair had previously received a fee of £159,000 inclusive of his fee for chairing the Nomination Committee. Alison Platt on her appointment received a base fee of £200,000.

The Committee’s approach to the Chair’s and Non-Executive Directors’ fees for the year ending 30 June 2023 is summarised in the Committee Chair’s letter on page 128.

Further Information on Directors' Remuneration

Long Term Incentive Arrangement and Share Scheme awards during the financial year

Long Term Incentive Awards (Audited)

Awards were made under the Dechra 2017 Long Term Incentive Plan on 16 September 2021, are as set out in the table below.

	Type of award	Maximum opportunity	Number of shares	Face value at grant*	% of award vesting at threshold	Performance Period
Ian Page	Nil cost option under the LTIP	200% of salary	23,727	£1,164,758	25%	1 July 2021 – 30 June 2024
Paul Sandland†	Nil cost option under the LTIP	150% of salary	11,000	£539,900	25%	1 July 2021 – 30 June 2024
Tony Griffin	Conditional award under the LTIP	100% of salary	6,508	£319,478	25%	1 July 2021 – 30 June 2024

* Based on a share price of £49.09 being the three day average middle market quotation preceding the grant.

† Paul Sandland has also been granted a tax qualifying option over 330 shares at an exercise price of £49.09 as part of his LTIP award. This tax qualifying option is linked to the nil cost option such that, at the time of exercise, to the extent that there is a gain in the tax qualifying option, the nil cost option will be forfeited to the value of that gain, to ensure that the pre-tax value of the LTIP award is not increased by the grant of the tax qualifying option.

One third of each award is subject to a performance condition based on the Company's TSR performance over the performance period relative to the constituent companies of the FTSE 250 index (excluding investment trusts) as follows:

TSR performance	Vesting percentage
Below median	0%
Median	25% of the TSR portion will vest
Between median and upper quartile	Pro rata vesting between 25% and 100% based on the Company's ranking in the comparator group
Upper quartile	100% of the TSR portion will vest

Two thirds of each award is subject to a performance condition based on the growth in the Group's underlying diluted EPS over the performance period. As noted in the letter from the Remuneration Committee Chair in the 2019 Directors' Remuneration Report, the underlying EPS for the final year of the performance period (the financial year to 30 June 2024) will be adjusted to exclude actual R&D costs associated with the Akston development, recognising that these are lumpy and uncertain as to timing between financial years.

EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 15%	Pro rata vesting between 25% and 100%
>15% CAGR	100% of the EPS portion will vest

Both the TSR element and the EPS element are subject to an additional ROCE performance underpin. Unless the Group's ROCE is 10% or more in the final year of the performance period, the awards will lapse in full regardless of TSR and EPS performance. The awards are subject to a two year post vesting holding period. Other than shares sold to satisfy tax liabilities arising in connection with the acquisition of shares or to fund the exercise price of the tax qualifying options, no shares acquired may be sold before the second anniversary of vesting.

SAYE (Audited)

No SAYE options were granted to Executive Directors during the year ended 30 June 2022.

Payments to Past Directors (Audited)

There were no payments to past Directors during the period.

Payments for Loss of Office (Audited)

There were no payments for loss of office made to Directors during the period.

Dilution Limits

Awards granted under the Company's LTIP, Executive Share Option Schemes and SAYE Schemes are met by the issue of new shares when the awards/options are exercised. The Committee monitors the number of shares issued under each of these schemes and their impact on dilution limits. The Company's usage of shares compared to the Investment Association dilution limits as at 30 June 2022 is as follows:

Executive Share Plans	All Share Plans
Limit: 5%	Limit: 10%
Usage: 2.1%	Usage: 2.6%

Directors' Remuneration Report

Shareholdings (Audited)

Executive Directors

In respect of the financial year ended 30 June 2022, the Company's shareholding guidelines required Executive Directors to have acquired and retained half of any shares acquired under the LTIP and, if relevant, any recruitment award (after sales to cover tax) until such time as their holding has a value equal to 200% of salary. Shares which are vested, but which remain subject to a holding period and/or clawback, and deferred bonus scheme shares may count towards the holding requirement on a net of assumed tax basis. The holdings of each person who served as an Executive Director during the period ended 30 June 2022 and their families as at 30 June 2022 are as follows:

Name	Appointment date	Ordinary shares Number	Ordinary shares £000*	% of salary
Ian Page	13 June 1997	392,388	13,568	2,217
Paul Sandland	30 October 2019	9,651	333	82
Tony Griffin	1 November 2012	33,463	1,157	355

* Calculated using the share price as at 30 June 2022 and the base salaries as at 30 June 2022.

Shareholding Requirement After Employment

As detailed in the Remuneration Policy approved by shareholders at the 2020 Annual General Meeting, the Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from share plan awards (LTIPs, deferred bonus awards and, if relevant, any recruitment award) granted after 1 July 2021. Following employment, an Executive Director must retain:

- for the first year after employment, such of their shares which are subject to the post-employment requirement as have a value for these purposes equal to the shareholding guideline that applies during employment (currently 200% of salary); and
- for the second year after employment, such of those shares as have a value for these purposes equal to 50% of the shareholding guideline that applies during employment, or, in either case and if fewer, all of those shares.

Executive Directors' Total Interest under Shares Schemes (Audited)

Awards held under the Long Term Incentive Plan (and, in the case of Paul Sandland, market value options) for each person who was a Director during the year ended 30 June 2022 are as follows:

	Award date	Type of award	Option price for market value options (£)	Number of shares as at 1 July 2021	Granted	Lapsed	Exercised	Number as at 30 June 2022	Status	Performance Period
Ian Page	26-Oct-18	LTIP	N/A	46,168	–	12,097	34,071	–	Vested and exercised in the year	2018–2021
	06-Sep-19	LTIP	N/A	35,087	–	–	–	35,087	Unvested[1]	2019–2022
	22-Sep-20	LTIP	N/A	32,128	–	–	–	32,128	Unvested[2]	2020–2023
	19-Sep-21	LTIP	N/A	–	23,727	–	–	23,727	Unvested	2020–2023
Tony Griffin	26-Oct-18	LTIP	N/A	14,444	–	3,785	10,659	–	Vested and exercised in the year	2018–2021
	06-Sep-19	LTIP	N/A	10,984	–	–	–	10,984	Unvested[1]	2019–2022
	22-Sep-20	LTIP	N/A	10,303	–	–	–	10,303	Unvested	2020–2023
	19-Sep-21	LTIP	N/A	–	6,508	–	–	6,508	Unvested	2021–2024
Paul Sandland	02-Mar-18[4]	Approved	£25.06	550	–	–	550	–	Vested and exercised in the year	2017–2020
	02-Mar-18[4]	Unapproved	£25.06	2,450	–	–	2,450	–	Vested and exercised in the year	2017–2020
	26-Oct-18[4]	Unapproved	£21.66	3,000	–	–	3,000	–	Vested and exercised in the year	2018–2021
	06-Sep-19	LTIP	N/A	6,106	–	–	–	6,106	Unvested[1]	2019–2022
	22-Sep-20	LTIP	N/A	13,901	–	–	–	13,901	Unvested	2020–2023
	19-Sep-21	LTIP	N/A	–	11,000	–	–	11,000	Unvested[3]	2021–2024

1. Will vest on 5 September 2022 as to 65.5%.
2. Ian Page was granted a tax qualifying option over 926 shares at an exercise price of £32.37 as part of his LTIP award. This tax qualifying option is linked to the nil cost option such that, at the time of exercise, to the extent there is a gain in the tax qualifying option, the nil cost option will be forfeited to the value of that gain.
3. Paul Sandland was granted a tax qualifying option over 330 shares at an exercise price of £49.09 as part of his LTIP award. This tax qualifying option is linked to the nil cost option such that, at the time of exercise, to the extent there is a gain in the tax qualifying option, the nil cost option will be forfeited to the value of that gain. Ian Page decided to waive his right to the tax qualifying option.
4. Paul Sandland held market value options. These options and awards were granted to Paul Sandland prior to his appointment as an Executive Director. These options are subject to a performance condition based on the percentage growth in the adjusted diluted EPS, which must exceed the sum of the percentage growth in RPI and 12%.

The aggregate gain made by the Executive Directors on share options and LTIP awards exercised during 2022 was £2,491,641 (2021: £1,319,184).

Non-Executive Directors (Audited)

By the third anniversary of their appointment to the Board, Non-Executive Directors are required to have acquired and retained a holding of Dechra shares equivalent to the value of at least 50% of their annual base fee. The holdings of the Non-Executive Directors and their families as at 30 June 2022 are as follows:

Name	Appointment date	Ordinary shares number	Ordinary shares £000*	% of base fee
Alison Platt	1 March 2020	3,709	128	64
Ishbel Macpherson	1 February 2013	5,848	202	344
Julian Heslop	1 January 2013	6,000	207	353
Lawson Macartney	1 December 2016	5,880	203	346
Lisa Bright	1 February 2019	788	27	46
John Shipsey	1 June 2022	Nil	N/A	N/A
Tony Rice†	5 May 2016	20,000	692	435
Denise Goode‡	26 April 2021	136	5	8

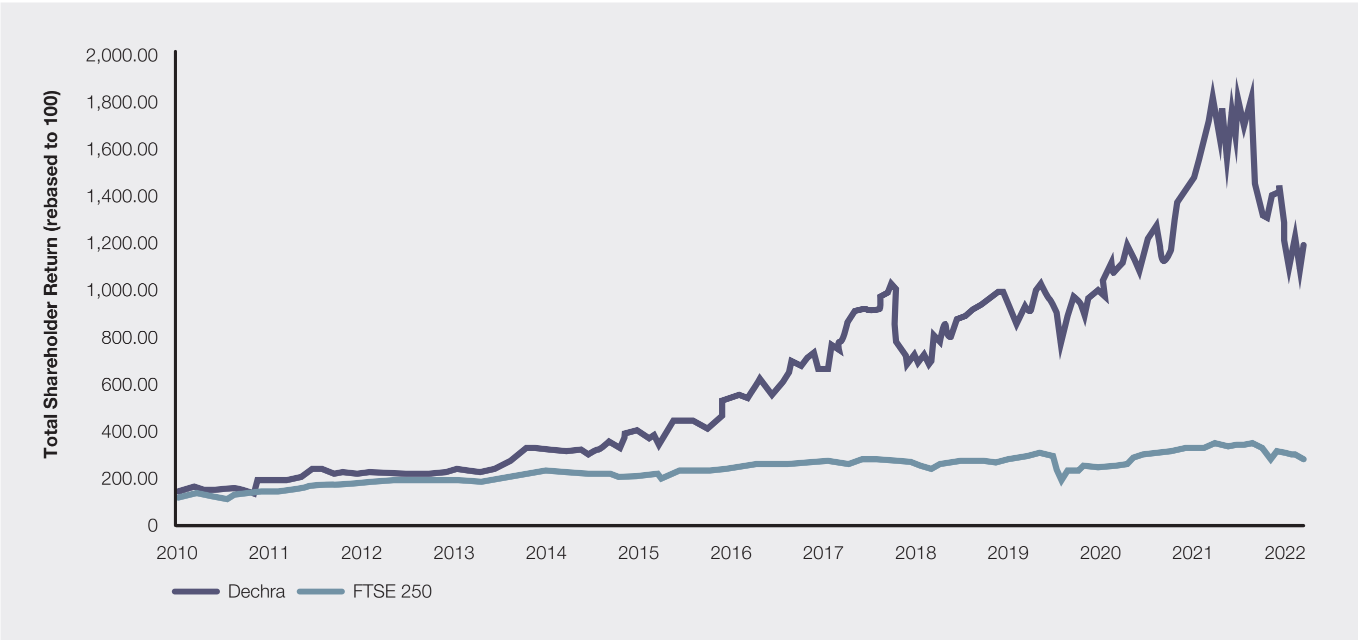
* Calculated using the share price as at 30 June 2022 and the fees as at 30 June 2022.
† Retired on 31 December 2022.
‡ Resigned on 30 November 2022.

There have been no changes in the holdings of the Company's Directors between 30 June and 5 September 2022, with the exception of Ishbel Macpherson who acquired 874 ordinary shares in the Company via the Retail Offer and these shares were admitted on 25 July 2022.

Performance and Chief Executive Remuneration

TSR

This graph shows the TSR performance of the Company over the past ten financial years compared with the TSR over the same period for the FTSE 250 Total Return Index. During the period 1 July 2021 to 19 December 2021, the Company was a constituent of the FTSE 250. From 20 December 2021, it was a constituent of FTSE 100; for this reason it is considered that the TSR performance of the FTSE 250 Index is the appropriate comparator for this report In line with the regulations the TSR chart should show only ten years (1 July 2012 to 30 June 2022).



Directors' Remuneration Report

Chief Executive Officer Remuneration for Ten Previous Years

Year ended	Total single figure remuneration £000	Annual bonus payout (% of maximum opportunity)	LTIP vesting (% of maximum number of shares)
30 June 2022	2,073	92	65.5
30 June 2021	2,995	100	73.8
30 June 2020	1,763	28	73.7
30 June 2019	3,035	72	100.0
30 June 2018	3,058	76	100.0
30 June 2017	3,420	92	100.0
30 June 2016	2,480	72	96.25
30 June 2015	1,934	80	93.1
30 June 2014	1,589	80	100.0
30 June 2013	1,201	36	100.0

Annual Percentage Change in Remuneration of Directors and Employees

The table below shows the annual percentage change in each Director's salary/fees, benefits and bonus between the year ended 30 June 2021 and the year ended 30 June 2022, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full time equivalent basis.

The average employee change has been calculated by reference to the average of the percentage change in each of salary, benefits and bonus for every employee of the listed parent company except that anyone who joined or left the business part way through the year has been excluded from the calculations. John Shipsey was appointed during the year ended 30 June 2022 and, accordingly, has been excluded from the table below. Alison Platt has also been excluded as the increase in her fee is a result of her being appointed as Chair in January 2022.

		Average employee	Ian Page	Paul Sandland	Tony Griffin	Ishbel Macpherson	Julian Heslop	Lawson Macartney[2]	Lisa Bright
Salary/fees	**2021– 2022**	**6.4%**	**8.3%**	**16.1%**	**3.0%**	**8.1%**	**9.1%**	**13.0%**	**9.7%**
	2020– 2021	32.8%	6.6%	10.0%	(0.9%)	10.4%	6.5%	3.8%	8.8%
	2019– 2020	(11.8%)	4.0%	N/A	6.8%	3.2%	3.3%	4.0%	3.6%
Taxable benefits[1]	**2021– 2022**	**(2.1%)**	**(4.4%)**	**6.5%**	**1.2%**	**N/A**	**N/A**	**N/A**	**N/A**
	2020– 2021	(7.3%)	6.3%	20.8%	2.3%	N/A	N/A	N/A	N/A
	2019– 2020	16.3%	(1.7%)	N/A	(10.0%)	N/A	N/A	N/A	N/A
Annual bonus[3]	**2021– 2022**	**(4.8%)**	**(0.4%)**	**6.4%**	**(9.6%)**	**N/A**	**N/A**	**N/A**	**N/A**
	2020– 2021	137.3%	280.0%	292.9%	194.6%	N/A	N/A	N/A	N/A
	2019– 2020	(47.4%)	(59.7%)	N/A	(58.7%)	N/A	N/A	N/A	N/A

1. Excludes SAYE options granted during any relevant year.
2. Included in Lawson Macartney fee for the 2022 financial year is the fee for Senior Independent Director which was effective from 1 March 2022.
3. The difference in bonuses for the Executive Directors is due to the increase in the bonus potential of up to 125% compared to 100% in the 2021 financial year.

The increase in the average employee's salary between the 2020 financial year and the 2021 financial year reflects the changes following the business wide review of remuneration, which were effective from 1 January 2021.

Chief Executive Officer's Pay Ratio

The table below shows the ratio of the Chief Executive Officer's remuneration for 2022, 2021, 2020 and 2019 using the Single Total Figure as disclosed on page 133 to the full time equivalent remuneration of the UK employee whose remuneration was ranked at the 25th percentile, median and 75th percentile. Employees' pay was calculated on the same basis as the Single Total Figure Remuneration except that anyone who joined or left the business part way through the year has been excluded from the calculations along with anybody on reduced pay for illness, maternity, paternity, adoption or shared parental leave. The Company believes that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	**Option A**[1]	**78:1**	**58:1**	**30:1**
2021	Option A[1]	121:1	87:1	44:1
2020	Option A[1]	75:1	58:1	31:1
2019	Option A[1]	139:1	107:1	56:1

1. The applicable regulations provide for three methods of calculating the pay ratio. We have chosen Option A and have calculated the pay and benefits of all of the Group's UK employees in order to identify the employees at the 25th, median and 75th percentile. We have chosen this approach reflecting that guidance recognises this as the most statistically accurate method. In each year, the employees at the 25th, median and 75th percentile were identified by reference to remuneration at 30 June that year.

	2022[1] **Total pay and benefits (salary) £000**	2021 Total pay and benefits (salary) £000
Chief Executive Officer	**2,073**	2,995
	(597)	(551)
25th percentile employee	**26**	25
	(25)	(23)
Median employee	**36**	35
	(29)	(31)
75th percentile employee	**69**	67
	(47)	(44)

1. The 2022 figure includes share options and awards, which have been valued by reference to £35.405 (being the average market value of a share over the last quarter of the Company's financial period ended 30 June 2022). SAYE options granted in 2021 and 2022 financial years have also been included in the benefits column in respect of any year in which there was a grant. These have been valued using the fair value as per note 26 to the Group's financial statements.

In 2022, there were a total of 556 UK employees (2021: 478 UK employees), 239 of whom have been excluded for the above stated reasons (2021: 169), leaving 317 employees within the 'full pay relevant' data set (2021: 309) for comparison against the Chief Executive Officer. We believe that the final figures detailed above are representative of the majority of the data set.

The ratio of Chief Executive Officer's total remuneration to that of employees has reduced as a result of the lowering of his employer's pension contribution to align it with that of the UK workforce. Further, the Chief Executive Officer's annual bonus at 92% of base salary was lower than that in 2021 (100%) as was the value and percentage vesting of his LTIP in the year at 65.5% as opposed to 73.8% in 2021. In addition the number of employees eligible for a bonus was increased in the 2022 financial year.

Of the employees within the 'full pay relevant' data set, 186 worked in our Manufacturing business, which is predominately shop floor workers (2021: 177). During the 2021 financial year, we addressed the pay levels of these employees moving them from minimum wage to National Living Wage and we have retained this in the 2022 financial year. These actions have contributed to the reduction in the ratio this year.

Relative Importance of Spend on Pay

The following table sets out the percentage change in distributions to shareholders (by way of dividend and share buyback) and total remuneration paid to or receivable by all Group employees comparing the year ended 30 June 2021 and the year ended 30 June 2022.

	Year ended 30 June 2022 £000	Year ended 30 June 2021 £000	% change
Distributions to shareholders by way of dividend and share buyback	**44,800**	37,900	18.2%
Overall expenditure on pay	**131,600**	120,300	9.4%

Directors’ Remuneration Report

Implementation of the Directors’ Remuneration Policy in the Year Ending 30 June 2023

The Directors’ Remuneration Policy outlined on pages 146 to 150 will be implemented in the year ending 30 June 2023, as set out in the Committee Chair’s letter on pages 125 to 128.

Further information on the performance targets for the annual bonus and LTIP are detailed below.

Annual Bonus

As noted in the letter from the Remuneration Committee Chair, the maximum bonus potential for the Chief Executive Officer and Chief Financial Officer for the financial year 2023 will increase to 150% of salary, with a bonus deferral requiring that 33% of any bonus earned (and not just any additional bonus earned) is deferred into Dechra shares for two years. The increase in the annual bonus opportunity for the 2023 financial year recognises the increase in the size and complexity of the Group since the last Remuneration Policy was approved by shareholders. The Committee has also reviewed the level of stretch in the annual bonus targets to reassure itself that the higher maximum opportunity for the 2023 financial year will only be earned for delivery of appropriately stretching levels of performance. This positions the maximum bonus at lower quartile compared to the FTSE 30–100 for the Chief Executive Officer (around median for the other executive directors) and around median of the FTSE 100–150. The value of the total package continues to be modest against the market norm for a Company of our size and complexity. The value of total package for our Chief Executive Officer and Chief Financial Officer continues to be positioned towards the lower quartile of the market.

Tony Griffin’s bonus arrangements will not change, save that the ESG measure will represent up to 10% of his maximum bonus and underlying profit 105%. Personal objectives will continue to comprise up to 10% of maximum bonus.

In the opinion of the Board, the performance targets applying to the annual bonus are commercially sensitive, and prospective disclosure could provide competitors with insight into the Group’s business plans and expectations. However, the Company will disclose how any bonus earned relates to performance against targets on a retrospective basis when the targets are no longer considered commercially sensitive, as shown on page 134 in respect of bonuses for the Group’s 2022 financial year.

LTIP

The Committee proposes that LTIP awards for the year ending 30 June 2023 (the 2023 Grant) will be made at the level of 200% of salary for Ian Page, 150% of salary for Paul Sandland and 100% of salary for Tony Griffin. The performance measures for the 2023 Grant will be based on TSR (one third) and EPS (two thirds), with an underpin based on ROCE. The TSR targets will be the same as for the awards made in the 2022 financial year, details of which can be found on page 139. Taking account of internal forecasts of performance over the performance period including the impact of the recent acquisitions, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community of the Group’s future potential performance, the upper target of 15% CAGR for the underlying diluted EPS performance condition is considered to be a stretching and ambitious upper target, which requires significant out-performance. This also reflects the strong performance delivered in the 2022 financial year, which is the base year for the 2023 LTIP grant.

As noted in the letter, the Committee is aware that, despite a strong financial performance in line with expectations, the Company’s share price is lower than the £49.09 share price used to determine the number of shares subject to the LTIP awards granted on 19 September 2021. Taking into account the fact that the current share price is higher than the share price used for the LTIP awards granted in 2020 and 2019, our current intention is that LTIP awards for the 2023 financial year will be granted in line with our standard approach (with the number of shares to be awarded based on the three day average middle market quotation preceding the grant). The underlying diluted EPS targets for the 2023 Grant are:

EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 15%	Pro rata vesting between 25% and 100%
>15% CAGR	100% of the EPS portion will vest

As with the 2022 Grant, the Committee will retain discretion to adjust the vesting outcome where the formulaic outcome is inappropriate in the context of underlying performance or other factors considered by the Committee to be relevant. The awards will be subject to a two year post vesting holding period.

Consideration by the Directors of Matters relating to Directors’ Remuneration

Purpose

The Board has overall responsibility for the Group’s Remuneration Policy and the setting of the Non-Executive Directors’ fees, although the task of determining and monitoring the remuneration packages of the Executive Directors and SET and of agreeing the Chair’s fee level has been delegated to the Committee.

Membership, Meetings and Attendance

Details of each member’s attendance at the Committee’s meetings is detailed on page 87. The Chief Executive Officer and Group HR Director both attended all meetings held during the financial year in order to assist on matters concerning remuneration of other senior executives within the Group. However, neither was present during the part of the meetings where their own remuneration was discussed.

Effectiveness of Committee

The Committee’s performance was evaluated as part of the 2022 Board and Committee Internal Evaluation (further details of which can be found on page 115 of the Corporate Governance Report). The Committee considered the results of the evaluation and it was agreed that the Committee functions well with a clear remit and good support from executives and advisers.

Responsibilities

The Committee has its own terms of reference, which are approved by the Board. These are reviewed on an annual basis so that they continue to adhere to best practice. During the 2022 financial year, this review took place at the July 2022 meeting and only minor changes were made. Copies can be obtained via the Company website at www.dechra.com. The Committee Chair and the Company Secretary are available to shareholders to discuss the Remuneration Policy. An overview of the Committee's terms of reference is provided on pages 104 and 125.

Service contracts and letters of appointment

Details of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment are set out below.

Name	Commencement date	Notice Period Director	Notice Period Company
Alison Platt	1 March 2020	3 months	3 months
Ian Page	1 September 2008	6 months	12 months
Paul Sandland	30 October 2019	6 months	12 months
Tony Griffin	1 November 2012	6 months	12 months
Lisa Bright	1 February 2019	3 months	3 months
Julian Heslop	1 January 2013	3 months	3 months
Lawson Macartney	1 December 2016	3 months	3 months
Ishbel Macpherson	1 February 2013	3 months	3 months
John Shipsey	1 June 2022	3 months	3 months

Advisers

The following have provided advice to the Committee during the year in relation to its consideration of matters relating to Directors' remuneration:

- Chief Executive Officer, Chief Financial Officer, Group HR Director and Company Secretary; and
- Deloitte LLP (Deloitte).

Deloitte is retained to provide independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee, which were charged on a time and materials basis, were £17,750 for the year ended 30 June 2022. The Committee considers the advice to be objective and independent, and assesses from time to time whether this appointment remains appropriate or should be put out to tender; in doing so, it takes into account the Remuneration Consultants Group Code of Conduct. Deloitte was appointed by the Committee following a competitive process and has provided share scheme advice and general remuneration advice to the Company.

During the year, Deloitte also performed tax advisory work for Dechra.

Policy on External Appointments

The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are only permitted to accept external appointments with the approval of the Board. No Executive Director currently holds external appointments.

Statement of Voting at Previous Annual General Meeting

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the advisory vote on the Directors' Remuneration Report at the Company's Annual General Meeting on 21 October 2021 and the binding vote on the Remuneration Policy at the Company's Annual General Meeting on 27 October 2020:

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
To approve Remuneration Report	73,810,257	92.98	5,568,679	7.02	876,657
To approve Remuneration Policy	74,112,644	90.81	7,501,119	9.19	6,768

Ishbel Macpherson

Remuneration Committee Chair

5 September 2022

Directors’ Remuneration Report

Directors’ Remuneration Policy

The Remuneration Policy was approved by shareholders at the 2020 Annual General Meeting held on 27 October 2020, and became effective from that date. The full Remuneration Policy as approved by shareholders is available in the Corporate Governance section of our website at www.dechra.com. We have set out a summary below of those parts of the Remuneration Policy which we consider shareholders will find most useful.

Policy Table for Executive Directors:

Element: Base Salary

Purpose and link to strategy:
Core element of fixed remuneration reflecting the individual’s role and experience.

Operation	Performance Measure
The Committee ordinarily reviews base salaries annually taking into account a number of factors including (but not limited to) the value of the individual, their skills and experience and performance. The Committee also takes into consideration: • pay increases within the Group more generally; and • Group organisation, profitability and prevailing market conditions.	Whilst no formal performance conditions apply, an individual’s performance in role is taken into account in determining any salary increase.

Maximum Opportunity

Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. However, higher increases may be awarded in appropriate circumstances, such as:

- on promotion or in the event of an increase in scope of the role or the individual’s responsibilities;
- where an individual has been appointed to the Board at a salary set at a level that is lower than the Committee’s view of a market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a market level as the individual gains experience;
- change in size and/or complexity of the Group; and/or
- significant market movement.

Such increases may be implemented over such time period as the Committee deems appropriate.

Element: Retirement Benefits

Purpose and link to strategy:
Provide a competitive means of saving to deliver appropriate income in retirement.

Operation	Performance Measure
Executive Directors are eligible to participate in defined contribution pension arrangements. In appropriate circumstances, an Executive Director may receive a salary supplement in lieu of contributions to a pension scheme. Executive Directors outside the UK may also participate in non-UK pension arrangements (including the defined benefit pension scheme in the Netherlands, benefits under which are based on career average pay).	Not applicable.

Maximum Opportunity

For Executive Directors appointed on or after 1 July 2019, a Company contribution not exceeding the contribution available to the majority of the Group’s workforce (currently 4% of salary).

For Executive Directors appointed before 1 July 2019, 14% of salary. However, the Company contribution will be aligned with the rate available to the wider workforce by the end of 2022 (this will include enhancing the wider UK workforce rate alongside a reduction in the rate for Executive Directors).

A salary supplement may be paid in lieu of some or all of the pension contributions otherwise payable.

Benefits under any non-UK pension arrangement may be provided in accordance with the terms of the applicable scheme.

Element: Benefits

Purpose and link to strategy:
Provided on a market competitive basis.

Operation	Performance Measure
The Company provides benefits in line with market practice and includes the use of a fully expensed car (or car allowance), medical cover and life assurance scheme. Other benefits may be provided based on individual circumstances, which may include relocation costs and expatriate allowances.	Not applicable.

Maximum Opportunity

Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.

Element: Annual Bonus

Purpose and link to strategy:
The executive bonus scheme rewards Executive Directors for achieving financial and strategic targets in the relevant year by reference to operational targets and individual objectives.

Operation	Performance Measure
Targets are reviewed annually and any pay-out is determined by the Committee after the year end based on targets set for the financial period. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance or if the Committee considers the formulaic outturn is not appropriate in the context of other factors considered by the Committee to be relevant. If a bonus opportunity in excess of 100% of salary is awarded, up to 33% of any bonus earned will be deferred into shares for a period of two years. Deferred bonus awards may take the form of nil cost options, conditional awards of shares or such other form as has a similar economic effect. Additional shares may be delivered in respect of shares subject to deferred bonus awards to reflect the value of dividends paid during the period beginning with the date of grant and ending with the date of release (this payment may assume that dividends had been reinvested in Dechra shares on a cumulative basis). Recovery provisions apply, as referred to below.	Operational targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Group's strategy. The personal objectives for the Chief Executive Officer are set by the Chair. The personal objectives for other Executive Directors are set by the Chief Executive Officer. The personal objectives are reviewed and endorsed by the Committee. At least 50% of the bonus opportunity is based on financial measures (which may include profit before tax). Subject to the Committee's discretion to override formulaic outturns, for financial measures, up to 15% of the maximum for the financial element is earned for threshold performance, rising to up to 50% of the maximum for the financial element for on target performance and 100% of the maximum for the financial element for maximum performance. Subject to the Committee's discretion to override formulaic outturns, vesting of the bonus in respect of strategic measures or individual objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.

Maximum Opportunity

The maximum bonus opportunity for Executive Directors is 150% of base salary.

Directors' Remuneration Report

Element: Long Term Incentive Plan (LTIP)	
Purpose and link to strategy: The LTIP provides a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of longer term objectives aligned to shareholders' interests.	
Operation	**Performance Measure**
The Committee may grant awards as conditional shares, as nil (or nominal) cost options, as forfeitable shares or as market value share options with a per share exercise price equal to the market value of a share at the date of grant. Other than in the case of 'Qualifying LTIP awards' as referred to below, market value share options will not be granted to Executive Directors. Awards will usually vest following the assessment of the applicable performance conditions, which will usually be assessed over three years, but will not be released (so that the participant is entitled to acquire shares) until the end of a holding period of two years beginning on the vesting date. Alternatively, awards may be granted on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance conditions but that (other than as regards sales to cover tax liabilities and any applicable exercise price) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period. The Committee has discretion to vary the formulaic vesting outturn if it considers that the outturn does not reflect the Committee's assessment of performance or is not appropriate in the context of other factors considered by the Committee to be relevant. Additional shares may be delivered in respect of shares which vest under the LTIP to reflect the value of dividends, which would have been paid on those shares during the period beginning with the date of grant and ending with the release date (this payment may assume that dividends had been reinvested in Dechra shares on a cumulative basis). Market value options may be granted under the LTIP as tax-advantaged Company Share Option Plan (CSOP) options, offering tax savings to the Group and the participant. The Committee may at its discretion structure awards as Qualifying LTIP Awards, consisting of a CSOP option and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. Recovery provisions apply, as referred to below.	Performance measures under the LTIP will be based on financial measures (which may include, but are not limited to, earnings per share growth, relative total shareholder return, return on capital employed and free cash flow). Subject to the Committee's discretion to override formulaic outturns, awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.
Maximum Opportunity	
The maximum award level under the LTIP in respect of any financial year is 200% of salary. If a Qualifying LTIP award is granted, the value of shares subject to the CSOP option will not count towards the limits referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.	

Element: All Employee Share Plans	
Purpose and link to strategy: Provision of the Save As You Earn Scheme (SAYE), including the Employee Stock Purchase Plan (ESPP) in the United States of America, to Executive Directors creates staff alignment with the Group and provides a sense of ownership. Executive Directors may participate in such other all employee share plans as may be introduced from time to time.	
Operation	**Performance Measure**
SAYE and ESPP: Tax qualifying monthly savings scheme facilitating the purchase of shares at a discount. Any other all employee share plan would be operated for Executive Directors in accordance with its rules and on the same basis as for other qualifying employees.	Not subject to performance conditions in line with typical market practice.
Maximum Opportunity	
The limit on participation and the permitted discount under the SAYE scheme and ESPP will be those set in accordance with the applicable tax legislation from time to time. The limit on participation under and other relevant terms of any other all employee share plan would be determined in accordance with the plan rules (and, where relevant, applicable legislation) and would be the same for the Executive Directors as for other relevant employees.	

Recovery Provisions (Malus and Clawback)

The annual bonus and LTIP are subject to recovery provisions as set out below.

Malus provisions apply, which enable the Committee to determine before the payment of an annual bonus or the vesting of an LTIP award, that the bonus opportunity or LTIP award may be cancelled or reduced.

Clawback provisions apply, which enable the Committee to determine for up to two years following the payment of a cash bonus or the vesting of an LTIP award, that the amount of the bonus paid may be recovered (and any deferred bonus award may be reduced or cancelled, or recovery may be applied to it if it has been exercised) and the LTIP award may be cancelled or reduced (if it has not been exercised) or recovery may be applied to it (if it has been exercised).

The malus and clawback provisions may be applied in the event of material misstatement of Dechra's financial statements, serious reputational damage to Dechra, material corporate failure, gross misconduct on the part of the Executive Director, or if an annual bonus award has paid out at a higher level than would have been the case but for a material misstatement or serious reputational damage.

Malus and clawback may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

Shareholding Guidelines

To align the interests of Executive Directors with those of shareholders, the Committee has adopted formal shareholding guidelines.

Shareholding guidelines during employment

During employment, Executive Directors are required to retain half of any shares acquired under the LTIP, any deferred bonus award and, if relevant, any recruitment award (after sales to cover tax) until such time as their holding has a value equal to 200% of salary.

Shares subject to LTIP awards, which have vested but not been released (that is which are in a holding period), deferred bonus awards, or LTIP awards, which are exercisable but have not been exercised, count towards the guidelines on a net of assumed tax basis.

Shareholding requirement after employment

The Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from share plan awards (LTIPs, deferred bonus awards and, if relevant, any recruitment award) granted after 1 July 2020. Following employment, an Executive Director must retain:

- for the first year after employment, such of their shares, which are subject to the post-employment requirement as have a value for these purposes equal to the shareholding guideline that applies during employment (currently 200% of salary); and
- for the second year after employment, such of those shares as have a value for these purposes equal to 50% of the shareholding guideline that applies during employment, or in either case and if fewer, all of those shares.

Directors' Remuneration Report

Policy Table for Non-Executive Directors

Element	Purpose and link to strategy	Operation	Opportunity
Fees and benefits	To provide fees within a market competitive range reflecting the experience of the individual, responsibilities of the role and the expected time commitment.	The fees of the Chair are determined by the Committee, and the fees of the Non-Executive Directors are determined by the Board following a recommendation from both the Chief Executive Officer and the Chair. Non-Executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.	Fees are set taking into account the responsibilities of the role and expected time commitment. Non-Executive Directors are paid a basic fee with additional fees paid for the chairing of Committees. An additional fee is also paid for the role of Senior Independent Director and may be paid for other responsibilities or time commitments. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances.

Recruitment Remuneration Policy

When hiring a new Executive Director, the Committee will typically align the remuneration package with the above Policy.

When determining appropriate remuneration arrangements, the Committee may include other elements of pay which it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below.

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Pension will only be provided in line with the above Policy.
- The Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').
- Other elements may be included in the following circumstances:
  - an interim appointment being made to fill an Executive Director role on a short term basis;
  - if exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short term basis;
  - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; and
  - if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.
- The Committee may also alter the performance measures, performance period, vesting period, holding period and deferral period of the annual bonus or LTIP, subject to the rules of the LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.
- The maximum level of variable remuneration, which may be granted (excluding 'buyout' awards as referred to below), is 350% of salary.

The Committee may make payments or awards in respect of hiring an employee to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure 'buyout' awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. 'Buyout' awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining Dechra, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under Dechra's ordinary share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly appointed Chair or Non-Executive Director will be in line with the policy in place at the time of appointment.

Ishbel Macpherson
Remuneration Committee Chair
5 September 2022

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 2022. Certain disclosure requirements, which form part of the Directors' Report, are included elsewhere in this Annual Report as permitted by section 414C of the Companies Act 2006. They are incorporated by reference into this Directors' Report as follows:

Disclosure	Section of the Annual Report	Page Number
Review of the Group's business during the year and any likely future developments	Strategic Report	14 to 17
Strategy	Strategic Report	26 to 34
Business Model	Strategic Report	22 to 24
Details of acquisitions and disposals during the year	Strategic Report	16 and 49
Going concern, viability statements and risk management	Strategic Report Governance Report	49, 75 to 77, 81 and 122
Section 172 statement and Stakeholder Engagement	Strategic Report Governance Report	52 to 63 96 to 98
Diversity	Stakeholder Engagement Governance Report	56 112 and 113
Approach to employees with disabilities	Stakeholder Engagement	56
Company Employees	Stakeholder Engagement	54 to 58
Environmental matters including Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting	Environment Task Force on Climate-related Financial Disclosures	64 to 69 70 to 73
Social, community and human rights issues	Stakeholder Engagement	52 to 63
Corporate Governance Statement	Governance Report	85
Board of Directors details	Governance Report	88 and 89
Financial risk management (including the exposure to price, credit and liquidity risk)	Financial Statements	196 to 203
Post-balance sheet events	Financial Statements	213

Amendment of the Articles of Association

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

Significant Agreements/Change of Control

As referred to in the Going Concern Statement on page 49, the Group has bank facilities with a group of banks comprising Bank of Ireland (UK) plc, BNP Paribas, Fifth Third Bank, HSBC Bank plc, Credit Industriel et Commercial SA (CIC Bank), Raiffeisen Bank International AG and Santander UK plc. These bank facilities include a change of control provision whereby a change of control of the Company could result in the withdrawal of these bank facilities. In addition, the seven and ten year senior secured notes (the Private Placement Notes) include a change of control provision whereby a change of control of the Company may result in the Private Placement Notes having to be repaid in full.

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 provide 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. In the event of a change of control, unvested awards under the Long Term Incentive Plan will vest to the extent determined by the Remuneration Committee taking into account the relevant performance conditions and, unless the Remuneration Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the relevant performance period that has elapsed.

The Directors consider that there are no contracted or other single 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 Articles of Association. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buy-back of shares.

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 2006. 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 2006. During the financial year and 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 forthcoming Annual General Meeting.

Overseas Branches

The Company, through its subsidiary Genera d.d., has established branches in Bosnia-Herzegovina and Serbia.

Directors' Report – Other Disclosures

Political Donations and Expenditure

No political donations were made during the year ended 30 June 2022 (2021: nil). The Group has a policy of not making any donations to political organisations nor independent election candidates nor 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 35 to 39. The underlying expense on this activity for the year ended 30 June 2022 was £32.4 million (2021: £32.4 million) and a further £1.8 million (2021: £1.5 million) was capitalised as development costs.

Results and Dividends

The results for the year and financial position at 30 June 2022 are shown in the Consolidated Income Statement on page 165 and Consolidated Statement of Financial Position on page 167. The Directors are recommending the payment of a final dividend of 32.89 pence per share which, if approved by shareholders, will be paid on 18 November 2022 to shareholders registered at 28 October 2022. The shares will become ex-dividend on 27 October 2022. An interim dividend of 12.00 pence per share was paid on 7 April 2022, making a total dividend for the year of 44.89 pence per share (2021: 40.50 pence per share). The total dividend payment is £48.6 million (2021: £43.8 million).

Share Capital

The issued share capital of the Company for the year is set out in note 26 to the Consolidated Financial Statements. As at the end of the financial year, 108,392,737 fully paid ordinary shares were in issue, which included 177,414 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.

At the Annual General Meeting of the Company held on 21 October 2021, the Company was authorised to purchase up to 10,821,766 of its ordinary shares, representing 10% of the issued share capital of the Company as at 9 September 2021. 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 in the Company and to disapply shareholders' statutory pre-emption rights. Such authorities were granted at the 2021 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2022 Annual General Meeting.

Substantial Interests in Voting Rights

In accordance with the requirements in the Listing Rules and the Disclosure Guidance 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 2022		**11 August 2022**	
	Aggregate voting rights	Percentage	**Aggregate voting rights**	**Percentage**
Fidelity Management & Research	9,661,493	8.91	**9,850,645**	**8.66**
BlackRock Inc	8,089,624	7.46	**8,096,782**	**7.12**
abrdn plc	6,027,663	5.56	**6,124,028**	**5.38**
The Vanguard Group, Inc	4,428,557	4.09	**4,502,613**	**3.96**
Grandeur Peak Global Advisors	3,530,661	3.26	**3,808,113**	**3.35**

Auditor

A resolution to re-appoint PricewaterhouseCoopers LLP as external auditor and to authorise the Audit Committee 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:

Melanie Hall
Company Secretary
5 September 2022

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Financial Statements

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 Group Financial Statements in accordance with UK-adopted international accounting standards and the Company 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, 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 Group and Company and of the profit or loss of the Group 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 UK-adopted international accounting standards have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company Financial Statements, 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 Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' Confirmations

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Signed by order of the Board.

Ian Page
Chief Executive Officer

Paul Sandland
Chief Financial Officer
5 September 2022

Financial Statements

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Dechra Pharmaceuticals PLC

Independent Auditors’ Report to the Members of Dechra Pharmaceuticals PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Dechra Pharmaceuticals PLC’s Group financial statements and Company financial statements (the “financial statements”) give a true and fair view of the state of the Group’s and of the Company’s affairs as at 30 June 2022 and of the Group’s profit and the Group’s cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements 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
- the financial statements 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 Accounts (the “Annual Report”), which comprise: the Consolidated and Company Statements of Financial Position as at 30 June 2022; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Shareholders’ Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

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 Group 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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

Other than those disclosed in Audit, Risk and Internal Control, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Following our assessment of the risks of material misstatement of the Group financial statements we performed audits of the complete financial information of 18 reporting units.
- In addition, the Group engagement team audited the Company and certain centralised functions, including those covering Group treasury operations, corporate taxation, goodwill and intangible asset impairment assessments and licensing agreements and their associated contingent consideration balances.
- The components on which audits of the complete financial information and centralised work was performed accounted for 85% of Group revenue, 88% of Group underlying operating profit and 96% of Group profit before tax. In addition, one component team was instructed to perform specified procedures over one reporting unit.
- We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending certain component clearance meetings and holding regular conference calls, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain component teams to evaluate the sufficiency of audit evidence obtained and fully understand the mattes arising from the component audits. In addition, the Group engagement team visited four locations in the Netherlands, Denmark, Germany and Croatia. The Group engagement team also audited all of the UK components that were in scope for the Group audit.

Key audit matters

- Licensing agreements and associated contingent considerations (Group)
- Impairment of intangible assets (Group)
- Carrying value of the Company’s investments (parent)

Materiality

- Overall Group materiality: £5.2 million (2021: £4.8 million) based on 3% of underlying operating profit.
- Overall Company materiality: £3.2 million (2021: £3.2 million) based on 0.5% of net assets.
- Performance materiality: £3.9 million (2021: £3.6 million) (Group) and £2.4 million (2021: £2.4 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Carrying value of the Company's investments is a new key audit matter this year. Taxation and Consideration of the impact of Covid-19, which were key audit matters last year, are no longer included because of the settlement of certain uncertain tax positions during the period and the reduced level of uncertainty in respect of the impact of Covid-19 on the Group and Company. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Licensing agreements and associated contingent considerations (Group)	
Refer to the Audit, Risk and Internal Control Report on page 117, note 1(b) to the consolidated financial statements (Key sources of estimation uncertainty) on page 170 and note 30 (Contingent consideration liabilities) on page 211. **Laverdia addition** On 10 January 2022 the Group entered into a licensing agreement with Anivive Lifesciences, Inc. in respect of verdinexor, branded Laverdia. This was for an initial consideration of £14 million with a contingent consideration of £57.9 million, including a royalty payable for a finite period. Management have concluded that the future royalty payable for a finite period forms part of the consideration for the licensing agreement and therefore, in accordance with IAS 38 and the Group's accounting policies, has recognised this as contingent consideration with a corresponding increase to the related intangible asset. The accounting for contingent consideration involves estimation uncertainty over the timing and quantum of future cash flows and the discount rate to be used. **Remeasurement of existing agreements** During the year, liabilities in respect of all existing licensing agreements, the largest being Tri-Solfen, were reassessed based on the most recent forecast of the timing and quantum of future cash flows. The discount rate applied was also reassessed. The variability of the timing and quantum of future cash flows and the discount rate to be applied represents an area of estimation uncertainty.	**Laverdia addition** In respect of the Laverdia addition: • We read the asset purchase agreement to corroborate the key terms used by management in the calculation; • We obtained management's model and reperformed the calculation of the contingent consideration; • We obtained evidence to evaluate the key assumptions underpinning management's cash flow forecasts, including considering the existence of contradictory evidence, and benchmarked longer term growth rates against external market data; • We corroborated that the cash flows used are consistent with those reviewed by the Board; • Our valuation experts evaluated the discount rates used by management against our experts' own independent expectations, which included consideration of other companies in the industry of comparable size and geographical spread; and • We audited the disclosures relating to Laverdia to ensure these were consistent with the requirements of the applicable standards. • Overall we found the accounting for this new licensing agreement and related disclosures to be materially appropriate and consistent with the evidence obtained. **Remeasurement of existing agreements** We obtained management's model and reperformed the calculation of the contingent consideration; We have assessed and challenged the changes made to the assumptions underpinning management's cash flow forecasts within the model and evaluated the key assumptions, including considering the existence of contradictory evidence; We checked that the updated cash flow forecasts were consistent with those approved by the Board; Our valuation experts evaluated the discount rates used by management against our experts' own independent expectations, which included consideration of other companies in the industry of comparable size and geographical spread; and We audited the disclosures relating to licensing agreements and contingent consideration to ensure these were consistent with the requirements of the applicable standards. Overall we found the accounting for these licensing agreements and contingent consideration, and the related disclosures, to be consistent with the audit evidence obtained.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets (Group)	
Refer to the Audit, Risk and Internal Control Report on page 117, note 12 to the consolidated financial statements (Intangible assets) on page 187 and note 14 (Impairment Reviews) on page 191. In respect of finite lived intangibles, the Directors exercise judgement as to whether impairment triggers have been identified in relation to intangible assets. No triggers have been identified as part of management's assessment. Goodwill, indefinite lived assets and in process research and development ('IPR&D') are tested for impairment annually, or more frequently if there are indications that amounts may be impaired. The impairment tests involve determining the recoverable amount of the relevant asset or cash generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use. For the Group, the recoverable amount is typically based on the value in use. IPR&D is tested for impairment on a product by product basis. Where a full impairment assessment is required to support the carrying value of the assets held, management have determined the cash generating units and prepared discounted cash flows which include a number of estimates. The assumption which is deemed to be the most significant in these forecasts is in respect of the forecast cashflows of products. The long term growth and discount rate also include estimation uncertainty. No impairment has been recognised in respect of goodwill. With the exception of IPR&D, where an impairment of £1.7 million was identified and recognised in respect of certain products in development that were cancelled, no other impairments have been recognised.	For finite life intangible assets, we reviewed management's assessment of impairment triggers and held discussions with various members of management to identify any potential indicators of impairment. We also considered external market factors and developments that could be indicative of an impairment trigger. In respect of IPR&D, we reviewed management's assessment of potentially impaired assets and held discussions with staff outside of the finance function to enable us to evaluate the completeness of this assessment. We also obtained evidence to corroborate that the relevant assets were impaired and that the calculation was appropriate. In respect of indefinite lived intangibles and goodwill: • We considered management's determination of the cash generating units for assessing impairment; • We audited management's model and reperformed the calculations within the discounted cash flow forecasts; • We agreed the forecasts used for years 1 and 2 to the latest Board approved budgets; • We used our valuation experts to evaluate the discount rate assumptions; • We corroborated key assumptions in respect of growth rates to economic and industry data and compared forecast margins to historical actuals and expected developments in the Group; • We assessed the sufficiency of headroom through the performance of sensitivity analysis on key assumptions; • We assessed management's historical forecasting accuracy across several previous years; and • We audited the disclosure note associated with the impairment review. Overall we found the assessment of the carrying value of intangible assets and associated disclosures to be consistent with the evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Carrying value of the Company's investments (parent)	
Refer to note (i) to the Company financial statements on page 216 and note (iv) (Investments) on page 218. Investments in subsidiaries of £735.7 million (2021: £758.9 million) are accounted for in the Company balance sheet at cost less provision for impairment. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement. A review for indicators of impairment was performed by management, including considering the latest available forecasts and developments in the Group during the year. Management's assessment identified an impairment indicator in respect of the investments in Dechra Finance Limited and Dechra Finance Sterling Limited following the restructuring of certain Dutch entities. Following identification of indicators of impairment, the recoverable amount was assessed based over value-in-use calculations. These calculators indicated that an impairment of £119.1 million was required and this impairment has been recognised in the income statement.	We audited the Group restructuring and reperformed the calculation of the impairment recognised. We evaluated management's determination of whether there were any other indicators of impairment. Our procedures, in addition to the above, included: • comparing the carrying value of investment with the market capitalisation of the Group at 30 June 2022; and • considering the carrying value of investment with the carrying amount of investees' net assets. In respect of management's value-in-use calculations where indicators of impairment were identified: • We audited management's model and reperformed the calculations within the discounted cash flow forecasts; • We tested the key assumptions underpinning management's model to contractual agreements; and • We audited the disclosure note associated with the impairment review. Overall we found the assessment of the carrying value of the Company's investments and associated disclosures to be consistent with the evidence obtained.

Independent Auditors’ Report to the Members of Dechra Pharmaceuticals PLC

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured with three reportable segments, with each segment set up to manage operations on both a regional and functional basis, consisting of a number of reporting units.

The Group financial statements are a consolidation of 52 active reporting units comprising the Group’s operating businesses and centralised functions. These reporting units maintain their own accounting records and controls and report to the head office finance team in the UK.

We identified 18 of the Group’s 52 active reporting units which, in our view, required a full audit of their complete financial information in order to ensure that sufficient audit evidence was obtained. The reporting units on which a full audit of their complete financial information was performed accounted for 85% of Group revenue, 88% of underlying operating profit and 96% of profit before tax. Of these reporting units, 4 were considered to be significant components due to their financial significance, being those units located in the USA, Germany, UK and Denmark.
In addition, we instructed one component audit team to perform specified procedures on one reporting unit.

The Group consolidation, financial statements disclosures and a number of centralised functions were audited by the Group engagement team at the head office. These included, but were not limited to, central procedures on treasury operations, UK and corporate taxation and goodwill and intangible asset impairment assessments. We also performed Group level analytical procedures on all of the remaining out of scope active reporting units to identify any unusual transactions. The Company was also subject to a full scope audit.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Consolidated Financial Statements.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending certain component clearance meetings and holding regular conference calls, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain component teams to evaluate the sufficiency of audit evidence obtained and fully understand the matters arising from the component audits.

In addition, senior members of the Group engagement team visited component teams in Denmark, the Netherlands, Germany and Croatia, which included meetings with the respective component auditor.

In planning and executing our audit, we also considered the potential impact of climate change on the Group’s business and the financial statements. The Group has set out its intention, as part of the ‘Making a Difference’ plan, to achieve net-zero greenhouse gas emissions (‘GHG’) by no later than 2050, with an initial target of a 25% reduction by 30 June 2025.

As a part of our audit we made enquiries of management to understand the extent of the potential impact of the physical and transitional climate change risk on the financial statements. We also discussed the climate change initiatives and commitments from the Making a Difference plan and other initiatives to reduce CO_2 emissions, and the impact these have on the Group including on future cash flow forecasts.

Management considers that the impact of climate change does not give rise to a material financial statement impact. We evaluated management’s risk assessment and understood the Group’s governance processes, including the Sustainability Committee. We reviewed relevant Board and Audit Committee papers related to climate change and performed a risk assessment of how the impact of the Group’s commitments in respect of climate change including the Making a Difference plan may affect the financial statements and our audit.

Using our knowledge of the Group, we assessed that the key areas in the Financial Statements which are more likely to be materially impacted by climate change are those areas that are based on future cash flows. As a result, we particularly considered how climate change risks and the impact of climate commitments made by the Group would impact the assumptions made in the forecasts prepared by management that are used in the Group’s impairment reviews, for going concern purposes and for the valuation of intangible assets and related contingent consideration liabilities.

Based on our procedures, we have not identified any material error in the assessment of the impact of climate on the financial statements.

We have also checked the consistency of the disclosures in the Task Force on Climate-related Financial Disclosures section of the Annual Report with the financial statements, including note 14 and with our understanding of the business, in accordance with ISA 720 (Revised).

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£5.2 million (2021: £4.8 million).	£3.2 million (2021: £3.2 million).
How we determined it	3% of underlying operating profit	0.5% of net assets
Rationale for benchmark applied	We believe the Group's principal measure of performance and earnings is underlying operating profit. Management uses this measure as it believes that it eliminates material non-operational items that may obscure the key trends and factors in determining the Group's operational performance. Furthermore it is this measure which represents the primary focus for management and key stakeholders.	The Company is the ultimate holding Company of the Dechra Group of companies. As the Company has no trading activity, net assets is considered to be the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.05 million and £4.6 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £3.9 million (2021: £3.6 million) for the Group financial statements and £2.4 million (2021: £2.4 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.25 million (Group audit) (2021: £0.2 million) and £0.16 million (Company audit) (2021: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's detailed cash flow forecasts and both liquidity and covenant headroom under both base case and downside scenarios.
- Comparison of the going concern base case forecasts to Board approved forecasts and where applicable, we compared these forecasts for consistency to those used elsewhere in the business, including for impairment assessments. We also considered whether they were reasonable in light of previous performance, future expectations and management's track record of accurate forecasting.
- Reading the key terms of all committed debt facilities to understand any terms, covenants or undertakings that may impact the availability of the facility.
- Assessing there were no doubts over the ability of the Group to meet its debt covenants under both the base case and downside scenarios.
- Assessing the adequacy of disclosures in the going concern statement on page 122 and statements in note 1b of the Consolidated and Note (i) of the Company financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 and Other Disclosures ('Strategic Report and Directors' Report'), we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement
The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance section is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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, 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 Group's and 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 Group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK Corporate Governance Code, the Listing rules and other legislation specific to the industries in which the Group operates (including Veterinary Medicines Directorate, Medicines & Healthcare products Regulatory Agency, European Medicines Agency and U.S. Food & Drug Administration), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure to manipulate the financial performance of the business, and management bias in accounting estimates, such as the valuation of contingent consideration. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of internal audit reports;
- Reading key correspondence with regulatory authorities, such as the Veterinary Medicines Directorate;
- Enquiries with component auditors;
- Identifying and testing unusual journal entries which increase revenue or reduce expenditure to manipulate the financial performance of the business;
- Consideration of the policy for the recognition of revenue and performed substantive testing to ensure compliance with this policy; and
- Assessing key judgements and estimates made by management for evidence of inappropriate bias, in particular respect of the key audit matters noted above. Details of our procedures in these areas are included in our key audit matters above.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 23 October 2015 to audit the financial statements for the year ended 30 June 2016 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 30 June 2016 to 30 June 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
5 September 2022

Consolidated Income Statement

For the year ended 30 June 2022

	Note	2022 Underlying £m	2022 Non-underlying* (notes 3, 4 & 5) £m	2022 Total £m	2021 Underlying £m	2021 Non-underlying* (notes 3, 4 & 5) £m	2021 Total £m
Revenue	2	681.8	–	681.8	608.0	–	608.0
Cost of sales		(296.5)	(0.5)	(297.0)	(262.1)	–	(262.1)
Gross profit		385.3	(0.5)	384.8	345.9	–	345.9
Selling, general and administrative expenses		(178.6)	(74.6)	(253.2)	(151.3)	(73.8)	(225.1)
Research and development expenses		(32.4)	(3.7)	(36.1)	(32.4)	(4.4)	(36.8)
Operating profit	2	174.3	(78.8)	95.5	162.2	(78.2)	84.0
Finance income	3	5.7	–	5.7	–	3.8	3.8
Finance expense	4	(8.8)	(13.5)	(22.3)	(11.7)	(1.0)	(12.7)
Share of loss of investments accounted for using the equity method	6	(1.2)	(0.1)	(1.3)	(0.4)	(0.7)	(1.1)
Profit/(loss) before taxation	7	170.0	(92.4)	77.6	150.1	(76.1)	74.0
Income taxes	9	(38.3)	18.9	(19.4)	(32.5)	14.0	(18.5)
Profit/(loss) for the year		131.7	(73.5)	58.2	117.6	(62.1)	55.5
Earnings per share							
Basic	11			53.72p			51.33p
Diluted	11			53.40p			51.03p
Dividend per share (interim paid and final proposed for the year)	10			44.89p			40.50p

* The Group presents a number of non-GAAP Alternative Performance Measures (APMs). This allows investors to understand better the underlying performance of the Group, by excluding non-underlying items as set out in note 5.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	**2022 £m**	2021 £m
Profit for the year		**58.2**	55.5
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency cash flow hedges			
– fair value movements		**–**	(1.7)
Foreign currency translation differences for foreign operations		**15.7**	(28.0)
Income tax relating to components of other comprehensive income/(expense)	9	**(0.4)**	(0.2)
		15.3	(29.9)
Total comprehensive income for the period		**73.5**	25.6

Consolidated Statement of Financial Position

At 30 June 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Intangible assets	12	730.5	715.8
Property, plant and equipment	13	100.3	87.0
Investments	6	15.8	17.1
Deferred tax assets	15	2.3	2.0
Total non-current assets		848.9	821.9
Current assets			
Inventories	16	175.7	149.5
Corporation tax receivable	20	11.0	17.6
Trade and other receivables	17	136.8	106.7
Cash and cash equivalents	18	120.9	118.4
Total current assets		444.4	392.2
Total assets		1,293.3	1,214.1
LIABILITIES			
Current liabilities			
Borrowings and lease liabilities	21	(3.3)	(3.1)
Trade and other payables	19	(136.8)	(113.5)
Contingent consideration	30	(6.4)	(22.6)
Corporation tax payable	20	(12.2)	(16.6)
Total current liabilities		(158.7)	(155.8)
Non-current liabilities			
Borrowings and lease liabilities	21	(325.8)	(315.5)
Contingent consideration	30	(104.0)	(57.6)
Provisions	22	(2.2)	(3.5)
Deferred tax liabilities	15	(35.8)	(48.8)
Total non-current liabilities		(467.8)	(425.4)
Total liabilities		(626.5)	(581.2)
Net assets		666.8	632.9
EQUITY			
Issued share capital	25	1.1	1.1
Share premium account		413.9	411.6
Hedging reserve		–	–
Foreign currency translation reserve		3.4	(11.9)
Merger reserve		84.4	84.4
Retained earnings		164.0	147.7
Total equity		666.8	632.9

The financial statements on pages 156 to 213 were approved by the Board of Directors on 5 September 2022 and were signed on its behalf by:

Ian Page
Chief Executive Officer
5 September 2022

Paul Sandland
Chief Financial Officer
5 September 2022

Company number: 3369634

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 30 June 2022

	Issued share capital £m	Share premium account £m	Hedging reserve £m	Foreign currency translation reserve £m	Merger reserve £m	Retained earnings £m	**Total equity £m**
Year ended 30 June 2021							
At 1 July 2020	1.1	409.3	–	16.3	84.4	126.4	**637.5**
Profit for the period	–	–	–	–	–	55.5	**55.5**
Foreign currency cash flow hedge – fair value movements	–	–	(1.7)	–	–	–	**(1.7)**
Foreign currency translation differences for foreign operations	–	–	–	(28.0)	–	–	**(28.0)**
Income tax relating to components of other comprehensive expense	–	–	–	(0.2)	–	–	**(0.2)**
Total comprehensive (expense)/income	–	–	(1.7)	(28.2)	–	55.5	**25.6**
Reclassified to cost of acquired intangibles	–	–	1.7	–	–	–	**1.7**
Transactions with owners:							
Dividends paid	–	–	–	–	–	(37.9)	**(37.9)**
Share-based payments	–	–	–	–	–	3.7	**3.7**
Shares issued	–	2.3	–	–	–	–	**2.3**
Total contributions by and distributions to owners	–	2.3	–	–	–	(34.2)	**(31.9)**
At 30 June 2021	1.1	411.6	–	(11.9)	84.4	147.7	**632.9**
Year ended 30 June 2022							
At 1 July 2021	1.1	411.6	–	(11.9)	84.4	147.7	**632.9**
Profit for the period	–	–	–	–	–	58.2	**58.2**
Foreign currency cash flow hedge – fair value movements	–	–	–	–	–	–	**–**
Foreign currency translation differences for foreign operations	–	–	–	15.7	–	–	**15.7**
Income tax relating to components of other comprehensive income	–	–	–	(0.4)	–	–	**(0.4)**
Total comprehensive income	–	–	–	15.3	–	58.2	**73.5**
Transactions with owners:							
Dividends paid	–	–	–	–	–	(44.8)	**(44.8)**
Share-based payments	–	–	–	–	–	2.9	**2.9**
Shares issued	–	2.3	–	–	–	–	**2.3**
Total contributions by and distributions to owners	–	2.3	–	–	–	(41.9)	**(39.6)**
At 30 June 2022	1.1	413.9	–	3.4	84.4	164.0	**666.8**

Hedging Reserve

The hedging reserve represents the cumulative fair value gains or losses on derivative financial instruments for which cash flow hedge accounting has been applied, net of tax. There have been no cash flow hedges in the current year.

Foreign Currency Translation Reserve

The foreign currency translation reserve contains exchange differences on the translation of subsidiaries with a functional currency other than Sterling and exchange gains or losses on the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Merger Reserve

The merger reserve represents the excess of fair value over nominal value of shares issued in consideration for the acquisition of subsidiaries where statutory merger relief has been applied in the financial statements of the Parent Company.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Operating profit		95.5	84.0
Non-underlying items	5	78.8	78.2
Underlying operating profit		174.3	162.2
Adjustments for:			
Depreciation	13	11.1	11.0
Amortisation and impairment	2	5.2	4.5
Release of government grant		(0.7)	(0.6)
Loss on disposal of leased assets	7	0.7	–
Loss on disposal of intangible assets	7	–	0.3
Equity settled share-based payment expense	26	3.3	2.8
Underlying operating cash flow before changes in working capital		193.9	180.2
Increase in inventories		(19.3)	(36.6)
Increase in trade and other receivables		(23.4)	(19.7)
Increase in trade and other payables		14.9	20.3
Cash generated from operating activities before interest, taxation and non-underlying items		166.1	144.2
Cash outflows in respect of non-underlying items	5	(2.8)	(3.0)
Cash generated from operating activities before interest and taxation		163.3	141.2
Interest paid		(7.0)	(7.7)
Interest on lease liabilities		(0.5)	(0.5)
Income taxes paid		(32.9)	(43.9)
Net cash generated from operating activities		122.9	89.1
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		–	0.2
Proceeds from disposal of intangible assets		–	0.2
Interest received		0.1	–
Acquisition of subsidiaries (net of cash acquired)		(0.8)	(0.9)
Acquisition of investment in associates		–	(0.8)
Purchase of property, plant and equipment		(20.3)	(18.9)
Capitalised development expenditure		(1.2)	(1.3)
Purchase of acquired intangible non-current assets		(54.4)	(111.2)
Purchase of other intangible non-current assets		(1.7)	(3.4)
Net cash used in investing activities		(78.3)	(136.1)
Cash flows from financing activities			
Proceeds from the issue of share capital		2.3	2.3
Repayment of borrowings		–	(15.9)
Principal elements of lease payments		(3.6)	(3.6)
Dividends paid	10	(44.8)	(37.9)
Net cash used in financing activities		(46.1)	(55.1)
Net decrease in cash and cash equivalents		(1.5)	(102.1)
Cash and cash equivalents at start of period	18	118.4	227.4
Exchange differences on cash and cash equivalents		4.0	(6.9)
Cash and cash equivalents at end of period	18	120.9	118.4
Reconciliation of net cash flow to movement in net borrowings			
Net decrease in cash and cash equivalents		(1.5)	(102.1)
New borrowings and lease liabilities		(3.8)	(5.8)
Repayment of borrowings and lease liabilities		4.1	20.0
Exchange differences on cash and cash equivalents		4.0	(6.9)
Retranslation of foreign borrowings		(11.2)	22.4
Other non-cash changes		0.4	(0.2)
Movement in net borrowings in the period		(8.0)	(72.6)
Net borrowings at start of period		(200.2)	(127.6)
Net borrowings at end of period	27	(208.2)	(200.2)

Cash conversion is defined as cash generated from operating activities before interest and taxation as a percentage of underlying operating profit.

Notes to the Consolidated Financial Statements

1. Accounting Policies

Dechra Pharmaceuticals PLC is a public limited company, which is limited by shares and is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office is 24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA England. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been applied consistently in all years presented with the exception of the adoption of new accounting standards as outlined below.

(a) Statement of Compliance

The consolidated financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as it applies to companies reporting under those standards. The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101 and they are separately presented on pages 214 to 224.

(b) Basis of Preparation

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 14 to 81. The Directors have a reasonable expectation that 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 the annual financial statements. Refer to the Financial Review on page 49 for details. The consolidated financial statements are presented in Sterling, rounded to the nearest 0.1 million. They are prepared on a going concern basis and under the historical cost convention, except where IFRSs require an alternative treatment. The principal variations relate to derivative financial instruments, cash settled share-based transactions and contingent consideration. The preparation of consolidated financial statements in conformity with IFRSs requires the use of accounting estimates and for management to exercise its judgement in the process of applying the Group's accounting policies. These judgements and estimates are based on historical experience and management's best knowledge of the amounts, events or actions under review and the actual results may ultimately differ from these estimates. Areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are, where necessary, disclosed separately.

Critical Judgements in Applying the Group's Accounting Policies and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, the Directors have made the following estimates where the actual outcome may differ from that calculated. The Group has made no critical judgements in applying the Group's accounting policies. The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying values of the assets and liabilities within the next financial year, are summarised below.

Area	Key sources of estimation uncertainty	Note reference	Accounting policy reference
Valuation of licensing agreements and associated contingent consideration	Timing, likelihood and quantum of future royalty cash flows, timing of future approval milestones and the determination of an appropriate discount rate	30	1(p)

1. Accounting Policies continued

(b) Basis of Preparation (continued)

Non-underlying Items

The Group presents a number of non-GAAP measures. This is to allow investors to understand the underlying performance of the Group, excluding items associated with areas such as: amortisation of acquired intangibles; downward remeasurement where there is not an intangible asset and accounting for the passage of time in respect of contingent considerations; impairment of assets; cloud computing arrangement costs; expenses relating to acquisition and subsequent integration activities; rationalisation of the manufacturing organisation; loss on extinguishment of debt; and the revaluation of deferred tax balances following substantial tax legislation changes. Management utilises this measure to isolate the impact of exceptional, one-off or non-trading related items and consequently the classification of these items requires judgement. Further details can be found in note 5.

New Standards and Amendments to Standards or Interpretations

A number of amendments to IFRSs became effective for the financial year beginning on 1 July 2021. None of these standards had any impact on the Group's accounting policies and did not require retrospective adjustments.

In April 2021, the IFRS Interpretations Committee published its final agenda decision on Configuration and Customisation costs in a Cloud Computing Arrangement. The agenda decision considers how a customer accounts for configuration or customisation costs in a cloud computing arrangement. The agenda decision does not have a material impact on the Group in respect of the current period or prior periods (note 5).

The Group has adopted the amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 as issued in August 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption. Refer to note 21.

(c) Basis of Consolidation

Subsidiary Undertakings

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that the Group no longer has control. All subsidiary undertakings have been consolidated. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. The financial statements of all subsidiary undertakings are prepared to the same reporting date as the Company, with the exception of Genera Pharma d.o.o., Dechra Brasil Produtos Veterinarios LTDA and Dechra Productos Veterinarios, S.A. de C.V. (all of which prepare local financial statements to 31 December each year, in line with local tax authority regulations).

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the change in net assets of the investee after the date of acquisition. Intangible assets identified as part of the notional purchase price allocation are amortised over the useful life of each asset, with the Group's share recognised as a charge in the income statement.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement.

Gains and losses resulting from upstream and downstream transactions between the Group and its associate are only recognised to the extent realised. Any unrealised gains or losses are eliminated, to the extent of the Group's interest in the associate. Accounting policies of associates have been aligned where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

1. Accounting Policies continued

(d) Foreign Currency Translation

(i) Functional and Presentational Currency

The consolidated financial statements are presented in Sterling, which is the Group's presentational currency, and are rounded to the nearest hundred thousand, except where it is deemed relevant to disclose the amounts to the nearest million. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(ii) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of differences on transactions that are subject to effective cash flow hedges, which are recognised in other comprehensive income.

(iii) Foreign Operations

The income and expenses of foreign operations are translated to Sterling at the average rate for the period being reported. The assets and liabilities of foreign operations are translated to Sterling at the closing rate at the reporting date. Foreign currency differences on all translations are recognised in other comprehensive income in the foreign currency translation reserve, a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. On disposal of a foreign entity, accumulated exchange differences previously recognised in other comprehensive income are recognised in the income statement in the same period in which the gain or loss on disposal is recognised.

(e) Accounting for Financial Assets and Liabilities, Derivative Financial Instruments and Hedging Activities

Financial Assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Management determines the classification of financial assets at initial recognition in accordance with IFRS 9, which defines three categories that debt instruments may be classified as, depending on the purpose for which the assets are held. These categories are:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through the profit and loss (FVPL).

Amortised cost relates to assets that are held for collection of contractual cash flows. Where those cash flows represent solely payments of principal and interest, they are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement. All material financial assets of the Group are held at amortised cost.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held at fair value through the income statement are included in the income statement in the period in which they arise.

Derivative Financial Instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange rate risks and interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are remeasured to fair value at each reporting date.

Cash Flow Hedges

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs.

Net Investment Hedge

For hedges of net investments in foreign operations where the hedge is effective, movements are recognised in other comprehensive income. Ineffectiveness is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

1. Accounting Policies continued

(e) Accounting for Financial Assets and Liabilities, Derivative Financial Instruments and Hedging Activities continued

Trade Receivables

Trade receivables are recorded at aggregate invoice value (including value added tax or other sales taxes) less loss allowances, which are calculated using the expected loss model. Where trade receivables contain a significant financing component, they are then carried at amortised cost using the effective interest rate method, less loss allowances. Other receivables are recorded at their transaction value.

The Group assesses, on a forward-looking basis, the expected credit losses associated with its trade and other receivables. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Where there is a specific risk surrounding a receivable, then a credit loss allowance of 100% is applied.

Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost.

Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value net of directly attributable transaction costs incurred. Borrowings are subsequently stated 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. Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(f) Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. Assets in the course of construction are not depreciated until the date the assets become available for use. The estimated useful lives are as follows:

• freehold buildings	25 years
• short leasehold buildings	period of lease
• motor vehicles	4 years
• plant and fixtures	3 to 15 years

The residual value, where significant, is reassessed annually.

(g) Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. In respect of business acquisitions that have occurred before 1 July 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the separable assets, liabilities and contingent liabilities acquired.

Acquisitions after this date fall under the provisions of 'IFRS 3 Business Combinations'. For these acquisitions, transaction costs, other than share and debt issue costs, are expensed as incurred and subsequent adjustments to the fair value of consideration payable are recognised in the income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is allocated to cash generating units and is tested annually for impairment.

Notes to the Consolidated Financial Statements

1. Accounting Policies continued

(g) Intangible Assets continued

Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

The Group is also engaged in development activity with a view to bringing new pharmaceutical products to market. Due to the strict regulatory process involved, there is inherent uncertainty as to the technical feasibility of development projects often until regulatory approval is achieved, with the possibility of failure even at a late stage. The Group considers that this uncertainty means that the criteria for capitalisation are not met unless it is highly probable that regulatory approval will be achieved and the project is commercially viable. Internally generated costs of development are capitalised, once the criteria are met, in the consolidated statement of financial position unless those costs cannot be measured reliably or it is not probable that future economic benefits will flow to the Group, in which case the relevant costs are expensed to the income statement as incurred.

Where development costs are capitalised, the expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Acquired Intangible Assets

Intangible assets recognised as a result of a business combination are stated at fair value at the date of acquisition less accumulated amortisation and impairment losses.

Intangible assets that are acquired by the Group as a result of an asset acquisition are stated at cost (including future milestone and royalty payments as applicable) less accumulated amortisation and impairment losses. Contingent considerations are remeasured at each reporting date and any downward remeasurement of the related liability is adjusted against the intangible, with any excess over the carrying value of the intangible recognised in the income statement. Any upwards remeasurement is recognised as an increase to the intangible asset.

Other Intangible Assets

Other intangible assets (which primarily includes software and marketing rights) are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and other intangibles is recognised in the income statement as an expense as incurred.

Intangible Assets Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates or extends the asset life. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite or is otherwise stated below. Goodwill and intangible assets with an indefinite useful life are not amortised but are systematically tested for impairment at each consolidated statement of financial position date. Other intangible assets are amortised from the date that they are available for use. Assets in the course of construction are not amortised until the date the assets become available for use.

The estimated useful lives are as follows:

• software	5 to 7 years
• capitalised development costs	5 to 10 years or period of patent
• patent rights	period of patent
• marketing authorisations	indefinite life or period of marketing authorisation
• product rights	10 to 18 years
• commercial relationships	7 years
• brand	3 to 10 years
• acquired capitalised development costs	5 to 15 years
• pharmacological process	10 years

The pharmacological process from the acquisition of Putney Inc. and capitalised developed technology from the acquisition of AST Farma B.V. and Le Vet Beheer B.V. are amortised on a reducing balance method at a rate of 20% based on the expected profile of future cash flows. All amortisation on a reducing balance methodology is recognised within selling and general administrative expenses with the exception of that in respect of the pharmacological process which is recognised within research and development expenses.

Where an other intangible asset has been remeasured, the adjustment is amortised prospectively over the remaining useful life of the asset.

1. Accounting Policies continued

(g) Intangible Assets continued

Amortisation continued

The amortisation of the intangible assets is classified as an administrative expense because they relate to the right to sell and distribute the product. Within the acquired intangibles the product rights encompass market authorisations, and the capitalised development costs encompass product authorisations subject to regulatory approval. The pharmacological process is classified as a research and development expense as it relates to the process of taking a product through to registration.

When considering the basis of amortisation for acquired intangibles, management considers a number of factors: the different market conditions which surround the intangible; the age of the products within developed technology; and their corresponding place within the lifecycle of the product.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of labour and overheads based on normal operating capacity.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Impairment of Non-current Assets

The carrying amounts of the Group's non-current assets are reviewed at each consolidated 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.

The recoverable amount of assets is the greater of their fair value less cost to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each consolidated statement of financial position date and when there is an indication that the asset is impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units (group of units), and then to reduce the carrying amount of the other assets in the units (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Dividends Paid

Dividends are recognised in the period in which they are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid.

(l) Employee Benefits

Pensions

The Group operates a stakeholder personal pension scheme for certain employees. Obligations for contributions are recognised as an expense in the income statement as incurred.

Dechra Veterinary Products SAS and Dechra Veterinary Products B.V. participate in state-run pension arrangements. These are not considered to be material to the Group financial statements and are accounted for as defined contribution schemes, with contributions being recognised as an expense in the income statement as incurred.

Notes to the Consolidated Financial Statements

1. Accounting Policies continued

(l) Employee Benefits continued

Share-based Payment Transactions

The Group operates a number of equity settled share-based payment programmes that allow employees to acquire shares in the Company. The Group also operates a Long Term Incentive Plan for Directors and Senior Executives.

The fair value of shares or options granted is recognised as an employee expense over the vesting period on a straight-line basis in the income statement with a corresponding movement to equity reserves. Fair values are determined by use of an appropriate pricing model and by reference to the fair value of the options granted. The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

At each consolidated statement of financial position date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revisions of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity reserves, over the remaining vesting period.

The fair values of grants under the Long Term Incentive Plan have been determined using the Monte Carlo simulation model, as performed by a qualified third party valuation expert.

The fair values of options granted under all other share option schemes have been determined using the Black–Scholes option pricing model, as performed by a qualified third party valuation expert.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

National Insurance contributions payable by the Company on the intrinsic value of share-based payments at the date of exercise are treated as cash settled awards and revalued to market price at each consolidated statement of financial position date.

Bonus and Commission Payments

The Group operates sales incentives schemes for certain employees and third party sales representatives in particular territories. The related bonuses and commissions are accrued in line with the related sales revenues.

(m) Revenue Recognition

Revenue from the sale of goods is measured at the fair value of the consideration and excludes intra-group sales and value added and similar taxes. The primary performance obligation is the transfer of goods to the customer. Revenue from the sale of goods is recognised when control of the goods is transferred to the customer, at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods. Revenue from third party manufacturing consists principally of the production of goods to customer specification together with the provision of technical services. Revenues from third party manufacturing are recognised upon completion of the work order, either the completion and agreed delivery of the product, or upon full provision of the service.

As sales arrangements differ from time to time (for example by customer and by territory), each arrangement is reviewed to ensure that revenue is recognised when control of the goods has passed to the customer.

This review and the corresponding recognition of revenue encompass a number of factors which include, but are not limited to the following:

- reviewing delivery arrangements and whether the buyer has accepted title, recognising revenue at the point at which full title has passed; and/or
- where distribution arrangements are in place, recognising revenue when the goods pass to the third party customer (for example by reviewing insurance arrangements) at the point at which title has passed.

Provision for rebates, returns, discounts and other variable consideration is reflected in the transaction price at the point of recognition to the extent that it is highly probable there will not be a significant reversal. The methodology and assumptions used to estimate rebates and returns are based on the most likely method of calculation. This is adjusted in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third party analysis, and internally generated information.

1. Accounting Policies continued

(n) Leases

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of three to five years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and Termination Options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by both the Group and the respective lessor.

Measurement

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The lease liability is not materially sensitive to a reasonable change in discount rate and therefore will not represent a critical accounting estimate presented within the Annual Report.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

1. Accounting Policies continued

(o) Net Financing Costs

Net financing costs comprise interest payable on borrowings, unwinding of discount on provisions and deferred considerations measured at amortised cost, interest receivable on funds invested, gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (e)) and gains or losses on the retranslation of financial assets and liabilities denominated in foreign currencies. Interest income is recognised in the income statement as it accrues. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

(p) Contingent Considerations

The Group has adopted the IFRIC 1 approach when accounting for contingent consideration in respect of the acquisition of intangible assets in the form licensing agreements (outside of a business combination) where the product has not been registered and launched in all key markets. Under the IFRIC 1 approach, the estimated future amounts payable for contingent consideration are recorded on initial recognition at the present value of the future cash flow payable, discounted with an appropriate discount rate, with a corresponding intangible asset recorded. The unwind of the liability, reflecting discounting for the passage of time, is recognised within the income statement as a finance expense and calculated using a risk-free rate. Contingent consideration payable is remeasured at each reporting date and any downward remeasurement of the related liability is adjusted against the intangible, with any excess over the carrying value of the intangible recognised in the income statement. Any upwards remeasurement is recognised as an increase to the intangible asset. For licensing agreements where the product has been registered and launched in all key markets, the Group has adopted the cost accumulation model. An intangible asset is initially recognised, at the date of acquisition, at the cost paid. Variable payments (normally in the form of sales based royalties to another third party) are recognised as the sales are made and not included in the carrying amount of the asset at acquisition, and no liability is recognised for the contingent consideration.

(q) Provisions

Provisions for legal claims, dilapidations, environmental remediation, deferred rent and advanced grants for property, plant and equipment are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

(r) Basis of Charge for Taxation

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in the income statement except to the extent they relate to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the consolidated statement of financial position liability method and represents the tax payable or recoverable on most temporary differences which arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (the tax base). Temporary differences are not provided on: goodwill that is not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and do not arise from a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is based upon tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised against future taxable profits. The carrying amounts of deferred tax assets are reviewed at each consolidated statement of financial position date.

In respect of uncertain tax positions, where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability. Such provisions are measured using either the most likely outcome method, or the expected value method depending on management's judgement of which method better predicts the resolution of the uncertainty. The methodology will be reviewed in each case upon the receipt of any new information.

The estimated annual benefit of global intellectual property and innovation incentives is accounted for within current and deferred tax.

Current and deferred tax credits received in respect of share-based payments are recognised in the income statement to the extent that they do not exceed the standard rate of taxation on the income statement charge for share-based payments. Credits in excess of the standard rate of taxation are recognised directly in equity.

1. **Accounting Policies continued**

(s) **Earnings per Share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for the effects of all potential dilutive ordinary shares, which comprise share options granted to employees.

The Group has also chosen to present an alternative EPS measure, with profit adjusted for non-underlying items. A reconciliation of this alternative measure to the statutory measure required by IFRS is given in the Financial Review on page 43. A breakdown of the non-underlying items is given in notes 3, 4 and 5.

2. **Operating Segments**

As discussed below, the Group has three reportable segments which are based on information provided to the Board of Directors, deemed to be the Group's chief operating decision maker. Several operating segments which have similar economic characteristics have been aggregated into the reporting segments. In undertaking this aggregation, the assessment determined that the aggregated segments have similar products, production processes, customers and overall regulatory environments.

The European Pharmaceuticals Segment comprises Dechra Veterinary Products EU, Dechra Veterinary Products International and Dechra Pharmaceuticals Manufacturing & Supply. This Segment operates internationally and manufactures and markets Companion Animal Products (CAP), Equine, Food producing Animal Products (FAP) and Nutrition. This Segment also includes third party manufacturing and other revenues from non-core activities.

The NA Pharmaceuticals Segment consists of Dechra Veterinary Products US, Dechra Veterinary Products Canada, and Dechra Productos Veterinarios (Mexico), which sell CAP, Equine and FAP in those territories. The Segment also includes our manufacturing units based in Melbourne, Florida and Fort Worth, Texas. This Segment also includes third party manufacturing and other revenues from non-core activities.

The Pharmaceuticals Research and Development Segment includes all of the Group's pharmaceutical research and development activities. This Segment has no revenue. Reconciliation of reportable segment revenues, profit or loss and liabilities and other material items:

	2022 £m	2021 £m
Revenue by segment		
European Pharmaceuticals	406.7	388.5
NA Pharmaceuticals	275.1	219.5
	681.8	608.0
Underlying operating profit/(loss) by segment		
European Pharmaceuticals	131.5	127.8
NA Pharmaceuticals	87.7	75.9
Pharmaceuticals Research and Development	(32.4)	(32.4)
Underlying segment operating profit	186.8	171.3
Corporate and other unallocated costs	(12.5)	(9.1)
Underlying operating profit	174.3	162.2
Amortisation of acquired intangibles	(72.8)	(75.2)
Cloud computing arrangement costs	(2.8)	–
Impairment of assets	(2.9)	–
Rationalisation of manufacturing organisation	–	(1.6)
Expenses relating to acquisitions and subsequent integration activities	(0.3)	(1.4)
Total operating profit	95.5	84.0
Finance income	5.7	3.8
Finance expense	(22.3)	(12.7)
Share of loss of investments accounted for using the equity method	(1.3)	(1.1)
Profit before taxation	77.6	74.0
Total liabilities by segment		
European Pharmaceuticals	(141.3)	(137.5)
NA Pharmaceuticals	(110.6)	(60.5)
Pharmaceuticals Research and Development	(4.7)	(5.9)
Segment liabilities	(256.6)	(203.9)
Corporate loans and revolving credit facility	(313.7)	(302.7)
Corporate accruals and other payables	(8.2)	(9.2)
Current and deferred tax liabilities	(48.0)	(65.4)
	(626.5)	(581.2)

2. Operating Segments continued

	2022 £m	2021 £m
Revenue by product category		
CAP	508.4	442.6
Equine	49.5	44.8
FAP	78.8	77.0
Nutrition	35.0	31.7
Other	10.1	11.9
	681.8	608.0
Additions to intangible non-current assets by segment (including through business combinations)		
European Pharmaceuticals	23.5	97.1
NA Pharmaceuticals	75.1	40.2
Pharmaceuticals Research and Development	0.3	0.1
Corporate and central costs	–	1.4
	98.9	138.8
Additions to Property, Plant and Equipment by segment (including through business combinations)		
European Pharmaceuticals	20.5	19.8
NA Pharmaceuticals	2.4	5.9
Pharmaceuticals Research and Development	0.5	0.4
Corporate and central costs	0.8	0.3
	24.2	26.4
Depreciation, impairment and amortisation by segment		
European Pharmaceuticals	63.4	67.1
NA Pharmaceuticals	26.1	22.4
Pharmaceuticals Research and Development	0.5	0.5
Corporate and central costs	0.8	0.7
	90.8	90.7
The total depreciation, impairment and amortisation charge is made up of the following:		
Non-underlying		
Amortisation and impairment – selling, general and administrative expenses	70.8	70.8
Amortisation – research and development expenditure	3.7	4.4
	74.5	75.2
Underlying		
Amortisation and impairment	5.2	4.5
Depreciation	11.1	11.0
	16.3	15.5

Geographical Information

The following table shows revenue based on the geographical location of customers and non-current assets based on the country of domicile of the entity holding the asset:

	2022 Revenue £m	2022 Non-current assets £m	2021 Revenue £m	2021 Non-current assets £m
UK	58.2	31.8	56.9	30.8
Germany	62.3	2.9	64.8	3.1
Rest of Europe	212.9	378.8	204.8	406.3
USA	258.3	278.3	206.5	215.2
Rest of World	90.1	157.1	75.0	166.5
	681.8	848.9	608.0	821.9

3. Finance Income

Underlying	2022 £m	2021 £m
Finance income arising from:		
– Cash and cash equivalents	0.1	–
– Foreign exchange gains	5.6	–
Underlying finance income	5.7	–

Non-underlying	2022 £m	2021 £m
Finance income arising from:		
– Foreign exchange gains on contingent consideration	–	3.8
Non-underlying finance income	–	3.8
Total finance income	5.7	3.8

4. Finance Expense

Underlying	2022 £m	2021 £m
Finance expense arising from:		
– Financial liabilities at amortised cost	8.3	8.3
– Lease liability interest	0.5	0.5
– Foreign exchange losses	–	2.9
Underlying finance expense	8.8	11.7

Non-underlying	2022 £m	2021 £m
Finance expense arising from:		
– Foreign exchange losses on contingent consideration	10.1	–
– Unwind of discount associated with contingent consideration	3.4	1.0
Non-underlying finance expense	13.5	1.0
Total finance expense	22.3	12.7

5. Non-underlying Items

Non-underlying items charged/(credited) comprise:

	2022 £m	2021 £m
Amortisation of acquired intangibles		
– classified within selling, general and administrative expenses	69.1	70.8
– classified within research and development expenses	3.7	4.4
Cloud computing arrangement costs	2.8	–
Impairment of assets	2.9	–
Expenses relating to acquisitions and subsequent integration activities	0.3	1.4
Rationalisation of manufacturing organisation	–	1.6
Non-underlying operating loss	78.8	78.2
Amortisation of notional acquired intangibles from equity accounting for associates	0.7	0.7
Share of realised non-underlying profit of investments accounted for using the equity method	(0.6)	–
Foreign exchange losses/(gains) on contingent consideration	10.1	(3.8)
Unwind of discount associated with contingent consideration	3.4	1.0
Non-underlying loss before tax	92.4	76.1
Tax on non-underlying loss before tax items	(21.1)	(16.6)
Revaluation of deferred tax balances following the change in the US, Dutch and UK tax rates	2.2	4.8
Release of fair value provision on acquisition	–	(2.2)
Non-underlying loss after tax	73.5	62.1

Amortisation of acquired intangibles reflects the amortisation of the fair values of future cash flows recognised on acquisition in relation to the identifiable intangible assets acquired.

Cloud computing arrangement costs of £2.8 million relate to the initial costs of the programme to implement the Manufacturing and Supply function's new ERP and Electronic Quality Management systems, the total cost of which is expected to be £25.0 million over the next five years. Included within underlying administrative expenses is £1.5 million of other cloud computing arrangement costs which relate to the implementation of the Salesforce customer relationship management system in Europe, and the implementation of a global payroll platform. The £2.8 million of non-underlying expenses have been settled in the year.

Impairment of assets predominantly relates to the impairment of certain assets prior to the sale of the Agricultural Chemicals business in January 2022 (£1.0 million) and the impairment of a small number of In-Process Research and Development assets recognised on the acquisition of AST Farma and Le Vet (£1.7 million).

Expenses relating to acquisitions and subsequent integration activities represent costs incurred during the acquisition of Piedmont Animal Health, Inc. (£0.3 million). Additional acquisition expenses of c. £3.0 million are expected to be incurred in relation to the acquisition and integration of Piedmont Animal Health, Inc. and the Med-Pharmex Holdings, Inc. group of companies over the next two years. Costs of £0.2 million relating to the product rights acquisitions made during the year have been taken through underlying expenses.

Foreign exchange losses on contingent consideration is driven by the depreciation of Sterling against the US and Australian Dollars.

The revaluation of the deferred tax balances arises as a result of an increase in the US (£1.1 million), Dutch (£0.8 million) and UK (£0.3 million) corporation tax rates.

6. Interests in Associate

(a) Profit/(loss) in Associate

Set out below is the summarised financial information of Medical Ethics Pty Ltd for the year ended 30 June, which is accounted for using the equity method. This is before the elimination of unrealised transactions and adjustments to align to the Group's accounting policies, and is not Dechra Pharmaceuticals PLC's share of the results.

	2022 £m	2021 £m
Revenue	15.1	3.5
Pre-tax profit from continuing operations	9.1	0.6
Post-tax profit from continuing operations	6.2	0.6

	2022 £m	2021 £m
Non-current assets	2.9	2.5
Current assets	11.4	3.1
	14.3	5.6
Non-current liabilities	–	–
Current liabilities	(2.5)	(0.3)
	(2.5)	(0.3)
Net assets of associate	11.8	5.3

(b) Interest in Associate

	2022 £m	2021 £m
1 July 2021 and 2020	17.1	17.4
Additions	–	0.8
Share of underlying loss after tax	(1.2)	(0.4)
Non-underlying realised profit from continuing operations	0.6	–
Share of amortisation of notional intangible asset identified on acquisition (net of tax)	(0.7)	(0.7)
30 June 2022 and 2021	15.8	17.1

The Group holds 49.5% of the issued share capital of Medical Ethics Pty Ltd, which is the holding company of Animal Ethics Pty Ltd. The Group has considered other factors when assessing control, and concluded that it has significant influence but not control of the associate. There is no change in the accounting treatment of the entity from the prior year. The company is incorporated in Australia, which is also the principal place of business. The registered address is c/o Level 3, 649 Bridge Road, Richmond, Victoria 3121, Australia. The company has share capital consisting solely of ordinary shares, which are directly owned by the Group. Medical Ethics Pty Ltd is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the associate.

The Group's share of the loss arising from its investment in Medical Ethics includes the effect of harmonising the accounting policies and of amortising the fair value adjustments (net of tax), which are treated as non-underlying. The milestone of AUD26.0 million that was paid to Animal Ethics Pty Ltd in the year relating to the licensing agreement for the marketing authorisations of Tri-Solfen in Australia and New Zealand is eliminated in the Group's income statement. The Group's share of this will be realised over the life of the agreement.

(c) Reconciliation of Summarised Financial Information Presented to the Carrying Amount of its Interest in Associates

	2022 £m	2021 £m
Opening interest in associate	5.2	5.8
Fair value of associate acquired	–	0.5
Share of underlying loss after tax	(1.2)	(0.4)
Non-underlying realised profit from continuing operations	0.6	–
Share of amortisation of notional intangible asset identified on acquisition (net of tax)	(0.7)	(0.7)
Interest in associate	3.9	5.2
Goodwill	11.9	11.9
Carrying value of investment in associate	15.8	17.1

7. Profit Before Taxation

The following items have been included in arriving at profit before taxation of continuing operations:

	2022 £m	2021 £m
Cost of inventories recognised as an expense	236.3	203.1
Impairment of inventories included in above figure	7.3	8.8
Depreciation of property, plant and equipment		
– owned assets	7.2	7.0
– right-of-use assets	3.9	4.0
Amortisation of intangible assets	77.3	79.5
Impairment of intangible assets	2.4	0.2
Loss on disposal of leased assets	0.7	–
Loss on disposal of intangible assets	–	0.3
Impairment of receivables	0.8	0.1
Lease rental payables in respect of low value assets	–	–
Underlying research and development expenditure as incurred	32.4	32.4
Auditors' remuneration	1.9	1.5
Analysis of total fees paid to the Auditors:		
Audit of these financial statements	0.9	0.8
Audit of financial statements of subsidiaries pursuant to legislation	0.9	0.6
Other assurance services – audit related assurance services*	0.1	0.1
Total fees paid to Auditors	1.9	1.5

* This includes £0.1 million (2021: £0.1 million) in relation to the review of the Half-Yearly Report.

8. Employees

The average numbers of staff employed by the Group during the year, which includes Directors, were:

	2022 Number	2021 Number
Manufacturing	686	639
Distribution	147	148
Sales and administration	1,203	1,158
Total	2,036	1,945

The costs incurred in respect of these employees were:

	2022 £m	2021 £m
Wages and salaries	108.6	98.8
Social security costs	13.6	12.3
Other pension costs	6.5	5.5
Share-based payments charge (see note 26)	2.9	3.7
Total	131.6	120.3

Related party transactions – the remuneration of key management was as follows:

	2022 £m	2021 £m
Short term employee benefits	6.6	6.1
Post-employment benefits	0.3	0.3
Share-based payments charge	1.5	1.3
	8.4	7.7

Key management comprises the Board and the Senior Executive Team. Details of the remuneration, shareholdings, share options and pension contributions of the Executive Directors are included in the Directors' Remuneration Report on pages 133 to 143.

The Group operates a stakeholder personal pension scheme for certain employees and contributed between 3% and 12% of pensionable salaries. The Group also participates in state-run pension arrangements for certain employees in Dechra Veterinary Products SAS and Dechra Veterinary Products B.V.. Total pension contributions amounted to £6.5 million (2021: £5.5 million).

9. Income Taxes

		2022 £m	2021 £m
Current tax	– UK corporation tax	**2.2**	2.8
	– overseas tax	**29.7**	26.8
	– adjustment in respect of prior years	**2.8**	(2.6)
Total current tax expense		**34.7**	27.0
Deferred tax	– origination and reversal of temporary differences	**(15.7)**	(14.5)
	– adjustment in respect of tax rates	**2.2**	4.8
	– adjustment in respect of prior years	**(1.8)**	1.2
Total deferred tax credit		**(15.3)**	(8.5)
Total income tax charge in the Consolidated Income Statement		**19.4**	18.5

The tax on the Group's profit before taxation differs from the standard rate of UK corporation tax of 19.0% (2021: 19.0%). The differences to this rate are explained below:

	2022 £m	2021 £m
Profit before taxation	**77.6**	74.0
Tax at 19.0% (2021: 19.0%)	**14.7**	14.1
Effect of:		
– expenses not deductible	**0.8**	1.8
– research and development related tax credits	**(0.2)**	(0.3)
– patent box tax credits	**(1.5)**	(3.1)
– other incentives	**(1.6)**	(0.3)
– share of results in associates	**0.2**	–
– effects of overseas tax rates	**3.8**	2.9
– adjustment in respect of prior years	**1.0**	(1.4)
– change in tax rates	**2.2**	4.8
Total income tax charge in the Consolidated Income Statement	**19.4**	18.5

Recurring items in the tax reconciliation include: research and development related tax credits and patent box incentives; expenses not deductible; and the share of results in associates. The effective tax rate is 25.0% (excluding non-underlying items the effective tax rate is 22.5%).

Tax (Charge)/Credit Recognised Directly in Equity

	2022 £m	2021 £m
Deferred tax on other equity movements	**(0.4)**	(0.2)
Tax charge recognised in Consolidated Statement of Comprehensive Income	**(0.4)**	(0.2)
Corporation tax on equity settled transactions	**0.3**	0.2
Deferred tax on equity settled transactions	**(0.7)**	0.7
Total tax (charge)/credit recognised in Equity	**(0.4)**	0.9

On 27 December 2021, the Dutch government enacted legislation to increase the top rate of corporate income tax from 25.0% to 25.8% with effect from 1 January 2022. Dutch deferred tax assets and liabilities have been recalculated accordingly.

The UK Finance Bill 2021 substantively enacted on 24 May 2021, included an increase in the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. UK deferred tax assets and liabilities as at 30 June 2022 have been recalculated accordingly, based on the Group's best estimate of the timing of the unwind of existing temporary differences.

At 30 June 2022, the Group held a current provision of £5.9 million (2021: £5.7 million) in respect of uncertain tax positions. The resolution of these tax matters may take many years. The range of reasonably possible outcomes within the next financial year is a release of the provision of between £0.3 million to £3.9 million.

9. Income Taxes continued

EU CFC Challenge

The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concluded that the legislation up until December 2018 does partially represent State Aid. This decision was upheld by the EU General Court on 8 June 2022, when it dismissed the UK Government's annulment application. The UK Government has since confirmed its intention to lodge an appeal to the EU Court of Justice.

The Group considers that the potential amount of additional tax payable remains between £nil and £4.0 million depending on the basis of calculation and the outcome of HMRC's appeal to the EU Court of Justice. Based on current advice, the Group does not consider any provision is required in relation to this investigation. This judgement is based on current interpretation of legislation and professional advice.

The Group received charging notices from HMRC in January and February 2021 under The Taxation (Post Transition Period) Bill for part of the exposure (£2.75 million) and has paid this to HMRC. As the Group considers that HMRC's appeal will be successful, the charging notices which were settled in full during the previous period (£2.75 million) are recorded as current tax receivables on the basis that the amount will be repaid in due course.

Future Tax Charge

The Group's future tax charge, and its effective tax rate could be affected by several factors including the impact of the implementation of the OECD's Base Erosion and Profit Shifting ('BEPS') actions, and changes in applicable tax rates and legislation in the territories in which it operates.

10. Dividends

	2022 £m	2021 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year: 29.39 pence per share (2021: 24.00 pence per share)	31.8	25.9
Interim dividend paid: 12.00 pence per share (2021: 11.11 pence per share)	13.0	12.0
Total dividend 41.39 pence per share (2021: 35.11 pence per share) recognised as distributions to equity holders in the period	44.8	37.9
Proposed final dividend for the year ended 30 June 2022: 32.89 pence per share (2021: 29.39 pence per share)	35.6	31.8
Total dividend paid and proposed for the year ended 30 June 2022: 44.89 pence per share (2021: 40.50 pence per share)	48.6	43.8

In accordance with IAS 10 'Events After the Balance Sheet Date', the proposed final dividend for the year ended 30 June 2022 has not been accrued for in these financial statements. It will be shown as a deduction from equity in the financial statements for the year ending 30 June 2023. There are no income tax consequences. The final dividend for the year ended 30 June 2021 is shown as a deduction from equity in the year ended 30 June 2022.

11. Earnings per Share

Earnings per ordinary share have been calculated by dividing the profit attributable to equity holders of the parent after taxation for each financial period by the weighted average number of ordinary shares in issue during the period.

	2022 Pence	2021 Pence
Basic earnings per share		
– Underlying*	121.57	108.77
– Basic	53.72	51.33
Diluted earnings per share		
– Underlying*	120.84	108.14
– Diluted	53.40	51.03

* Underlying measures exclude non-underlying items as defined in note 1.

The calculations of basic and diluted earnings per share are based upon:

	2022 £m	2021 £m
Earnings for underlying basic and underlying diluted earnings per share	131.7	117.6
Earnings for basic and diluted earnings per share	58.2	55.5

	Number	Number
Weighted average number of ordinary shares for basic earnings per share	108,332,583	108,119,864
Impact of share options	654,836	630,725
Weighted average number of ordinary shares for diluted earnings per share	108,987,419	108,750,589

At 30 June 2022, there are 305,468 options (2021: 401,672) that are excluded from the EPS calculations as they are not dilutive for the period presented but may become dilutive in the future.

12. Intangible Assets

	Goodwill £m	Software £m	Development costs £m	Patent rights & marketing authorisations £m	Other intangibles £m	Acquired intangibles £m	Total £m
Cost							
At 1 July 2020	253.8	21.7	15.9	5.4	–	791.4	1,088.2
Additions	–	2.8	1.5	–	–	134.5	138.8
Disposals	–	(0.9)	(0.6)	–	–	–	(1.5)
Transfers between categories	–	–	(1.2)	1.2	–	–	–
Remeasurement (note 30)	–	–	–	–	–	4.9	4.9
Foreign exchange adjustments	(17.7)	(0.5)	(0.5)	(0.1)	–	(49.5)	(68.3)
At 30 June 2021 and 1 July 2021	236.1	23.1	15.1	6.5	–	881.3	1,162.1
Additions	–	1.0	1.8	–	–	96.1	98.9
Disposals	–	–	–	(3.3)	–	(0.7)	(4.0)
Transfers between categories	–	0.2	(1.7)	0.4	1.1	–	–
Remeasurement (note 30)	–	–	–	–	–	(24.2)	(24.2)
Foreign exchange adjustments	9.3	0.1	0.2	0.1	0.1	27.4	37.2
At 30 June 2022	**245.4**	**24.4**	**15.4**	**3.7**	**1.2**	**979.9**	**1,270.0**
Accumulated Amortisation							
At 1 July 2020	–	9.0	9.8	3.5	–	373.7	396.0
Charge for the year	–	3.2	0.6	0.5	–	75.2	79.5
Impairments	–	–	0.2	–	–	–	0.2
Disposals	–	(0.8)	(0.2)	–	–	–	(1.0)
Transfers between categories	–	–	(0.8)	0.8	–	–	–
Foreign exchange adjustments	–	(0.2)	(0.1)	(0.2)	–	(27.9)	(28.4)
At 30 June 2021 and 1 July 2021	–	11.2	9.5	4.6	–	421.0	446.3
Charge for the year	–	3.5	0.6	0.4	–	72.8	77.3
Impairments	–	–	–	–	0.7	1.7	2.4
Disposals	–	–	–	(3.4)	–	(0.6)	(4.0)
Foreign exchange adjustments	–	0.1	–	0.1	0.1	17.2	17.5
At 30 June 2022	**–**	**14.8**	**10.1**	**1.7**	**0.8**	**512.1**	**539.5**
Net book value							
At 30 June 2022	**245.4**	**9.6**	**5.3**	**2.0**	**0.4**	**467.8**	**730.5**
At 30 June 2021	236.1	11.9	5.6	1.9	–	460.3	715.8

£0.8 million of the marketing authorisations relate to the Vetivex® range of products. Ownership of the marketing authorisations rests with the Group in perpetuity. There are not believed to be any legal, regulatory or contractual provisions that limit their useful lives. *Vetivex* is an established range of products which are relatively simple in nature and there are a limited number of players in the market. Accordingly, the Directors believe that it is appropriate that the marketing authorisations are treated as having indefinite lives for accounting purposes.

The software intangible asset net book value includes £7.4 million relating to the ERP system in the EU Pharmaceuticals Segment; this has a remaining amortisation period of 3 years.

Goodwill is allocated across cash generating units that are expected to benefit from that business combination. Key assumptions made in this respect are given in note 14.

12. Intangible Assets continued

In accordance with the disclosure requirements of IAS 38 'Intangible Assets', the components of acquired intangibles are summarised below:

	Commercial relationships £m	Pharmacological process £m	Brand £m	Capitalised development costs £m	Product rights £m	Total £m
Cost						
At 1 July 2020	8.7	53.2	16.6	410.0	302.9	791.4
Additions	–	–	–	–	134.5	134.5
Remeasurement	–	–	–	–	4.9	4.9
Foreign exchange adjustments	(0.6)	(6.1)	(1.7)	(27.6)	(13.5)	(49.5)
At 30 June 2021 and 1 July 2021	8.1	47.1	14.9	382.4	428.8	881.3
Additions	–	–	–	–	96.1	96.1
Remeasurement	–	–	–	–	(24.2)	(24.2)
Disposals	–	–	–	–	(0.7)	(0.7)
Foreign exchange adjustments	0.2	6.8	1.8	12.0	6.6	27.4
At 30 June 2022	**8.3**	**53.9**	**16.7**	**394.4**	**506.6**	**979.9**
Accumulated Amortisation						
At 1 July 2020	5.9	34.7	7.9	155.9	169.3	373.7
Charge for the year	1.8	4.4	1.4	42.3	25.3	75.2
Foreign exchange adjustments	(0.4)	(4.1)	(0.9)	(11.5)	(11.0)	(27.9)
At 30 June 2021 and 1 July 2021	7.3	35.0	8.4	186.7	183.6	421.0
Charge for the year	1.3	3.6	1.2	37.0	29.7	72.8
Impairments	–	–	–	1.7	–	1.7
Disposals	–	–	–	–	(0.6)	(0.6)
Foreign exchange adjustments	(0.8)	5.3	2.0	5.5	5.2	17.2
At 30 June 2022	**7.8**	**43.9**	**11.6**	**230.9**	**217.9**	**512.1**
Net book value						
At 30 June 2022	**0.5**	**10.0**	**5.1**	**163.5**	**288.7**	**467.8**
At 30 June 2021	0.8	12.1	6.5	195.7	245.2	460.3

The table below provides further detail on the goodwill, acquired intangibles and their remaining amortisation period.

Significant assets	Description of acquired intangibles	Goodwill carrying value £m	Acquired intangibles carrying value £m	Sub-total carrying value £m	Remaining amortisation period on acquired intangibles
Intangible assets arising from the acquisition of Dermapet	Product, marketing and distribution rights	0.4	11.2	11.6	3 ½ years
Intangible assets arising from the acquisition of Eurovet	Technology, product, marketing and distribution rights	37.7	0.2	37.9	½ year
Goodwill arising from the acquisition of Vetxx		16.4	–	16.4	N/A
Intangible assets arising from the acquisition of Genera	Product, brand, technology, marketing and distribution rights		0.1		½ year
			0.2		3 ½ years
			5.1		8 ½ years
		5.3		10.7	Genera – total
Intangible assets arising from the acquisition of Putney	Product, brand, technology, pharmacological process, marketing and distribution rights		4.0		4 years
			10.3		4 years
			32.4		6 years
		54.1		100.8	Putney – total

12. Intangible Assets continued

Significant assets	Description	Goodwill carrying value £m	Acquired Intangibles carrying value £m	Sub-total carrying value £m	Remaining amortisation period on acquired intangibles
Intangible asset arising from the acquisition of Apex	Product and technology		10.9		11 years
			1.6		8 years
		9.0		21.5	Apex – total
Intangible assets related to the licensing and distribution of Tri-Solfen® (excluding ANZ territories)	Marketing and distribution rights	–	28.4	28.4	10 years
Intangible asset related to an injectable solution licensing agreement	Marketing and distribution rights	–	5.8	5.8	10 years
Intangible assets arising from the acquisition of AST Farma and Le Vet	Product, brand, technology, marketing and distribution rights		37.1		5 ½ years
			45.8		4 ½ years
			10.1		6 years
			0.3		½ year
		98.7		192.0	AST Farma and Le Vet – total
Intangible assets related to an injectable solution licensing agreement	Marketing and distribution rights	–	5.9	5.9	15 years
Intangible assets arising from the acquisition of Caledonian	Product, brand, technology, marketing and distribution rights	0.9	2.6	3.5	6 ½ years
Intangible assets arising from the acquisition of Dechra Brasil Produtos Veterinarios LTDA	Product, brand, technology, marketing and distribution rights		6.3		6 ½ years
			0.2		1 ½ years
			0.2		4 ½ years
		9.0		15.7	Brazil – total
Intangible assets arising from the acquisition of Ampharmco	Product and technology rights		0.1		½ year
			5.4		15 ½ years
			0.5		12 ½ years
			5.9		12 ½ years
		6.7		18.6	Ampharmco – total
Intangible assets arising from the acquisition of *Mirataz*	Product and technology rights		34.5		7 ½ years
			3.9		8 ½ years
			0.7		8 ½ years
		–		39.1	Mirataz – total
Intangible assets arising from the acquisition of *Osurnia*	Product, marketing and distribution rights	–	85.9	85.9	8 years
Intangible assets related to the licensing and distribution of Tri-Solfen® (ANZ territories)	Product, marketing and distribution rights	–	22.1	22.1	14 years
Intangible assets arising from the acquisition of *Laverdia*	Product, marketing and distribution rights	–	62.7	62.7	10 years
Intangible assets arising from the acquisition of *Isoflurane* and *Sevoflurane*	Product, marketing and distribution rights	–	8.4	8.4	9 ½ years
Intangible assets arising from the acquisition of *Sucromate*	Product, marketing and distribution rights	–	6.1	6.1	9 ½ years
Other individually immaterial goodwill and acquired intangibles		7.2	12.9	20.1	
		245.4	467.8	713.2	

13. Property, Plant and Equipment

	Freehold land and buildings £m	Short leasehold buildings £m	Motor vehicles £m	Plant and fixtures £m	Total £m
Cost					
At 1 July 2020	48.1	17.0	5.2	57.5	127.8
Additions	9.1	6.5	1.8	9.0	26.4
Disposals	–	(0.8)	(0.9)	(6.5)	(8.2)
Foreign exchange adjustments	(2.7)	(0.5)	(0.2)	(2.6)	(6.0)
At 30 June 2021 and 1 July 2021	54.5	22.2	5.9	57.4	140.0
Additions	5.8	1.6	2.2	14.6	24.2
Disposals	(0.8)	(2.7)	(1.2)	(1.0)	(5.7)
Transfers between categories	1.6	1.1	–	(2.7)	–
Foreign exchange adjustments	0.7	1.2	0.1	1.4	3.4
At 30 June 2022	**61.8**	**23.4**	**7.0**	**69.7**	**161.9**
Accumulated Depreciation					
At 1 July 2020	16.2	5.0	1.8	28.4	51.4
Charge for the year	1.6	2.3	2.0	5.1	11.0
Disposals	–	(0.2)	(0.6)	(6.3)	(7.1)
Foreign exchange adjustments	(1.0)	(0.1)	(0.1)	(1.1)	(2.3)
At 30 June 2021 and 1 July 2021	16.8	7.0	3.1	26.1	53.0
Charge for the year	1.8	2.2	1.9	5.2	11.1
Disposals	(0.8)	(0.7)	(1.1)	(0.9)	(3.5)
Foreign exchange adjustments	0.1	0.3	0.1	0.5	1.0
At 30 June 2022	**17.9**	**8.8**	**4.0**	**30.9**	**61.6**
Net book value					
At 30 June 2022	**43.9**	**14.6**	**3.0**	**38.8**	**100.3**
At 30 June 2021	37.7	15.2	2.8	31.3	87.0
Net book value of right-of-use assets					
At 30 June 2022	**–**	**12.2**	**3.1**	**0.1**	**15.4**
At 30 June 2021	–	13.8	2.8	0.3	16.9
Depreciation charge of right-of-use assets					
2022	**–**	**1.9**	**1.9**	**0.1**	**3.9**
2021	–	1.9	2.0	0.1	4.0

	2022 £m	2021 £m
Contracted capital commitments	**6.0**	0.7
Assets in the course of construction included above	**5.3**	13.3

Included in additions are £3.8 million (2021: £7.5 million) of right-of-use assets.

14. Impairment Reviews

Goodwill and indefinite life assets are tested for impairment annually, or more frequently if there are indications that amounts might be impaired. The impairment tests involve determining the recoverable amount of the relevant asset or cash generating unit ('CGU'), which corresponds to the higher of the fair value less costs to sell or its value in use. In the Group's case, the recoverable amount is based on value in use calculations.

Intangible assets under development and not available for use (typically In-Process Research and Development ('IPR&D')) are tested for impairment annually and other intangible assets are tested when there is an indication of impairment loss or reversal. Where testing is required, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss or reversal. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which it belongs.

No indicators of impairment were noted during 2022 in respect of finite lived intangible assets.

In 2022, impairment charges recorded against IPR&D, which was based on fair value less costs to sell, totalled £1.7 million and related to IPR&D acquired as part of the 2018 acquisition of Le Vet and AST Farma. Assets in respect of five products within the pipeline were fully impaired following the decision to discontinue development of these products.

We have assessed the qualitative and quantitative impact of climate related risks on asset recoverable amounts and concluded that their impact does not cause material impairments.

Goodwill Impairment Assessment

Goodwill is tested for impairment at the operating segment level, this being the level at which goodwill is monitored for internal management purposes. Note, for the purposes of this assessment, Dechra Veterinary Products International is not aggregated with Dechra Veterinary Products EU as goodwill is monitored separately. An immaterial quantum of intangible assets which have an indefinite life are also allocated with goodwill as follows:

	2022			
Cash generating unit	**Goodwill carrying value £m**	**Indefinite life assets carrying value £m**	**Total value £m**	**Pre-tax discount rate %**
Dechra Veterinary Products EU	**162.2**	**0.9**	**163.1**	**10.2**
Dechra Veterinary Products NA	**64.3**	**–**	**64.3**	**12.0**
Dechra Veterinary Products International	**18.9**	**–**	**18.9**	**13.1**
	245.4	**0.9**	**246.3**	

	2021			
Cash generating unit	Goodwill carrying value £m	Indefinite life assets carrying value £m	Total value £m	Pre-tax discount rate %
Dechra Veterinary Products EU	162.2	0.9	163.1	8.9
Dechra Veterinary Products NA	56.2	–	56.2	11.0
Dechra Veterinary Products International	17.7	–	17.7	12.4
	236.1	0.9	237.0	

Recoverable amount of each CGU is determined using value in use calculations with the key assumptions being as follows:

- The latest available Board approved business plan for the first two years;
- The business plan is extrapolated by applying a growth rate for years three, four and five of 3.0% (2021: 3.0%) for Dechra Veterinary Products EU and Dechra Veterinary Products NA and 6.6% (2021: 5.8%) for Dechra Veterinary Products International; and
- Thereafter, a terminal value is calculated based on year five cash flows, and assuming a long term growth rate of 0% (2021: 0%) for Dechra Veterinary Products EU and Dechra Veterinary Products NA and 1.2% (2021: 0.9%) for Dechra Veterinary Products International.

The projections covered a period of five years as the Directors believe this to be the most appropriate timescale over which to review and consider annual performances before applying a fixed terminal value.

The Board approved business plan incorporates a number of key input assumptions, most notably regarding market growth expectations, the competitive and legislative environments, lifecycle management, selling prices, product margins and direct costs. The assumptions applied in the business plan are based on past experience and the Group's expectation of future market changes and, where applicable, are consistent with external sources of information.

The medium and long term growth rates used (as set out above) reflect an estimate of expected future growth in the Group's markets, are no higher than those implicit in the Group's strategic planning process, and do not exceed the long term growth rates in the countries in which each CGU operates.

14. Impairment Reviews continued

Goodwill Impairment Assessment continued

The pre-tax discount rates have been estimated using a market participant rate, which is adjusted after consideration of market information, and risk adjusted dependent upon the specific circumstances of each asset or CGU.

Sensitivity analyses have been performed around the key assumptions for the impairment testing of goodwill and indefinite life assets with the conclusion for both being that given the headroom in each CGU, no reasonable changes in key assumptions would cause the recoverable amount to be materially less than the carrying value.

15. Deferred Taxes

(a) Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are analysed in the statement of financial position after offset, to the extent there is a legally enforceable right, of balances within countries as follows:

	2022 £m	2021 £m
Deferred tax assets	2.3	2.0
Deferred tax liabilities	(35.8)	(48.8)
	(33.5)	(46.8)

Deferred tax assets and liabilities are attributable to the following, prior to any allowable offset:

	Assets		Liabilities		Net	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Intangible assets	–	–	(42.9)	(51.1)	(42.9)	(51.1)
Property, plant and equipment	–	–	(4.8)	(3.7)	(4.8)	(3.7)
Inventories	1.5	0.9	–	–	1.5	0.9
Receivables/payables	7.2	4.1	–	–	7.2	4.1
Share-based payments	0.9	1.7	–	–	0.9	1.7
Losses	0.6	0.7	–	–	0.6	0.7
R&D tax credits	3.0	0.5	–	–	3.0	0.5
Employee benefit obligations	1.0	0.1	–	–	1.0	0.1
	14.2	8.0	(47.7)	(54.8)	(33.5)	(46.8)

(b) Unrecognised Deferred Tax

The aggregate amount of gross temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is £2.2 million (2021: £2.5 million). The estimated unprovided deferred tax liability in relation to these temporary differences is £0.1 million (2021: £0.1 million).

Deferred tax assets in relation to losses amounting to £2.6 million (2021: £2.0 million) have not been recognised due to uncertainty over their recoverability. Included within unrecognised losses are £0.5 million of losses which expire prior to 2030. Other losses may be carried forward indefinitely.

15. Deferred Taxes continued
(c) Movements During the Year

	Balance at 1 July 2020 £m	Recognised in income £m	Recognised in equity/OCI £m	Foreign exchange adjustments £m	Balance at 30 June 2021 £m
Intangible assets	(62.4)	7.2	–	4.1	(51.1)
Property, plant and equipment	(4.0)	–	–	0.3	(3.7)
Inventories	1.4	(0.4)	–	(0.1)	0.9
Receivables/payables	3.2	1.2	(0.2)	(0.1)	4.1
Share-based payments	0.7	0.3	0.7	–	1.7
Losses	0.5	0.2	–	–	0.7
R&D tax credits	0.3	0.3	–	(0.1)	0.5
Employee benefit obligations	0.4	(0.3)	–	–	0.1
	(59.9)	8.5	0.5	4.1	(46.8)

	Balance at 1 July 2021 £m	Recognised in income £m	Recognised in equity/OCI £m	Foreign exchange adjustments £m	**Balance at 30 June 2022 £m**
Intangible assets	(51.1)	9.9	–	(1.6)	**(42.8)**
Property, plant and equipment	(3.7)	(1.0)	–	(0.1)	**(4.8)**
Inventories	0.9	0.6	–	–	**1.5**
Receivables/payables	4.1	2.9	(0.4)	0.6	**7.2**
Share-based payments	1.7	(0.1)	(0.7)	–	**0.9**
Losses	0.7	(0.2)	–	0.1	**0.6**
R&D tax credits	0.5	2.4	–	0.1	**3.0**
Employee benefit obligations	0.1	0.8	–	–	**0.9**
	(46.8)	15.3	(1.1)	(0.9)	**(33.5)**

Notes to the Consolidated Financial Statements

16. Inventories

	2022 £m	2021 £m
Raw materials and consumables	38.0	34.6
Work in progress	10.1	10.4
Finished goods and goods for resale	127.6	104.5
	175.7	149.5

17. Trade and Other Receivables

	2022 £m	2021 £m
Trade receivables	122.1	88.2
Other receivables	9.0	13.4
Prepayments and accrued income	5.7	5.1
	136.8	106.7

18. Cash and Cash Equivalents

	2022 £m	2021 £m
Cash at bank and in hand	120.9	118.4

19. Trade and Other Payables

	2022 £m	2021 £m
Trade payables	46.0	35.2
Other payables	3.1	3.9
Other taxation and social security	4.6	4.8
Accruals	83.1	69.6
	136.8	113.5

20. Current Tax Assets and Liabilities

	2022 £m	2021 £m
Corporation tax receivable	11.0	17.6
Corporation tax payable	(12.2)	(16.6)
	(1.2)	1.0

21. Borrowings and Lease Liabilities

	2022 £m	2021 £m
Current liabilities:		
Lease liabilities	3.3	3.1
	3.3	3.1
Non-current liabilities:		
Lease liabilities	12.1	12.8
Senior loan notes	125.5	115.1
Bank loans	189.7	189.7
Arrangement fees netted off	(1.5)	(2.1)
	325.8	315.5
Total borrowings	329.1	318.6

On 22 December 2021, the Group entered into an Amendment and Restatement Agreement in relation to the £340.0 million Revolving Credit Facility (RCF) maturing 25 July 2024. With effect from 1 January 2022, any new Borrowings drawn on the RCF will now use Risk Free Reference (RFR) rates instead of LIBOR rates. The relevant RFR rates for the principal Borrowings of the Group will be SONIA (for Borrowings in GBP), SOFR (for Borrowings in USD) and EURIBOR (for Borrowings in EUR). The interest rate charged on any new Borrowings drawn under the RCF will be the relevant RFR rate plus the Margin plus a Credit Adjustment Spread (CAS). The Margin on this Facility is a minimum of 1.3% and a maximum of 2.2%, dependent upon the Leverage (the ratio of Total Net Debt to Adjusted EBITDA) of the Group. The CAS charged on the RCF will be a minimum of 0.0326% and a maximum of 0.42826%, dependent upon the term and currency of the new Borrowings. The CAS will not be charged on any new Borrowings in EUR currency. At 30 June 2022, £189.7 million was drawn against the £340.0 million RCF. The facility is not secured on any specific assets of the Group but is supported by a joint and several cross guarantee structure. All covenants were met during the year ended 30 June 2022.

In January 2020, the Group undertook a Private Placement raising EUR50.0 million and USD100.0 million (under seven and ten year new senior secured notes respectively) which remains fully drawn at 30 June 2022. The Private Placement amounts are not secured on any specific assets of the Group, but are supported by a joint and several cross guarantee structure. Interest is charged on the EUR50.0 million amount at a fixed rate of 1.19% until maturity (January 2027). Interest is charged on the USD100.0 million amount at a fixed rate of 3.34% until maturity (January 2030).

On 14 July 2022 the Group undertook a further Private Placement raising EUR50.0 million and EUR100.0 million (under seven and ten year new senior secured notes respectively), refer to note 34.

No interest has been capitalised during the year (2021: £nil).

'Phase 2' of the amendments to IFRS 9, IAS 39 and IFRS 7 requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. For the year ended 30 June 2022, the Group has applied the practical expedients provided under 'Phase 2' to amendments to its RCF.

The maturity of the bank loans and senior loan notes is as follows:

	2022 £m	2021 £m
Between two and five years	232.6	189.7
Over five years	82.6	115.1
	315.2	304.8

The maturity of the lease liabilities is as follows:

	2022 £m	2021 £m
Within one year	3.3	3.1
Between one and two years	2.5	2.5
Between two and five years	3.5	3.7
Over five years	6.1	6.6
	15.4	15.9

Further information on the interest profile of borrowings is shown in note 24.

22. Provisions

	Deferred Rent £m	Provision for PPE grant £m	Dilapidations £m	**Total £m**
At start of period	(0.3)	(0.9)	(2.3)	**(3.5)**
Provision released	–	–	1.0	**1.0**
Provision utilised	0.1	0.1	–	**0.2**
Foreign exchange differences	(0.1)	0.2	–	**0.1**
At end of period	(0.3)	(0.6)	(1.3)	**(2.2)**

The Group has received advanced payment for rental income on its facilities in Portland. This has been recognised at amortised cost and is being utilised over the period of the rental contract expiring in January 2025.

Genera, the manufacturing site in Croatia, has received advanced funding (PPE grant) for the refurbishment of the manufacturing facility for a third party manufacturing contract. The funding has been recognised at amortised cost and is being utilised over the life of the property, plant and equipment until 2025.

On the acquisition of Ampharmco, the Group established a fair value provision for dilapidations of a warehouse property. The provision will be utilised over the period to the expiry of the lease on 31 December 2022.

In the prior year, the Group established a fair value provision of £1.9 million for dilapidations of two warehouse properties in Skipton. During the year the Group acquired one of the warehouse properties in Skipton and consequently £1.0 million of the provision has been released, £0.2 million credited to the income statement and £0.8 million released against the fixed asset in line with IFRS 16. The provision for the remaining warehouse will be utilised over the period to the expiry of the lease in March 2025.

23. Employee Benefit Obligations

Jubilee awards in Netherlands, Germany and Croatia of £0.3 million (2021: £0.3 million) for employees are recognised within other payables in the Consolidated Statement of Financial Position as at 30 June 2022.

24. Financial Instruments and Related Disclosures

The Group's financial instruments comprise private placements, bank loans and overdrafts, lease liabilities, derivatives used for hedging purposes and trade receivables and payables.

Treasury Policy

The Group reports in Sterling and pays dividends in Sterling out of the Group profits which are repatriated to Dechra Pharmaceuticals PLC through dividends. The role of the Group's treasury activities is to manage and monitor the Group's external and internal funding requirements and change to financing risks in support of the Group's corporate activities.

The Board of Directors has approved a policy which governs all treasury activities.

The Group uses a variety of financial instruments, including derivatives, to finance its operations and to manage market risks from these operations. Derivatives, principally comprising forward foreign currency contracts, foreign currency options and interest rate swaps, are used to hedge against changes in foreign currencies and interest rates. Hedges of net investments in foreign operations are also used in the management of foreign currency risk.

The Group does not hold or issue derivative financial instruments for speculative purposes and the Group's treasury policy specifically prohibits such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

The Group actively manages its exposure to credit risk, reducing surplus cash balances wherever possible. This is part of the strategy to concentrate cash centrally as much as possible. The table below sets out the credit exposure to counterparties by rating for liquid investments, cash and cash equivalents and derivatives.

Credit ratings are assigned by Standard and Poor's and Moody's respectively. Where the opinions of the two rating agencies differ, the Group assigns the lower rating of the two to the counterparty. Where local rating agency or Fitch data is the only source available, the ratings are converted to global ratings equivalent to those of Standard and Poor's or Moody's using published conversion tables. These credit ratings form the basis of the assessment of the expected credit loss on treasury-related balances held at amortised cost, being bank balances and deposits.

24. Financial Instruments and Related Disclosures continued
Treasury Policy continued

	2022 £m	2021 £m
AA/Aa	16.4	10.5
A/A	101.1	105.1
BBB/Baa	2.4	1.3
BB/Ba and below/unrated	1.0	1.5
Total bank balances and deposits	120.9	118.4

The Group measures expected credit losses over cash and cash equivalents as a function of individual counterparty credit ratings and associated 12 month default rates. Expected credit losses over cash and cash equivalents are deemed to be immaterial and no such loss has been experienced during 2022.

Capital Management
The capital structure of the Group consists of net borrowings and shareholders' equity. At 30 June 2022, net borrowing was £208.2 million (2021: £200.2 million), whilst shareholders' equity was £666.8 million (2021: £632.9 million).

The Group maintains a strong capital base so as to maintain investors', creditors' and market confidence and to sustain future development of the business.

The Group manages its capital structure to maintain a prudent balance between debt and equity that allows sufficient headroom to finance the Group's product development programme and appropriate acquisitions. There were no changes in the Group's approach to capital management during the year.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. The Group's operating subsidiaries are generally cash generative and none are subject to externally imposed capital requirements.

There are financial covenants associated with the Group's borrowings, which are interest cover (the ratio of underlying EBITDA to interest costs), and leverage (the ratio of total net debt to underlying EBITDA). The Group complied with these covenants in the year to 30 June 2022 and 2021 and is forecast to continue to do so in the future.

Operating cash flow is used to fund investment in the development of new products as well as to make the routine outflows of capital expenditure, tax, dividends and repayment of maturing debt.

The Group's policy is to maintain borrowing facilities centrally which are then used to finance the Group's operating subsidiaries, either by way of equity investments or intercompany loans.

Financial Risk Management
The Group has exposure to the following risks from its use of financial instruments:

- liquidity risk;
- market risk; and
- credit risk.

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

24. Financial Instruments and Related Disclosures continued

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities as they fall due. Cash flows and covenants of the Group are monitored half-yearly. These are reviewed to ensure that sufficient financial headroom exists for at least a 12 month period.

The Group manages its funding requirements through the following lines of credit:

- £340.0 million multi-currency revolving credit facility;
- Private Placements in the amounts of USD100.0 million and EUR50.0 million. Post year end the Group undertook a further Private Placement raising EUR50.0 million and EUR100.0 million under seven and ten year new senior secured notes respectively (see note 34); and
- £15.4 million lease liabilities.

The Group's borrowing facilities at 30 June 2022 are detailed in note 21.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates, will affect the Group's income or the value of its holding of financial instruments.

Interest Rate Risk Management

The Group's borrowings bear interest at both floating rates linked to Risk Free Reference rates and fixed rates, thereby reducing the exposure to cash flow interest rate risk.

Foreign Exchange Risk Management

Foreign currency transaction exposure arising on normal trade flows is not hedged. The Group matches receipts and payments in the relevant foreign currencies as far as practicable. To this end, bank accounts are maintained for all the major currencies in which the Group trades. Translational exposure in converting the income statements of foreign subsidiaries into the Group's presentational currency of Sterling is not hedged.

The Group hedges selectively expected currency cash flows outside normal trading activities. The Group has designated a US Dollar borrowing of $97.0 million as a net investment hedge of US Dollar net assets.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group considers its maximum credit risk to be £131.1 million (2021: £101.6 million), which is the total carrying value of the Group's financial assets excluding cash and cash equivalents.

Our principal customers are pharmaceutical wholesalers and distributors. The failure of a large wholesaler could have a material adverse impact on the Group's financial results.

The largest customer of the Group sits within the NA Pharmaceuticals Segment and accounted for approximately 25.5% of gross trade receivables at 30 June 2022 (2021: 13.3%). This customer accounted for 21.2% (2021: 18.4%) of total Group revenues. One other customer accounted for more than 10% of total Group revenues (2021: one).

All new customers are subject to a credit vetting process and existing customers will be subject to a review periodically. The vetting process and subsequent reviews involve obtaining information including audited financial statements, credit bureau reports, debt rating agency (e.g. Moody's, Standard & Poor's) reports and bank references.

Trade receivables consist mostly of amounts due from a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The amount of information obtained is proportional to the level of exposure being considered. The information is evaluated quantitatively (i.e. credit score) and qualitatively (i.e. judgement) in conjunction with the customer's credit requirements to determine a credit limit.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

24. Financial Instruments and Related Disclosures continued

Fair Value of Financial Assets and Liabilities

The following table presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 30 June 2022 and 30 June 2021. The following assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximated to the carrying amount.
- Derivatives (interest rate swaps) – based upon the amount that the Group would receive or pay to terminate the instrument at the balance sheet date, being the market price of the instrument.
- Receivables and payables – approximated to the carrying amount.
- Borrowings, bank loans and overdrafts – based upon discounted cash flows using discount rates based upon facility rates.

Analysis of Financial Instruments

The financial instruments of the Group measured at amortised cost are analysed as follows:

	2022		2021	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Financial assets				
Financial assets measured at amortised cost				
– cash and cash equivalents	**120.9**	**120.9**	118.4	118.4
– trade receivables	**122.1**	**122.1**	88.2	88.2
– other receivables	**9.0**	**9.0**	13.4	13.4
Total financial assets	**252.0**	**252.0**	220.0	220.0
Financial liabilities				
Bank loans and overdrafts	**(189.7)**	**(189.7)**	(189.7)	(189.7)
Senior loan notes	**(125.5)**	**(115.2)**	(115.1)	(110.7)
Lease liabilities	**(15.4)**	**(15.4)**	(15.9)	(15.9)
Trade payables	**(46.0)**	**(46.0)**	(35.2)	(35.2)
Other payables	**(3.1)**	**(3.1)**	(3.9)	(3.9)
Accruals	**(83.1)**	**(83.1)**	(69.6)	(69.6)
Contingent consideration	**(110.4)**	**(110.4)**	(80.2)	(80.2)
Total financial liabilities	**(573.2)**	**(562.9)**	(509.6)	(505.2)
Net financial liabilities	**(321.2)**	**(310.9)**	(289.6)	(285.2)

Senior loan notes are carried at amortised cost. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. The fair value of borrowings is estimated by discounting contractual future cash flows (Level 2 as defined by IFRS 13).

Fair Value Hierarchy

The table below analyses the Group's financial instruments carried at fair value, by valuation method. Where possible, quoted prices in active markets are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3. There were no transfers between Level 1 and Level 2 during the year.

30 June 2022	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Contingent consideration	**–**	**–**	**(110.4)**	**(110.4)**
Total	**–**	**–**	**(110.4)**	**(110.4)**

30 June 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Contingent consideration	–	–	(80.2)	(80.2)
Total	–	–	(80.2)	(80.2)

24. Financial Instruments and Related Disclosures continued

Fair Value Hierarchy continued

Contingent consideration is recorded at fair value based on risk-adjusted future cash flows discounted using appropriate interest rates, which are reviewed annually. The inputs relating to future cash flows will include cash flows relating to the relevant contractual arrangements. Refer to note 5 for amounts recognised in the Consolidated Income Statement in the year. Quantified information about significant unobservable inputs is disclosed within note 30.

Credit Risk

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for financial assets at amortised cost.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2022 and the corresponding historical losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance provision as at 30 June 2022 and 30 June 2021 is determined as follows:

30 June 2022	Not due £m	Past due (up to one month) £m	Past due (one to three months) £m	Past due (over three months) £m	Total £m
Expected loss rate	0.03%	0.03%	0.03%	75.0%	
Gross carrying amount – trade receivables	116.0	4.1	1.8	1.2	123.1
Loss allowance	–	–	–	0.3	0.3
Specific loss allowance	–	–	–	0.7	0.7
Total loss allowance	–	–	–	1.0	1.0

30 June 2021	Not due £m	Past due (up to one month) £m	Past due (one to three months) £m	Past due (over three months) £m	Total £m
Expected loss rate	0.04%	0.04%	0.04%	75.0%	
Gross carrying amount – trade receivables	84.3	2.4	1.5	0.7	88.9
Loss allowance	–	–	–	0.2	0.2
Specific loss allowance	–	–	–	0.5	0.5
Total loss allowance	–	–	–	0.7	0.7

The movement in the loss allowances for trade debtors at 30 June 2022 reconciles to the opening loss allowances as follows:

	2022 £m	2021 £m
At start of period	0.7	0.7
Impairment provision recognised	0.8	0.1
Impairment provision utilised	(0.5)	(0.1)
At end of period	1.0	0.7

24. Financial Instruments and Related Disclosures continued

Liquidity Risk – Contracted Cash Flows of Financial Liabilities

The following table shows the cash flow commitments of the Group in respect of financial liabilities at 30 June 2022 and 30 June 2021. Where interest is at floating rates, the future interest payments have been estimated using current interest rates:

At 30 June 2022	Contingent consideration £m	Bank loans and senior loan notes £m	Lease liabilities £m	Trade, other payables and accruals £m	Total £m
Carrying value	(110.4)	(313.7)	(15.4)	(132.2)	(571.7)
Arrangement fees netted off	–	(1.5)	–	–	(1.5)
Future interest	(65.1)	(2.1)	(1.9)	–	(69.1)
Total committed cash flow	(175.5)	(317.3)	(17.3)	(132.2)	(642.3)
Payable:					
Within 6 months	(3.3)	(2.1)	(1.9)	(119.6)	(126.9)
Between 6 months and 1 year	(3.6)	–	(1.8)	(11.9)	(17.3)
Between 1 and 2 years	(7.6)	–	(2.8)	–	(10.4)
Between 2 and 3 years	(32.0)	(189.7)	(2.1)	(0.2)	(224.0)
Between 3 and 4 years	(16.8)	–	(1.4)	(0.1)	(18.3)
Between 4 and 5 years	(14.7)	(42.9)	(1.1)	–	(58.7)
Over 5 years	(97.5)	(82.6)	(6.2)	(0.4)	(186.7)
	(175.5)	(317.3)	(17.3)	(132.2)	(642.3)

At 30 June 2021	Contingent consideration £m	Bank loans and senior loan notes £m	Lease liabilities £m	Trade, other payables and accruals £m	Total £m
Carrying value	(80.2)	(302.7)	(15.9)	(108.7)	(507.5)
Arrangement fees netted off	–	(2.1)	–	–	(2.1)
Future interest	(33.8)	(1.6)	(2.1)	–	(37.5)
Total committed cash flow	(114.0)	(306.4)	(18.0)	(108.7)	(547.1)
Payable:					
Within 6 months	(17.3)	(1.6)	(1.9)	(103.4)	(124.2)
Between 6 months and 1 year	(5.9)	–	(1.7)	(4.8)	(12.4)
Between 1 and 2 years	(7.1)	–	(2.7)	–	(9.8)
Between 2 and 3 years	(6.7)	–	(2.0)	(0.2)	(8.9)
Between 3 and 4 years	(11.1)	(25.0)	(1.6)	–	(37.7)
Between 4 and 5 years	(8.2)	(164.7)	(1.2)	–	(174.1)
Over 5 years	(57.7)	(115.1)	(6.9)	(0.3)	(180.0)
	(114.0)	(306.4)	(18.0)	(108.7)	(547.1)

24. Financial Instruments and Related Disclosures continued

Foreign Currency Exposure

The Sterling equivalents of financial assets and liabilities denominated in foreign currencies at 30 June 2022 and 30 June 2021 were:

At 30 June 2022	Australian Dollar £m	Danish Krone £m	Euro £m	US Dollar £m	Other £m
Financial assets					
Trade receivables	–	–	8.9	0.6	0.3
Other receivables	–	–	1.0	0.5	0.2
Cash balances	5.8	–	50.2	19.2	12.2
	5.8	–	60.1	20.3	12.7
Financial liabilities					
Bank loans and overdrafts	–	–	(42.9)	(82.6)	–
Lease liabilities	–	–	(0.3)	–	–
Trade payables	(0.2)	–	(5.2)	(0.9)	(0.2)
Other payables	–	–	–	–	–
Accruals	–	–	(2.1)	(1.3)	(1.3)
Contingent consideration	(34.5)	–	(1.9)	(73.2)	–
	(34.7)	–	(52.4)	(158.0)	(1.5)
Net balance sheet exposure	(28.9)	–	7.7	(137.7)	11.2

At 30 June 2021	Australian Dollar £m	Danish Krone £m	Euro £m	US Dollar £m	Other £m
Financial assets					
Trade receivables	0.2	–	9.3	0.8	2.6
Other receivables	–	–	1.2	1.4	–
Cash balances	2.1	0.5	48.3	16.9	8.5
	2.3	0.5	58.8	19.1	11.1
Financial liabilities					
Bank loans and overdrafts	–	–	(42.9)	(72.2)	–
Lease liabilities	–	–	(0.3)	–	–
Trade payables	–	–	(7.0)	(0.9)	(0.4)
Other payables	–	–	(1.5)	–	–
Accruals	(0.1)	–	(1.4)	(0.7)	(1.1)
Contingent consideration	(56.2)	–	(3.1)	(17.8)	–
	(56.3)	–	(56.2)	(91.6)	(1.5)
Net balance sheet exposure	(54.0)	0.5	2.6	(72.5)	9.6

24. Financial Instruments and Related Disclosures continued

Sensitivity Analysis

Interest Rate Risk

A 2.0% increase in annual interest rates compared to those ruling at 30 June 2022 would reduce Group profit before taxation and equity by £3.8 million (2021: £3.9 million).

Foreign Currency Risk

The Group has significant cash flows and net financial assets and liabilities in US Dollar, Euro, Danish Krone and Australian Dollar. The Group does not hedge either economic exposure or the translation exposure arising from the profits of non-Sterling businesses. The Group is hedging certain foreign currency translations through the designation of a US Dollar loan as a net investment hedge of US Dollar net assets.

During 2022, the Group has been exposed to transactional and translational currency risk. In addition to the transactional loss of £4.5 million (2021: £0.9 million transactional gain) being recognised in the Consolidated Income Statement, £15.7 million foreign exchange gain (2021: £28.0 million foreign exchange loss) translational impact was recognised in the Consolidated Statement of Comprehensive Income in the year.

As part of its acquisition strategy, the Group seeks to balance the foreign exchange debt and related interest payable risk associated with non-Sterling acquisitions with the underlying related income and assets in foreign currencies.

The following table shows the impact on the Group's profit after taxation of a 10% appreciation of Sterling against each of these currencies compared to the rates prevailing at the year end date. In this analysis, only financial assets and liabilities held on the balance sheet at the year end are assessed and are only considered sensitive to foreign exchange rates where they are not in the functional currency of the entity that holds them. There is no impact on other equity reserves.

	Profit after taxation £m
Australian Dollar	(2.6)
Euro	0.7
US Dollar	(5.2)

The sensitivities on the above represent the Directors' view of reasonably possible changes in each risk variable, not worst case scenarios or stress tests. The outputs from the sensitivity analysis are estimates of the impact of the effect of changes in market risks assuming that the specified changes occur at the year end and are applied to the risk exposures at that date. Accordingly, they show the impact on profitability and the balance sheet from such movements.

Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring and to further developments in global financial markets. As such, this table should not be considered as a projection of likely future gains and losses.

25. Issued Share Capital

	Ordinary shares of 1 pence each			
	2022		2021	
	£m	Number	£m	Number
Allotted, called up and fully paid at start of year	1.1	108,215,323	1.1	108,010,960
New shares issued	0.0	177,414	0.0	204,363
Allotted, called up and fully paid at end of year	1.1	108,392,737	1.1	108,215,323

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital. At the 2009 Annual General Meeting, the shareholders approved a resolution whereby all provisions relating to the Company's authorised share capital were removed from the Company's constitutional documents.

During the year, 177,414 new ordinary shares of 1 pence each (2021: 204,363 new ordinary shares of 1 pence each) were issued following the exercise of options under the Long Term Incentive Plan, the Approved, the Unapproved, SAYE, the Global SAYE and the ESPP share option schemes. The consideration received was £2,258,853 (2021: £2,265,445). The holders of ordinary shares are entitled to receive dividends as declared or approved at General Meetings from time to time and are entitled to one vote per share at such meetings of the Company.

Post year end the Company issued 5,247,813 shares of 1 pence each by way of a placing and 116,870 ordinary shares via a retail offer, both at an issue price of 3430 pence per share on 25 July 2022. The placing generated gross proceeds of £184.0 million. The placing price of 3430 pence per share was a 8.0% discount to the closing middle market share price on 20 July 2022, being the date of the placing announcement. See note 34.

26. Share-based Payments

During the year, the Company operated the Unapproved Share Option Scheme, the Approved Share Option Scheme, the Save As You Earn (SAYE) Share Option Scheme, the Long Term Incentive Plan 2017 and the Global SAYE Plan 2018 as described below:

Unapproved and Approved Share Option Schemes

Under these Schemes, options are granted to certain Executives and employees of the Group (excluding Executive Directors) to purchase shares in the Company at a price fixed at the average market value over the three days prior to the date of grant. For the options to vest, there must be an increase in basic earnings per share of at least 12% above the growth in the UK Retail Prices Index (RPI) over a three year period. Once vested, options must be exercised within ten years of the date of grant.

Long Term Incentive Plan 2017

(a) Long Term Incentive Plan Awards

Vesting is dependent on two performance conditions which must be satisfied over a three year performance period commencing from the start of the financial year within which the award is granted. One third of each award is subject to a performance condition based on the Company's TSR performance over the performance period relative to an appropriate comparator over the performance period. Two thirds of each award is subject to a performance condition based on the growth in the Group's underlying diluted EPS over the performance period. Both the TSR element and the EPS element are subject to an additional ROCE underpin. Unless the Group's ROCE is 10% or more in the final year of the performance period, the awards will lapse in full regardless of TSR and EPS performance. For the purposes of this note they are detailed under the heading Long Term Incentive Plan.

(b) Qualifying LTIP Awards

In addition, awards can be structured as Qualifying LTIP Awards, consisting of a Company Share Option Plan (CSOP) option and a nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. The Qualifying LTIP Awards are granted to the UK Senior Executive Team which includes the UK resident Executive Directors. The performance conditions are the same as those attached to the awards granted under Approved Share Option Schemes and Long Term Incentive Plan 2017. For the purposes of this note they are detailed under the heading Long Term Incentive Plan (Qualifying LTIP Awards).

(c) Market Value Options

Market value options may be granted under the LTIP 2017 as tax-advantaged CSOP options and as Unapproved share options. These options are granted to certain Executives and employees of the Group (excluding Executive Directors) to purchase shares in the Company at a price fixed at the average market value over the three days prior to the date of grant. For the options to vest, there must be an increase in underlying diluted earnings per share of at least 12% above the growth in the UK Retail Prices Index (RPI) over a three year period. Once vested, options must be exercised within ten years of the date of grant. For the purposes of this note they are detailed under the headings Unapproved and Approved Share Option Schemes.

SAYE Option Scheme

This scheme is open to all UK employees. Participants save a fixed amount of up to £500 per month for either three or five years and are then able to use these savings to buy shares in the Company at a price fixed at a 20% discount to the market value at the start of the savings period. The SAYE options must ordinarily be exercised within six months of the completion of the relevant savings period. The exercise of these options is not subject to any performance criteria.

Global SAYE Plan 2018

The Global SAYE Plan 2018 is an international share option plan, with two schedules, one of which is a UK SAYE Scheme and the other operates as a qualifying Employee Stock Purchase Plan for the benefit of employees in the USA. This scheme is currently open to employees in 18 countries. Participants save a fixed amount of up to £500 (or the USD equivalent) per month for either three years (UK scheme) or two years (USA Scheme). The employees are then able to use these savings to buy shares in the Company at a price fixed at a 10% discount to the market value at the start of the savings period. The SAYE options must ordinarily be exercised within six months of the completion of the relevant savings period. For USA employees, there is a 12 month holding period that applies. The exercise of these options is not subject to any performance criteria.

26. Share-based Payments continued

Year ended 30 June 2022

	Exercise Period	Exercise price per share Pence	At 1 July 2021 Number	Exercised Number	Granted Number	Lapsed Number	At 30 June 2022 Number
Unapproved Share Option Scheme							
11 September 2014†	2017–2024	763.00	2,000	–	–	–	**2,000**
15 September 2015†	2018–2025	975.00	2,500	–	–	–	**2,500**
19 September 2016†	2019–2026	1369.00	19,200	(7,000)	–	–	**12,200**
2 March 2018†	2020–2028	2506.00	63,360	(18,253)	–	–	**45,107**
26 October 2018†	2021–2028	2166.00	108,508	(35,737)	–	(834)	**71,937**
6 September 2019	2022–2029	2964.00	124,253	–	–	(8,834)	**115,419**
22 September 2020	2023–2030	3237.00	146,318	–	–	(12,252)	**134,066**
16 September 2021	2024–2031	4909.00	–	–	181,001	(13,863)	**167,138**
			466,139	(60,990)	181,001	(35,783)	**550,367**
Approved Share Option Scheme							
19 September 2016†	2019–2026	1369.00	2,000	–	–	–	**2,000**
2 March 2018†	2021–2028	2506.00	4,907	(3,107)	–	(104)	**1,696**
26 October 2018†	2021–2028	2166.00	2,906	(234)	–	(609)	**2,063**
6 September 2019	2022–2029	2964.00	7,413	–	–	(141)	**7,272**
22 September 2020	2023–2030	3237.00	7,236	–	–	–	**7,236**
16 September 2021	2024–2031	4909.00	–	–	5,499	(611)	**4,888**
			24,462	(3,341)	5,499	(1,465)	**25,155**
Long Term Incentive Plan							
26 October 2018	2021–2028	–	98,679	(72,820)	–	(25,859)	**–**
6 September 2019	2022–2029	–	84,184	–	–	(872)	**83,312**
22 September 2020	2023–2030	–	45,440	–	–	(2,052)	**43,388**
16 September 2021	2024–2031	–	–	–	43,043	–	**43,043**
			228,303	(72,820)	43,043	(28,783)	**169,743**
Long Term Incentive Plan (Qualifying LTIP Awards)							
22 September 2020	2023–2030	3237.00	3,309	–	–	(108)	**3,201**
22 September 2020	2023–2030	–	42,562	–	–	(790)	**41,772**
16 September 2021	2024–2031	4909.00	–	–	1,811	(350)	**1,461**
16 September 2021	2024–2031	–	–	–	17,505	(938)	**16,567**
			45,871	–	19,316	(2,186)	**63,001**
SAYE Option Scheme							
13 October 2016	2019–2022	1095.00	3,831	(3,813)	–	(18)	**–**
12 October 2017	2020–2023	1646.00	4,224	–	–	–	**4,224**
29 November 2018	2021–2024	1974.00	25,051	(20,619)	–	(274)	**4,158**
			33,106	(24,432)	–	(292)	**8,382**
Global SAYE Plan 2018							
4 October 2019	2022–2023	2573.00	23,938	(118)	–	(1,118)	**22,702**
16 October 2019	2021–2022	2517.00	15,823	(15,341)	–	(482)	**–**
19 October 2020	2023–2024	2868.00	39,183	(372)	–	(2,629)	**36,182**
19 October 2020	2022–2023	2868.00	6,091	–	–	(731)	**5,360**
13 October 2021	2024–2025	4493.00	–	–	76,212	(4,559)	**71,653**
13 October 2021	2023–2024	4493.00	–	–	8,236	(477)	**7,759**
			85,035	(15,831)	84,448	(9,996)	**143,656**
Total			882,916	(177,414)	333,307	(78,505)	**960,304**
Weighted average exercise price			1853.10p	1277.88p	3911.84p	2289.13p	**2638.28p**

† Total share options exercisable at 30 June 2022 were 139,503.

26. Share-based Payments continued
Year ended 30 June 2021

	Exercise Period	Exercise price per share Pence	At 1 July 2020 Number	Exercised Number	Granted Number	Lapsed Number	**At 30 June 2021 Number**
Unapproved Share Option Scheme							
16 September 2013†	2016–2023	721.00	3,000	(3,000)	–	–	–
11 September 2014†	2017–2024	763.00	5,000	(3,000)	–	–	2,000
15 September 2015†	2018–2025	975.00	17,457	(14,957)	–	–	2,500
19 September 2016†	2019–2026	1369.00	42,863	(23,663)	–	–	19,200
2 March 2018†	2020–2028	2506.00	93,139	(27,501)	–	(2,278)	63,360
26 October 2018	2021–2028	2166.00	114,036	–	–	(5,528)	108,508
6 September 2019	2022–2029	2964.00	133,929	–	–	(9,676)	124,253
22 September 2020	2023–2030	3237.00	–	–	152,011	(5,693)	146,318
			409,424	(72,121)	152,011	(23,175)	466,139
Approved Share Option Scheme							
15 September 2015†	2018–2025	975.00	923	(923)	–	–	–
19 September 2016†	2019–2026	1369.00	2,921	(921)	–	–	2,000
2 March 2018†	2021–2028	2506.00	7,993	(3,086)	–	–	4,907
26 October 2018	2021–2028	2166.00	2,906	–	–	–	2,906
6 September 2019	2022–2029	2964.00	8,071	–	–	(658)	7,413
22 September 2020	2023–2030	3237.00	–	–	7,989	(753)	7,236
			22,814	(4,930)	7,989	(1,411)	24,462
Long Term Incentive Plan							
2 March 2018†	2020–2021	–	26,958	(19,864)	–	(7,094)	–
26 October 2018	2021–2028	–	98,679	–	–	–	98,679
6 September 2019	2022–2029	–	84,662	(478)	–	–	84,184
22 September 2020	2023–2030	–	–	–	45,440	–	45,440
			210,299	(20,342)	45,440	(7,094)	228,303
Long Term Incentive Plan (Qualifying LTIP Awards)							
2 March 2018†	2021–2028	2506.00	5,136	(2,902)	–	(2,234)	–
2 March 2018†	2020–2028	–	49,217	(35,327)	–	(13,890)	–
1 March 2019†	2022–2029	2429.00	629	–	–	(629)	–
1 March 2019†	2022–2029	–	2,519	(2,519)	–	–	–
22 September 2020	2023–2030	3237.00	–	–	3,309	–	3,309
22 September 2020	2023–2030	–	–	–	42,562	–	42,562
			57,501	(40,748)	45,871	(16,753)	45,871
SAYE Option Scheme							
12 October 2015	2018–2021	792.00	15,373	(15,373)	–	–	–
13 October 2016	2019–2022	1095.00	3,831	–	–	–	3,831
12 October 2017	2020–2023	1646.00	56,202	(50,358)	–	(1,620)	4,224
29 November 2018	2021–2024	1974.00	27,710	(45)	–	(2,614)	25,051
			103,116	(65,776)	–	(4,234)	33,106
Global SAYE Plan 2018							
4 October 2019	2022–2023	2573.00	27,173	(358)	–	(2,877)	23,938
16 October 2019	2021–2022	2517.00	19,174	(81)	–	(3,270)	15,823
19 October 2020	2023–2024	2868.00	–	–	41,600	(2,417)	39,183
19 October 2020	2022–2023	2868.00	–	(7)	6,866	(768)	6,091
			46,347	(446)	48,466	(9,332)	85,035
Total			849,501	(204,363)	299,777	(61,999)	882,916
Weighted average exercise price			1338.99p	1144.13p	2227.09p	1759.30p	1853.10p

† Total share options exercisable at 30 June 2021 were 93,967.

26. Share-based Payments continued

The weighted average exercise price of options eligible to be exercised at 30 June 2022 was 2157.48 pence (2021: 2171.65 pence). For options exercised during the year, the weighted average market price at the date of exercise was 4716.85 pence (2021: 3435.95 pence). The weighted average remaining contractual life of options outstanding at the Consolidated Statement of Financial Position date was 5.0 years (2021: 5.1 years).

Outstanding options on all Long Term Incentive, Approved and Unapproved plans prior to 30 June 2019 were exercisable at 30 June 2022. 973 options issued under SAYE plans were exercisable at 30 June 2022 (2021: nil).

The fair values for shares granted under the Unapproved, Approved and SAYE Option Schemes have been calculated using the Black–Scholes option pricing model. The fair values of shares awarded under the Long Term Incentive Plan have been calculated using a Monte Carlo simulation model which takes into account the market-based performance conditions attaching to those shares. The assumptions used in calculating fair value are as follows:

Unapproved and Approved Share Option Schemes

Date of grant	16/09/21	16/09/21	16/09/21	16/09/21	16/09/21
Holding period restriction	N/A	N/A	N/A	2 years	2 years
Number of shares awarded	493	988	5,449	220	110
Share price at date of grant	4976p	4976p	4976p	4976p	4976p
Exercise price	4909p	4909p	4909p	4909p	4909p
Expected life	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years
Risk-free rate	0.4%	0.5%	0.5%	0.4%	0.5%
Volatility	27.2%	27.2%	27.2%	27.2%	27.2%
Dividend yield	N/A	0.8%	0.8%	0.8%	0.8%
Fair value per share	1400p	1518p	1523p	1260p	1366p

Date of grant	22/09/20	22/09/20	22/09/20	22/09/20	06/09/19
Holding period restriction	N/A	N/A	2 years	2 years	N/A
Number of shares awarded	794	9,578	308	618	8,071
Share price at date of grant	3164p	3164p	3164p	3164p	3036p
Exercise price	3237p	3237p	3237p	3237p	2964p
Expected life	3.02 years	3.02 years	3.02 years	3.02 years	6.5 years
Risk-free rate	-0.9%	0.0%	-0.9%	0.0%	0.3%
Volatility	31.4%	31.4%	31.4%	31.4%	28.0%
Dividend yield	N/A	1.1%	N/A	1.1%	1.00%
Fair value per share	902p	993p	812p	894p	928p

Long Term Incentive Plan

Valuation date	16/09/21
Award date	16/09/21
Vesting date	30/09/24
Expected exercise	30/09/24

Type of awards	Standalone Nil-cost options		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	N/A		2 years		2 years		N/A
Number of awards at grant	6,437	12,876	2,169	4,339	11,575	23,152	181,001
Share price at date of grant	4976p	4976p	4976p	4976p	4976p	4976p	4976p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	4909p
Expected life	3.04 years	3.04 years	3.04 years	3.04 years	3.04 years	3.04 years	6.5 years
Risk-free rate	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.6%
Volatility	27.2%	27.2%	27.2%	27.2%	27.2%	27.2%	27.2%
Dividend yield	N/A	0.8%	N/A	0.8%	N/A	0.8%	0.8%
Fair value per share	3866p	4854p	3480p	4369p	3480p	4369p	1253p

26. Share-based Payments continued

Long Term Incentive Plan

Valuation date	22/09/20
Award date	22/09/20
Vesting date	30/06/23
Expected exercise	30/06/23

Type of awards	Standalone Nil-cost options		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	2 years		2 years		N/A		N/A
Number of awards at grant	10,556	21,114	3,434	6,869	15,342	30,687	152,011
Share price at date of grant	3164p	3164p	3164p	3164p	3164p	3164p	3164p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	3237p
Expected life	3.02 years	3.02 years	3.02 years	3.02 years	3.02 years	3.02 years	6.50 years
Risk-free rate	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	0.0%
Volatility	31.4%	31.4%	31.4%	31.4%	31.4%	31.4%	31.4%
Dividend yield	N/A	1.1%	N/A	1.1%	N/A	1.1%	1.1%
Fair value per share	2353p	3062p	2118p	2756p	2118p	2756p	993p

Long Term Incentive Plan

Valuation date	06/09/19
Award date	06/09/16
Vesting date	30/09/22
Expected exercise	30/09/22

Type of awards	Standalone Nil-cost options		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	2 years		2 years		N/A		N/A
Number of awards at grant	11,696	23,391	3,661	7,323	14,053	28,108	133,929
Share price at date of grant	3036p	3036p	3036p	3036p	3036p	3036p	3036p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	2964p
Expected life	3.07 years	3.07 years	3.07 years	3.07 years	3.07 years	3.07 years	6.50 years
Risk-free rate	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Volatility	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%
Dividend yield	N/A	1.0%	N/A	1.0%	N/A	1.0%	1.0%
Fair value per share	1872p	2647p	1872p	2647p	2080p	2941p	928p

26. Share-based Payments continued

Save As You Earn Option Scheme and Global SAYE Plan

Date of grant	13/10/21	27/10/21	13/10/21	30/11/21
Number of shares awarded	18,952	8,236	57,192	68
Share price at date of grant	4756p	4756p	4756p	5045p
Exercise price	4493p	4493p	4493p	4493p
Expected life				
– two year scheme	–	2.0 years	–	–
– three year scheme	3.0 years	–	3.0 years	3.0 years
– five year scheme	–	–	–	–
Risk-free rate				
– two year scheme	–	0.5%	–	–
– three year scheme	0.6%	–	0.6%	0.5%
– five year scheme	–	–	–	–
Volatility				
– two year scheme	–	27.4%	–	–
– three year scheme	27.4%	–	27.4%	26.6%
– five year scheme	–	–	–	–
Dividend yield	0.9%	0.8%	0.9%	0.8%
Fair value per share				
– two year scheme	–	761p	–	–
– three year scheme	886p	–	892p	1020p
– five year scheme	–	–	–	–

Date of grant	19/10/20	19/10/20	16/10/19	04/10/19	29/11/18	12/10/17	13/10/16
Number of shares awarded	41,600	6,866	20,632	30,073	34,527	73,108	52,877
Share price at date of grant	3474p	3474p	2626p	2736p	2136p	2175p	1370p
Exercise price	2868p	2868p	2571p	2573p	1974p	1646p	1095p
Expected life							
– two year scheme	–	2.0 years	2.0 years	–	–	–	–
– three year scheme	3.0 years	–	–	3.0 years	3.4 years	3.25 years	3.25 years
– five year scheme	–	–	–	–	5.4 years	5.25 years	5.25 years
Risk-free rate							
– two year scheme	–	-0.1%	0.5%	–	–	–	–
– three year scheme	-0.1%	–	–	0.3%	0.8%	0.5%	0.2%
– five year scheme	–	–	–	–	0.9%	0.8%	0.4%
Volatility							
– two year scheme	–	28.4%	32.1%	–	–	–	–
– three year scheme	31.8%	–	–	28.6%	27.9%	21.6%	22.0%
– five year scheme	–	–	–	–	25.1%	22.2%	24.0%
Dividend yield	1.0%	1.0%	1.2%	1.2%	1.0%	1.9%	1.5%
Fair value per share							
– two year scheme	–	758p	486p	–	–	–	–
– three year scheme	850p	–	–	504p	485p	551p	302p
– five year scheme	–	–	–	–	530p	587p	346p

Expected volatility was determined by calculating the historical volatility of the Group's share price over its entire trading history.

National Insurance contributions are payable by the Company in respect of some of the share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments and are therefore treated as cash settled awards. The Group had an accrual at 30 June 2022 of £0.9 million (2021: £1.5 million), of which £0.3 million (2021: £0.3 million) related to vested options. The total charge to the Consolidated Income Statement within administrative expenses in respect of share-based payments was:

	2022 **£m**	2021 £m
Equity settled share-based transactions	3.3	2.8
Cash settled share-based transactions	(0.4)	0.9
	2.9	3.7

27. Changes in Net Debt

	At 1 July 2021 £m	Cash flows £m	New lease liabilities £m	Foreign exchange movements £m	Other non-cash movements £m	**At 30 June 2022 £m**
Cash and cash equivalents	118.4	(1.5)	–	4.0	–	**120.9**
Lease liabilities within one year	(3.1)	4.1	(0.3)	(0.1)	(3.9)	**(3.3)**
Lease liabilities after one year	(12.8)	–	(3.5)	(0.6)	4.8	**(12.1)**
Bank loans and senior loan notes after one year	(302.7)	–	–	(10.5)	(0.5)	**(313.7)**
Net debt	(200.2)	2.6	(3.8)	(7.2)	0.4	**(208.2)**

28. Foreign Exchange Rates

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

	Average rate for 2021	Closing rate at 30 June 2021	Average rate for 2022	Closing rate at 30 June 2022
Australian Dollar	1.8035	1.8476	1.8347	1.7594
Brazilian Real	7.2518	6.8819	6.9892	6.3189
Danish Krone	8.3981	8.6664	8.7826	8.6684
Euro	1.1287	1.1654	1.1807	1.1652
US Dollar	1.3466	1.3850	1.3316	1.2103

29. Acquisitions and Disposals

The Group completed the following product rights acquisitions in the year:

- the acquisition of Rompun® (xylazine injection) and Butorphanol Tartrate Injection from Elanco™ Animal Health for USD4.0 million (£3.0 million). A payment of £0.2 million was also made for inventory;
- the acquisition of Sucromate™ Equine sterile suspension from Thorn Bioscience LLC for USD9.0 million (£6.5 million). A payment of £8,000 was also made for inventory;
- the acquisition of ProVet APC™ and ProVet BMC systems from Hassinger Biomedical and DSM Medical for USD4.0 million (£3.0 million). A payment of £0.1 million was also made for inventory;
- the acquisition of Isoflurane® and Sevoflurane® from Halocarbon Life Sciences LLC for USD12.0 million (£8.7 million); and
- the acquisition of verdinexor (Laverdia®) from Anivive Lifesciences, Inc for USD97.5 million (£71.9 million). Following the initial payment of USD19.0 million (£14.0 million) there are subsequent milestone payments totalling USD45.5 million (£33.5 million) due in future years on the achievement of various approval and sales milestones for the product in the USA, UK, EU, Brazil, Australia, Japan and Canada. Royalties payable as part of the transaction have been accrued as part of the contingent consideration liabilities recognised.

The Group has considered the amendments to IFRS 3 'Business Combinations' and applied the optional concentration test to the transactions noted above that include the acquisition of inventory. 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.

On 26 January 2022, Genera dd (a 100% subsidiary of the Group) sold the trademarks and registrations, inventory and accounts receivable balances associated with the Agricultural Chemicals business for HRK27.0 million (£3.0 million). The assets were fair valued to be HRK27.0 million (£3.0 million) following a non-underlying impairment of £1.0 million (£0.5 million to cost of sales and £0.5 million to administrative expenses). In the period to 30 June 2022, the business contributed £0.4 million to net revenue (2021: £5.1 million), this reflecting the seasonality of revenue. The Group has concluded that this disposal does not represent a discontinued operation.

30. Contingent Consideration Liabilities

	2022 £m	2021 £m
Contingent consideration – less than one year	**6.4**	22.6
Contingent consideration – more than one year	**104.0**	57.6
	110.4	80.2

The consideration for certain acquisitions and licensing agreements includes amounts contingent on future events such as development milestones or sales performance. The Group has provided for the fair value of this contingent consideration as follows:

	Tri-Solfen® £m	StrixNB® & DispersinB® £m	Injectable Solution 1 £m	Injectable Solution 2 £m	*Mirataz* £m	Phycox® £m	Laverdia® £m	Other £m	Total £m
As at 1 July 2020	33.0	0.8	3.3	4.4	10.9	2.3	–	1.5	56.2
Additions	24.7	–	–	–	–	–	–	3.2	27.9
Remeasurement through intangibles	2.3	0.1	(0.6)	(2.3)	5.4	(0.1)	–	0.1	4.9
Cash payments: investing activities	(2.8)	(0.3)	(0.8)	(0.2)	(0.6)	(0.9)	–	(0.4)	(6.0)
Finance expense	0.6	–	–	–	0.1	0.1	–	0.2	1.0
Foreign exchange adjustments	(1.6)	–	(0.3)	(0.1)	(1.4)	(0.2)	–	(0.2)	(3.8)
At 30 June 2021	56.2	0.6	1.6	1.8	14.4	1.2	–	4.4	80.2
Additions	–	–	–	–	–	–	57.9	2.7	60.6
Remeasurement through intangibles	(12.0)	0.3	–	0.1	(2.9)	0.3	(7.9)	(2.1)	(24.2)
Cash payments: investing activities	(14.6)	(0.4)	(0.8)	(1.9)	(0.7)	(0.8)	–	(0.5)	(19.7)
Finance expense	1.5	–	0.1	–	0.4	–	1.2	0.2	3.4
Foreign exchange adjustments	1.5	0.1	0.2	–	1.8	0.1	6.3	0.1	10.1
At 30 June 2022	**32.6**	**0.6**	**1.1**	**–**	**13.0**	**0.8**	**57.5**	**4.8**	**110.4**

The table below shows on an indicative basis the sensitivity to reasonably possible changes in key inputs to the valuations of the contingent consideration liabilities. There will be a corresponding opposite impact on the intangible asset.

	Tri-Solfen®	StrixNB® & DispersinB®	Injectable Solution 1	Injectable Solution 2	*Mirataz*	Phycox®	Laverdia®	Other
Increase/(decrease) in financial liability								
10% increase in royalty forecasts £m	2.6	0.1	N/A	N/A	1.2	0.1	2.9	0.2
10% decrease in royalty forecasts £m	(2.6)	(0.1)	N/A	N/A	(1.4)	(0.1)	(2.9)	(0.2)
1% increase in discount rates £m	(1.9)	–	–	–	(0.6)	–	(2.7)	(0.1)
1% decrease in discount rates £m	2.1	–	–	–	0.5	–	3.0	0.1
5% appreciation in Sterling £m	(1.6)	–	(0.1)	–	(0.6)	–	(2.7)	(0.2)
5% depreciation in Sterling £m	1.7	–	0.1	–	0.7	–	3.0	0.1
Discount rate range in 2022 financial year	5.2%–25.0%	11.6%–27.1%	11.6%	11.6%	7.3%–9.4%	11.6%	5.1%–14.6%	10.2%–11.6%
Discount rate range in 2021 financial year	0.0%–19.7%	10.4%–11.7%	9.2%	9.2%	7.5%–9.9%	10.4%	N/A	8.6%–10.4%

Aggregate undiscounted cash outflow in relation to royalties (remaining term of royalty agreement)								
2022 £m (years)	50.4 (14.0)	0.8 (5.0)	N/A	N/A	19.8 (8.5)	0.9 (1.0)	51.3 (10.0)	2.9 (5.0)
2021 £m (years)	58.5 (15.0)	0.8 (6.0)	N/A	N/A	22.5 (9.5)	1.3 (2.5)	N/A	3.4 (10.0)

30. Contingent Consideration Liabilities continued

The consideration payable for Tri-Solfen® is expected to be payable over a number of years, and relates to development milestones and sales performance. During the year, the development milestones and sales performance royalties have been remeasured. At 30 June 2022, the liability was discounted between 5.2% and 25.0%. The broad range of discount rates in respect of this licensing agreement reflects the commercial makeup of the arrangement, with discount rates for milestone payments related to regulatory approvals being lower and based on a cost of debt approach and those with more variability in timing and quantum of future cash flows being higher and based on a Capital Asset Pricing Model based approach, also taking into account systematic risk associated with elements of the future cash flows. The gross value of the development milestone is AUD13.0 million.

The consideration payable for *Laverdia* is expected to be payable over a number of years, and relates to approval milestones and sales performance. At 30 June 2022, the liability was discounted between 5.1% and 14.6% reflecting the commercial makeup of the arrangement similar to Tri-Solfen®. The gross value of the approval and sales performance (non-royalty) milestones is USD45.5 million.

The consideration payable for *Mirataz,* StrixNB® and DispersinB® relates to sales performance and is expected to be payable over a number of years.

The consideration remaining for a licensing agreement for an injectable solution relates to development milestones. *Phycox* relates to sales performance and arose as part of the acquisition of the trade and assets of PSPC Inc. in 2014.

Where a liability is expected to be payable over a number of years the total estimated liability is discounted to its present value. With the exception of *Phycox*, all contingent consideration liabilities relate to licensing agreements.

31. Related Party Transactions

Subsidiaries

The Group's ultimate Parent Company is Dechra Pharmaceuticals PLC. A listing of subsidiaries is shown within the financial statements of the Company on pages 222 to 224.

Transactions with Key Management Personnel

The details of the remuneration, Long Term Incentive Plans, shareholdings, share options and pension entitlements of individual Directors are included in the Directors' Remuneration Report on pages 133 to 143. The remuneration of key management is disclosed in note 8.

Associates

On 5 February 2021, the Group entered into a licensing agreement with Animal Ethics Pty Ltd for the marketing authorisations of Tri-Solfen® in Australia and New Zealand for a total consideration of AUD31.0 million (£16.9 million). An upfront payment of AUD5.0 million (£2.8 million) was payable on signing, with the balance of AUD26.0 million (£14.1 million) paid in July 2021 on the first commercial sale by Dechra into the Australian market. Royalty payments of AUD0.9 million (£0.5 million) were paid on net sales in the year. The contingent consideration in relation to sales milestones is disclosed in note 30.

The Group holds 49.5% of the issued share capital of Medical Ethics Pty Ltd. Refer to note 6 for further information on the results of the associate in the period.

In 2017 the Group entered into a licensing agreement with Animal Ethics Pty Ltd for Tri-Solfen® for which the fair value of associated contingent consideration is disclosed in note 30.

32. Off Balance Sheet Arrangements

The Group has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

33. Contingent Liabilities

The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concluded that the legislation up until December 2018 does partially represent State Aid. This decision was upheld by the EU General Court on 8 June 2022, when it dismissed the UK Government's annulment application. The UK Government has since confirmed its intention to lodge an appeal to the EU Court of Justice.

The Group considers that the potential amount of additional tax payable remains between £nil and £4.0 million depending on the basis of calculation and the outcome of HMRC's appeal to the EU Court of Justice. Based on current advice, the Group does not consider any provision is required in relation to this investigation. This judgement is based on current interpretation of legislation and professional advice.

The Group received charging notices from HMRC in January and February 2021 under The Taxation (Post Transition Period) Act for part of the exposure (£2.75 million) and has paid this to HMRC. As the Group considers that HMRC's appeal will be successful, the charging notices which were settled in full during the previous period (£2.75 million) are recorded as current tax receivables on the basis that the amount will be repaid in due course.

At 30 June 2022, contingent liabilities arising in the normal course of business amounted to £12.4 million (2021: £13.0 million) relating to licence and distribution agreements. The stage of development of the projects underpinning the agreements dictates that a commercially stable product is yet to be achieved, and accordingly an intangible asset and a contingent consideration liability have not been recognised.

34. Subsequent Events

On 14 July 2022 the Group undertook a further Private Placement raising EUR50.0 million and EUR100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt. Interest is charged on the EUR50.0 million senior secured notes at a fixed rate of 3.64% until maturity, and 3.93% on the EUR100.0 million senior secured notes.

On 20 July 2022, the Group acquired 100% of the share capital of Piedmont Animal Health Inc (Piedmont) for USD210.0 million in cash. Piedmont is an established product development business with a track record of developing products for multi-national animal health companies. The initial assessment of the assets and liabilities acquired is that they comprise Intangible Assets (principally In-Process Research and Development) and an immaterial amount of Working Capital and Other Assets/Liabilities. A fair value assessment is in the process of being performed and this, along with the other requirements of IFRS 3 'Business Combinations', will be reported in the Group's Half Year Report and Financial Statements for the year to 30 June 2023.

On 21 July 2022 the Group successfully completed a share placing of 5,364,683 new ordinary shares, representing approximately 5% of the existing issued share capital of the Company, at a price of 3430 pence per placing share, raising gross proceeds of £184.0 million which were largely deployed to fund the Piedmont acquisition.

On 26 August 2022, the Group acquired 100% of the share capital of the Med-Pharmex Holdings Inc group of companies (Med-Pharmex) for USD260.0 million in cash. Med-Pharmex is an established platform business with manufacturing, product development and regulatory capabilities and has several products already approved and being sold in the US market. The initial assessment of the assets and liabilities acquired is incomplete due to additional analysis needed on certain areas, which could be material, including the tax assets and liabilities arising on closing. Whilst a preliminary assessment of fair values has not been finalised, the net assets acquired include Intangible Assets, Property, Plant and Equipment and Working Capital. A fair value assessment is in the process of being performed and this, along with the other requirements of IFRS 3 'Business Combinations', will be reported in the Group's Half Year Report and Financial Statements for the year to 30 June 2023.

35. Underlying Operating Profit, EBITDA, ROCE and Profit Before Taxation Reconciliation

	2022 £m	2021 £m
Operating profit		
Underlying operating profit/EBIT is calculated as follows:		
Operating profit	95.5	84.0
Non-underlying operating expenses (note 5)	78.8	78.2
Underlying operating profit/EBIT	174.3	162.2
Depreciation	11.1	11.0
Amortisation and impairment	5.2	4.5
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	190.6	177.7
Profit before taxation		
Underlying profit before taxation is calculated as follows:		
Profit before taxation	77.6	74.0
Non-underlying operating expenses	78.8	78.2
Amortisation of notional acquired intangibles from equity accounting for associates	0.7	0.7
Share of realised non-underlying profit of investments accounted for using the equity method	(0.6)	–
Foreign exchange losses/(gains) on contingent consideration	10.1	(3.8)
Unwind of discount associated with contingent consideration	3.4	1.0
Underlying profit before taxation	170.0	150.1

Return on capital employed

	2022 £m	2021 £m
Net assets	666.8	632.9
Adjusted for:		
Net debt	208.2	200.2
Net corporate tax liability/(asset) (note 20)	1.2	(1.0)
Net deferred tax liability (note 15)	33.5	46.8
Closing operating assets	909.7	878.9
Opening operating assets	878.9	843.8
Average operating assets	894.3	861.4

	2022 £m	2021 £m
Underlying operating profit	174.3	162.2
Average operating assets	894.3	861.4
Return on capital employed	19.5%	18.8%

Company Statement of Financial Position

At 30 June 2022

	Note	2022 £m	2021 £m
Fixed assets			
Investments	iv	735.7	758.9
Intangible assets	v	6.2	8.1
Tangible assets	vi	1.6	1.1
		743.5	768.1
Current assets			
Trade and other receivables (includes amounts falling due after more than one year of £51.1 million (2021: £47.9 million))	vii	115.0	91.1
Cash at bank and in hand	viii	85.8	82.0
		200.8	173.1
Borrowings	x	(0.2)	(0.2)
Trade and other payables	ix	(147.3)	(153.1)
Net current assets		53.3	19.8
Total assets less current liabilities		796.8	787.9
Non-current liabilities			
Borrowings	x	(150.2)	(138.8)
Net assets		646.6	649.1
Equity			
Called up share capital	xii	1.1	1.1
Share premium account		413.9	411.6
Foreign currency translation reserve		0.6	0.6
Merger reserve		82.6	82.6
At 1 July		153.2	137.2
Profit for the year attributable to the owners		37.1	50.2
Other changes in retained earnings		(41.9)	(34.2)
Retained earnings		148.4	153.2
Total shareholders' funds		646.6	649.1

The financial statements were approved by the Board of Directors on 5 September 2022 and were signed on its behalf by:

Ian Page
Chief Executive Officer
5 September 2022

Paul Sandland
Chief Financial Officer
5 September 2022

Company number: 3369634

Company Statement of Changes in Shareholders' Equity

For the year ended 30 June 2022

	Called up share capital £m	Share premium account £m	Foreign currency translation reserve £m	Merger reserve £m	Retained earnings £m	Total shareholders' funds £m
Year ended 30 June 2021						
At 1 July 2020	1.1	409.3	0.6	82.6	137.2	630.8
Profit for the period	–	–	–	–	50.2	50.2
Total comprehensive income	–	–	–	–	50.2	50.2
Transactions with owners						
Dividends paid	–	–	–	–	(37.9)	(37.9)
Share-based payment charge	–	–	–	–	3.7	3.7
Shares issued	–	2.3	–	–	–	2.3
Total contributions by and distributions to owners	–	2.3	–	–	(34.2)	(31.9)
At 30 June 2021	**1.1**	**411.6**	**0.6**	**82.6**	**153.2**	**649.1**
Year ended 30 June 2022						
At 1 July 2021	1.1	411.6	0.6	82.6	153.2	649.1
Profit for the period	–	–	–	–	37.1	37.1
Total comprehensive income	–	–	–	–	37.1	37.1
Transactions with owners						
Dividends paid	–	–	–	–	(44.8)	(44.8)
Share-based payment charge	–	–	–	–	2.9	2.9
Shares issued	–	2.3	–	–	–	2.3
Total contributions by and distributions to owners	–	2.3	–	–	(41.9)	(39.6)
At 30 June 2022	**1.1**	**413.9**	**0.6**	**82.6**	**148.4**	**646.6**

Refer to the Group notes for dividend paid (note 10), share-based payment charge (note 26) and shares issued (note 25).

Merger Reserve

The merger reserve represents the excess of fair value over nominal value of shares issued in consideration for the acquisition of subsidiaries where statutory merger relief has been applied in the financial statements of the Company.

Notes to the Company Financial Statements

(i) Principal Accounting Policies of the Company

Accounting Principles

The separate financial statements of the Company have been prepared on a going concern basis, under the historical cost convention, in accordance with applicable UK accounting standards and the Companies Act 2006.

Basis of Preparation

The Directors opted to prepare the financial statements for the year ended 30 June 2022 in accordance with FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006. The principal accounting policies applied in the preparation of these financial statements are set out below, and have been applied consistently.

No income statement is presented for the Company as permitted by Section 408(2) and (3) of the Companies Act 2006. The profit within the accounts of the Company was £37.1 million (2021: £50.2 million). The going concern of the Company is wholly interdependent on the going concern basis of the Group, which is considered in Note 1(b).

The following exemptions have been taken in preparing the financial statements:

a. The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment', exempting the Company from preparing share based payment disclosures.
b. The requirements of IFRS 7 'Financial Instruments: Disclosures'
c. The following requirements of IAS 1:
   – Paragraphs 10(d) and 111, exempting the Company from providing a cash flow statement and information;
   – Paragraph 16, exempting the Company from providing a statement of compliance with all IFRSs;
   – Paragraph 38A, exempting the Company from the requirement for a minimum of two of each primary statement and the related notes;
   – Paragraph 38B to D, exempting the Company from the requirement to present additional comparative information; and
   – Paragraphs 134 to 136, exempting the Company from presenting Capital Management disclosures.
d. The requirements of IAS 7 'Statement of Cash Flows', exempting the company from preparing a cash flow statement.
e. The requirements of paragraph 17 of IAS 24 'Related Party Disclosures', exempting the Company from disclosing details of all key management compensation.
f. The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions with wholly-owned members of the Group.
g. The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' exempting the Company from disclosing the impact of new accounting standards that have been issued but are not yet effective.

There are no significant accounting estimates or judgements. The main area of estimation uncertainty, which does not meet the definition under IAS 1 of a significant accounting estimate is in respect of the impairment of investments (Note iv)

Adoption of New and Revised Standards

A number of amendments to IFRSs became effective for the financial year beginning on 1 July 2021. None of these standards had any impact on the Company's accounting policies and did not require retrospective adjustments.

In April 2021, the IFRS Interpretations Committee published its final agenda decision on Configuration and Customisation costs in a Cloud Computing Arrangement. The agenda decision considers how a customer accounts for configuration or customisation costs in a cloud computing arrangement. The agenda decision does not have a material impact on the Company in respect of the current period or prior periods.

The Company has adopted the amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 as issued in August 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

Investments

Investments held as fixed assets are stated at cost less any impairment losses. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of section 612 of the Companies Act 2006 apply, cost represents the nominal value of the shares issued together with the fair value of any additional consideration given and costs. Where investments are denominated in foreign currencies, they are treated as monetary assets and revalued at each year end date.

Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic life of the asset. The estimated useful lives are:

• product rights	10 to 15 years
• software	5 to 7 years

(i) Principal Accounting Policies of the Company continued

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight line basis over the estimated useful economic life of the asset. The estimated useful lives are:

- short leasehold buildings — period of lease
- motor vehicles — 4 years
- plant and fixtures — 3 to 15 years

Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid. Dividends receivable from subsidiaries are recognised when either received in cash or applied to reduce a creditor balance with the subsidiary.

Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Employee Benefits

(a) Pensions

The Company operates a Group stakeholder personal pension scheme for certain employees. Obligations for contributions are recognised as an expense in the income statement as incurred.

(b) Share-based Payment Transactions

The Company operates a number of equity settled share-based payment programmes that allow employees to acquire shares of the Company. The Company also operates Long Term Incentive Plans for Directors and Senior Executives.

The fair value of shares or options granted is recognised as an employee expense on a straight-line basis in the income statement with a corresponding movement in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares or options (the vesting period). The fair value of the shares or options granted is measured using a valuation model, taking into account the terms and conditions upon which the shares or options were granted. The amount recognised as an expense in the income statement is adjusted to take into account an estimate of the number of shares or options that are expected to vest together with an adjustment to reflect the number of shares or options that actually do vest except where forfeiture is only due to market-based conditions not being achieved.

The fair values of grants under the Long Term Incentive Plan have been determined using the Monte Carlo simulation model. The fair values of options granted under all other share option schemes have been determined using the Black–Scholes option pricing model.

National Insurance contributions payable by the Company on the intrinsic value of share-based payments at the date of exercise are treated as cash settled awards and revalued to market price at each statement of financial position date. Where the Company grants options over its own shares to the employees of its subsidiaries, it recharges the expense to those subsidiaries.

Foreign Currency

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the closing rate at the reporting date. Foreign exchange gains and losses are recognised in the income statement.

Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for the UK, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Financial Guarantee Contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, 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.

(i) Principal Accounting Policies of the Company continued

Amounts Owed by Subsidiary Undertakings

Amounts owed by subsidiary undertakings are initially recognised at fair value and subsequently measured at this value less loss allowances, calculated using the three stage IFRS 9 model.

(ii) Directors and Employees

Total emoluments of Directors (including pension contributions) amounted to £3.9 million (2021: £4.9 million). Information relating to Directors' emoluments, share options and pension entitlements is set out in the Directors' Remuneration Report on pages 133 to 143. Tony Griffin's remuneration is paid by Eurovet Animal Health B.V. in Euros but reported in Sterling for the purposes of these figures. The exchange rate used was 1.1807 (2021: 1.1287).

	2022 Number	2021 Number
Administration	**71**	65
Total	**71**	65

The costs incurred in respect of these employees were:

	2022 £m	2021 £m
Wages and salaries	**7.9**	6.4
Social security costs	**1.5**	0.9
Other pension costs	**0.4**	0.3
Share-based payments charge (see note 26)	**2.9**	3.7
Total	**12.7**	11.3

The Group operates a stakeholder personal pension scheme for certain employees and contributed between 6% and 12% of pensionable salaries. Total pension contributions amounted to £0.4 million (2021: £0.3 million).

(iii) Profit Before Taxation

The following items have been included in arriving at profit before taxation of continuing operations:

	2022 £m	2021 £m
Depreciation of property, plant and equipment		
– owned assets	**0.1**	0.1
– right-of-use assets	**0.2**	0.2
Amortisation of intangible assets	**2.6**	2.6
Lease rental payables in respect of low value assets	**–**	–
Auditors' remuneration – audit of these financial statements	**0.1**	0.1

(iv) Investments

	Shares in subsidiary undertakings £m
Cost	
At 30 June 2021	771.1
Additions	95.9
At 30 June 2022	**867.0**
Impairment	
At 30 June 2021	12.2
Charge for the year	119.1
At 30 June 2022	**131.3**
Net book value	
At 30 June 2022	**735.7**
At 30 June 2021	758.9

On 6 June 2022, the Company invested £95.9 million into the share capital of Dechra Holdings Netherlands B.V., a wholly owned subsidiary as part of a wider restructuring of the Group, which also resulted in an impairment of £119.1 million.

A list of subsidiary undertakings is given in note (xiii).

(iv) Investments continued

Impairment

Investments in subsidiaries are assessed annually to determine if there is any indication that these may be impaired. In June 2022, the receipt of dividends from Dechra Finance Limited and Dechra Finance Sterling Limited, as part of the reorganisation of financing our Dutch business, represented an indicator of impairment in respect of the Company's investments in these entities. The recoverable amount for both investments was determined based on a value-in-use calculation. The recoverable amount calculated in respect of Dechra Finance Sterling Limited exceeded the carrying value of the investment and thus no impairment was recognised. The recoverable amount calculated in respect of Dechra Finance Limited was £119.1 million lower than the carrying value of the investment and therefore an impairment loss of this amount has been recognised. The calculation of value-in-use uses cash flow projections based on financial budgets approved by management covering an appropriate period. Given the nature of these two entities, this period was considered to be the term of the financing loans. The following sets out the key assumptions within the two value-in-use calculations:

- Intercompany receivables, inclusive of interest, are recoverable from the counterparty and are assessed for recovery in accordance with IFRS 9;
- Timing of expected cash flows in respect of amounts due to the Company; and
- A post-tax discount rate of 7.88%. There is no material difference in the approach taken to using pre-tax cash flows and a pre-tax rate compared to post-tax cash flows and a post-tax rate, as required by IAS 36.

The two key assumptions that are sensitive to a reasonable change are in respect of the timing of repayment of amounts due to the Company and the discount rate: (i) a one year delay in amounts due to the Company would reduce the impairment loss by £6.2 million; (ii) a 2% increase in the post-tax discount rate would increase the impairment loss by £3.8 million. A 2% decrease, would decrease the impairment loss by £0.2 million.

(v) Intangible Assets

	Product rights £m	Software £m	Total intangible assets £m
Cost			
At 1 July 2021	5.1	13.6	18.7
Additions	–	0.7	0.7
At 30 June 2022	**5.1**	**14.3**	**19.4**
Accumulated Amortisation			
At 1 July 2021	4.8	5.8	10.6
Charge for the year	0.3	2.3	2.6
At 30 June 2022	**5.1**	**8.1**	**13.2**
Net book value			
At 30 June 2022	**–**	**6.2**	**6.2**
At 30 June 2021	0.3	7.8	8.1

(vi) Tangible Assets

	Short leasehold buildings £m	Motor vehicles £m	Plant and fixtures £m	Total £m
Cost				
At 1 July 2021	1.0	0.5	0.7	2.2
Additions	0.6	–	0.2	0.8
Disposals	–	(0.1)	–	(0.1)
At 30 June 2022	**1.6**	**0.4**	**0.9**	**2.9**
Accumulated Depreciation				
At 1 July 2021	0.3	0.2	0.6	1.1
Charge for the year	0.1	0.1	0.1	0.3
Disposals	–	(0.1)	–	(0.1)
At 30 June 2022	**0.4**	**0.2**	**0.7**	**1.3**
Net book value				
At 30 June 2022	**1.2**	**0.2**	**0.2**	**1.6**
At 30 June 2021	0.7	0.3	0.1	1.1
Net book value of right-of-use assets				
At 30 June 2022	**1.2**	**0.2**	**–**	**1.4**
At 30 June 2021	0.7	0.3	–	1.0
Depreciation charge of right-of-use assets				
2022	**0.1**	**0.1**	**–**	**0.2**
2021	0.1	0.1	–	0.2

Included in additions are £0.5 million (2021: £0.2 million) of right-of-use assets.

(vii) Trade and Other Receivables

	2022 £m	2021 £m
Amounts owed by subsidiary undertakings	**107.8**	84.8
Group relief receivable	**4.1**	2.5
Deferred taxation (see note (xi))	**0.8**	1.5
Other receivables	**1.2**	1.5
Prepayments and accrued income	**1.1**	0.8
	115.0	91.1

Included in debtors are amounts of £0.8 million (2021: £1.5 million) due after more than one year relating to deferred tax assets.

Of the amounts owed by subsidiary undertakings, £50.3 million is due after more than one year (2021: £46.4 million). This is made up of a balance of £1.3 million repayable in 2025 (interest of 3.5% above Canadian Dollar offered rate), and a balance of £49.0 million repayable in 2027 (interest of 1.7%). The remaining amounts owed by subsidiary undertakings of £57.5 million is unsecured and repayable on demand. Of the £57.5 million, £46.4 million attracts interest of between 0.591% and 1.83% above Risk Free Reference rate, with the remaining trade balance of £11.1 million being interest free. The provision for impairment against amounts owed by subsidiary undertakings is immaterial and has been considered in accordance with IFRS 9.

(viii) Cash at Bank and in Hand

	2022 £m	2021 £m
Cash at bank and in hand	**85.8**	82.0
	85.8	82.0

(ix) Trade and Other Payables

	2022 £m	2021 £m
Trade payables	**1.0**	1.3
Other payables	**0.1**	0.1
Amounts due to subsidiary undertakings	**139.7**	144.7
Accruals and deferred income	**6.5**	7.0
	147.3	153.1

Amounts due to subsidiary undertakings are primarily unsecured and repayable on demand. £110.3 million attracts interest between 0.186% and 0.25% below Risk Free Reference rate; the balance is interest free.

In accordance with IAS 10 ‘Events after the Balance Sheet Date’, the proposed final dividend for the year ended 30 June 2022 of 32.89 pence per share (2021: 29.39 pence per share) has not been accrued for in these financial statements. It will be shown in the financial statements for the year ending 30 June 2023. The total cost of the proposed final dividend is £35.6 million (2021: £31.8 million).

(x) Borrowings

	2022 £m	2021 £m
Borrowings due within one year		
Lease liabilities	**0.2**	0.2
Borrowings due after more than one year		
Aggregate bank loan and lease liabilities instalments repayable:		
– between one and two years	**0.1**	0.2
– between two and five years	**68.3**	25.2
– over five years	**83.3**	115.5
Arrangement fees netted off	**(1.5)**	(2.1)
	150.2	138.8
Total borrowings	**150.4**	139.0

(x) Borrowings continued

On 22 December 2021, the Company entered into an Amendment and Restatement Agreement in relation to the £340.0 million Revolving Credit Facility (RCF) maturing 25 July 2024. With effect from 1 January 2022, any new Borrowings drawn on the RCF will now use Risk Free Reference (RFR) rates instead of LIBOR rates. The relevant RFR rates for the principal Borrowings of the Company will be SONIA (for Borrowings in GBP). The interest rate charged on any new Borrowings drawn under the RCF will be the relevant RFR rate plus the Margin plus a Credit Adjustment Spread (CAS). The Margin on this Facility is a minimum of 1.3% and a maximum of 2.2%, dependent upon the Leverage (the ratio of Total Net Debt to Adjusted EBITDA) of the Group. The CAS charged on the RCF will be a minimum of 0.0326% and a maximum of 0.42826%, dependent upon the term and currency of the new Borrowings. At 30 June 2022, £25.0 million was drawn against the £340.0 million RCF. The facility is not secured on any specific assets of the Group but is supported by a joint and several cross guarantee structure. All covenants were met during the year ended 30 June 2022. As at 30 June 2022, interest being charged on this facility is 1.30% above RFR.

In January 2020 the Company undertook a Private Placement raising EUR50.0 million and USD100.0 million (under seven and ten year new senior secured notes respectively) which remains fully drawn at 30 June 2022 amounting to £125.5 million. The Private Placement amounts are not secured on any specific assets of the Group, but are supported by a joint and several guarantee structure. Interest is charged on the EUR50.0 million amount at a fixed rate of 1.19% until maturity (January 2027). Interest is charged on the USD100.0 million amount at a fixed rate of 3.34% until maturity (January 2030).

No interest has been capitalised during the year (2021: £nil).

Contingent Liabilities

The Company guarantees certain borrowings of other Group companies under the above facilities, which at 30 June 2022 amounted to £164.7 million (2021: £164.7 million).

(xi) Deferred Tax

	£m
At 1 July 2021 (included in trade and other receivables)	1.5
Recognised in the income statement	–
Recognised in equity/OCI	(0.7)
At 30 June 2022 (included in trade and other receivables)	**0.8**

Deferred tax has been calculated using the rate of 19.0% or 25.0% based on the timing of when each individual deferred tax balance is expected to reverse in the future as follows (2021: 19.0% or 25.0%):

	2022 £m	2021 £m
Short term timing differences	**1.0**	1.7
Accelerated capital allowances	**(0.2)**	(0.2)
	0.8	1.5

Deferred tax assets in relation to losses amounting to £nil (2021: £nil) have not been recognised due to uncertainty over their recoverability.

(xii) Called Up Share Capital

	Ordinary shares of 1 pence each			
	2022		2021	
	£m	**Number**	£m	Number
Allotted, called up and fully paid at start of year	**1.1**	**108,215,323**	1.1	108,010,960
New shares issued	**0.0**	**177,414**	0.0	204,363
Allotted, called up and fully paid at end of year	**1.1**	**108,392,737**	1.1	108,215,323

Details of new ordinary shares issued following the exercise of options under the Long Term Incentive Plan and the Approved, Unapproved and SAYE Share Option Schemes are shown in notes 25 and 26 to the Consolidated Financial Statements.

Share Options

Details of outstanding share options over ordinary shares of 1 pence at 30 June 2022 under the various Group share option schemes are shown in note 26 to the Consolidated Financial Statements.

Post year end the Company issued 5,247,813 shares of 1 pence each by way of a placing and 116,870 ordinary shares via a retail offer, both at an issue price of 3430 pence per share on 25 July 2022. The placing generated gross proceeds of £184.0 million. The placing price of 3430 pence per share was a 8.0% discount to the closing middle market share price on 20 July 2022, being the date of the placing announcement. See note (iv).

(xiii) Subsidiary Undertakings

Operating Subsidiaries

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Ampharmco, LLC *	USA	Manufacturer of veterinary pharmaceuticals	1401 Joel East Road, Fort Worth, TX76140-6003, United States	Dechra Holdings US Inc
AST Farma B.V. *	The Netherlands	Marketer of veterinary pharmaceuticals and distributor of veterinary pharmaceuticals and equipment	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Dechra Finance B.V.
Dechra Brasil Produtos Veterinarios LTDA *	Brazil	Developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	Travessa Dalva de Oliveira, 237, Industrias Leves, Londrina, Parana 86030-370, Brazil	AST Farma B.V.
Dechra Development LLC *	USA	Contract regulatory and product development services for the Group	Principal Place of Business: 7015 College Blvd, Suite 510, Overland Park KS 66211, United States	Dechra Holdings US Inc
Dechra Limited *	England and Wales	Developer, regulatory, product development, manufacturer and marketer of veterinary pharmaceuticals	Snaygill Industrial Estate, Keighley Road, Skipton, BD23 2RW, United Kingdom	Dechra Investments Limited
Dechra Finance Australia Limited *	England and Wales	Financial services	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Limited
Dechra Finance B.V. *	The Netherlands	Financial services and Holding Company	Pettelaarpark 38, 5216PD ‘s-Hertogenbosch, The Netherlands	Dechra Holdings Netherlands B.V.
Dechra Finance Ireland Designated Activity Company *	Republic of Ireland	Financial services	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland	Dechra Limited
Dechra Finance Limited	England and Wales	Financial services and Holding Company	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC & Dechra Finance Sterling Limited
Dechra Finance Sterling Limited	England and Wales	Financial services	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC
Dechra Productos Veterinarios, S.A. de C.V. *	Mexico	Developer, regulatory and marketer of veterinary pharmaceuticals	Campus Corporativo Coyoacán Avenida Coyoacán número 1622 Colonia Del Valle C.P. 03100 Delegación Benito Juárez Ciudad de México, México	Dechra Limited
Dechra Regulatory B.V. *	The Netherlands	Regulatory	Handelsweg 25, 5531AE Bladel, The Netherlands	Dechra Holdings Netherlands B.V.
Dechra Veterinary Products (Australia) Pty Limited *	Australia	Developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	2 Cal Close, Somersby NSW 2250, Australia	Dechra Holding Australia Pty Limited
Dechra Veterinary Products GmbH *	Austria	Marketer of veterinary pharmaceuticals and pet diets	Hintere Achmhlerstrasse 1a, 6850 Dornbirn, Austria	Dechra Limited
Dechra Veterinary Products N.V. *	Belgium	Marketer of veterinary pharmaceuticals and pet diets	Achterstenhoek 48 2275 Lille, Belgium	Eurovet Animal Health B.V.
Dechra Veterinary Products, Inc *	Canada	Marketer of veterinary pharmaceuticals and pet diets	100 King Street West, Suite 6100, 1 First Canadian Place, Toronto ON M5X 1B8, Canada	Dechra Limited
Dechra Veterinary Products A/S	Denmark	Marketer of veterinary pharmaceuticals and pet diets	Mekuvej 9, DK-7171 Uldum, Denmark	Dechra Pharmaceuticals PLC
Dechra Veterinary Products Limited *	England and Wales	Marketer of veterinary pharmaceuticals and pet diets	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Veterinary Products A/S
Dechra Veterinary Products Oy *	Finland	Marketer of veterinary pharmaceuticals and pet diets	Linnoitustie 4, 02600 Espoo, Finland	Dechra Veterinary Products A/S
Dechra Veterinary Products SAS *	France	Marketer of veterinary pharmaceuticals and pet diets	60 Avenue du Centre, 78180 Montigny le Bretonneux, France	Dechra Veterinary Products A/S
Dechra Veterinary Products Deutschland GmbH *	Germany	Marketer of veterinary pharmaceuticals and distributor of veterinary pharmaceuticals and equipment	Hauptstr. 6-8, Aulendorf, Germany	Eurovet Animal Health B.V.
Dechra Veterinary Products S.r.l. *	Italy	Marketer of veterinary pharmaceuticals and pet diets	Via Agostino da Montefeltro 2, 10134 Torino, Italy	Dechra Limited
Dechra Veterinary Products B.V. *	The Netherlands	Marketer of veterinary pharmaceuticals and pet diets	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Dechra Veterinary Products A/S

(xiii) Subsidiary Undertakings continued

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Dechra Veterinary Products NZ Limited *	New Zealand	Marketer of veterinary pharmaceuticals and distributor of veterinary pharmaceuticals and equipment	Level 11, 41 Shortland Street, Auckland, 1010, New Zealand	Dechra Holding Australia Pty Limited
Dechra Veterinary Products AS *	Norway	Marketer of veterinary pharmaceuticals and pet diets	Henrik Ibsens Gate 90, Postboks 2943 Solli, 0230 Oslo, Norway	Dechra Veterinary Products A/S
Dechra Veterinary Products Sp. z o.o. *	Poland	Marketer of veterinary pharmaceuticals and pet diets	1st Floor, 61 Moldlinska Str., 03-199 Warsaw, Poland	Dechra Limited
Dechra Veterinary Products, S.L. Unipersonal *	Spain	Marketer of veterinary pharmaceuticals and pet diets	Tuset 20, 6º, 08006, Barcelona, Spain	Dechra Veterinary Products A/S
Dechra Veterinary Products AB *	Sweden	Marketer of veterinary pharmaceuticals and pet diets	Principal Place of Business: Stora Wäsby Orangeriet 3, Upplands Väsby, 194 37, Sweden	Dechra Veterinary Products A/S
Dechra Veterinary Products, LLC *	USA	Marketer of veterinary pharmaceuticals and pet diets	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Holdings US Inc
Dechra Veterinary Products Korea Yuhan Hoesa *	Korea	Marketer of veterinary pharmaceuticals and pet diets	10th floor, 97, Uisadang-daero, Yeongdeungpo-gu, Seoul, Korea (Youido-dong, Kyobo Securities Building)	Dechra Limited
Eurovet Animal Health B.V. *	The Netherlands	Holding Company, developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	Handelsweg 25, 5531AE Bladel, The Netherlands	Dechra Holdings Netherlands B.V.
Genera d.d. *	Croatia	Holding Company, developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals and crop protection	Svetonedeljska cesta 2, Kalinovica, 10436 Rakov Potok, Croatia	Eurovet Animal Health B.V.
Genera d.o.o. Sarajevo *	Bosnia and Herzegovina	Marketer of veterinary pharmaceuticals	Trg medunarodnog prijateljstva 10, 71000 Sarajevo, Bosnia and Herzegovina	Genera d.d.
Genera Pharma d.o.o. *	Serbia	Marketer of veterinary pharmaceuticals	Gostivarska 70, Vozdovac, 11000 Beograd, Serbia	Genera d.d.
Genera SI d.o.o. *	Slovenia	Marketer of veterinary pharmaceuticals	Parmova Ulica, Ljubljana, Slovenia	Genera d.d.
Le Vet. Beheer B.V. *	The Netherlands	Holding Company	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Dechra Finance B.V.
Le Vet. B.V. *	The Netherlands	Marketer of veterinary pharmaceuticals	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Le Vet Beheer B.V.

All the above related undertakings are 100% owned by the Company. For those marked with *, these are indirectly owned through other related undertakings within the list.

Notes to the Company Financial Statements

(xiii) Subsidiary Undertakings continued

Other subsidiaries

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Arnolds Veterinary Products Limited *	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Black Griffin Holdings, LLC *	USA	Holding Company	1401 Joel East Road, Fort Worth TX TX 76140-6003, United States	Dechra Holdings US Inc
Broomco 4263 Limited *	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Dales Pharmaceuticals Limited *	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Dechra Holding Australia Pty Limited *	Australia	Holding Company	2 Cal Close, Somersby NSW 2250, Australia	Dechra Limited
Dechra Holdings Netherlands B.V.	The Netherlands	Holding Company	Pettelaarpark 38, 5216PD ‘s-Hertogenbosch, Netherlands	Dechra Pharmaceuticals PLC
Dechra Holdings US Inc *	USA	Holding Company	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Limited
Dechra Investments Limited	England and Wales	Holding Company	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC
Dechra Veterinary Products Suisse GmbH *	Switzerland	Holding Company	Aeschenplatz, 4, Basel 4052, Switzerland	Dechra Limited
DermaPet, Inc *	USA	Non-trading	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Veterinary Products LLC
Dragon Fire Holdings, LLC *	USA	Holding Company	1401 Joel East Road, Fort Worth TX TX 76140-6003, United States	Dechra Holdings US Inc
Farvet Laboratories B.V. *	The Netherlands	Non-trading	Handelsweg 25, 5531AE Bladel, The Netherlands	Eurovet Animal Health B.V.
Veneto Limited	England and Wales	Holding Company	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC

All the above related undertakings are 100% owned by the Company. For those marked with *, these are indirectly owned through other related undertakings within the list.

(xiv) Subsequent Events

On 14 July 2022 the Company undertook a further Private Placement raising EUR50.0 million and EUR100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt. Interest is charged on the EUR50.0 million senior secured notes at a fixed rate of 3.64% until maturity, and 3.93% on the EUR100.0 million senior secured notes.

On 20 July 2022 the Dechra Group acquired 100% of the share capital of Piedmont Animal Health Inc for USD210.0 million (£175.0 million) in cash. The acquisition was funded a few days later using the proceeds of the share placing completed by the Company (as noted below).

On 21 July 2022 the Company successfully completed a share placing of 5,364,683 new ordinary shares, representing approximately 5% of the existing issued share capital of the Company, at a price of 3430 pence per placing share, raising gross proceeds of £184.0 million which were largely deployed to fund the Piedmont acquisition.

On 26 August 2022 the Dechra Group acquired 100% of the share capital of the Med-Pharmex Holdings Inc group of companies for USD260.0 million (£221.5 million) in cash. The acquisition was funded by a drawdown of USD260.0 million by the Company from the Group’s Revolving Credit Facility.

Financial History

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Consolidated Income Statement					
Revenue	**681.8**	608.0	515.1	481.8	407.1
Underlying operating profit	**174.3**	162.2	128.3	127.4	99.2
Underlying profit after taxation	**131.7**	117.6	95.4	92.5	74.5
Underlying earnings per share					
– basic (pence)	**121.57**	108.77	92.50	90.24	76.85
– diluted (pence)	**120.84**	108.14	92.19	90.01	76.45
Dividend per share (pence)	**44.89**	40.50	34.29	31.60	25.50
Operating profit	**95.5**	84.0	52.2	39.0	34.1
Profit after taxation	**58.2**	55.5	33.9	30.9	36.1
Earnings per share					
– basic (pence)	**53.72**	51.33	32.87	30.15	37.24
– diluted (pence)	**53.40**	51.03	32.76	30.07	37.04
Consolidated Statement of Financial Position					
Non-current assets	**848.9**	821.9	788.7	750.0	769.4
Current assets	**444.4**	392.2	448.9	291.5	247.9
Current liabilities	**(158.7)**	(155.8)	(137.3)	(118.1)	(91.6)
Non-current liabilities	**(467.8)**	(425.4)	(462.8)	(414.3)	(420.7)
Shareholders' funds	**666.8**	632.9	637.5	509.1	505.0
Consolidated Statement of Cash Flows					
Net cash inflow from operating activities	**122.9**	89.1	106.4	81.8	64.0
Net cash outflow from investing activities	**(78.3)**	(136.1)	(81.5)	(61.9)	(241.7)
Net cash (outflow)/inflow from financing activities	**(46.1)**	(55.1)	118.9	(20.1)	193.8

Additional Information

Contents

25 ANNIVERSARY
Dechra Pharmaceuticals PLC

Glossary

The following is a glossary of a number of the terms and acronyms which can be found within this document:

ABC
Anti-Bribery and Anti-Corruption

AER
Actual Exchange Rates

ANZ
Australia and New Zealand

APM
Alternative Performance Measures

BEIS
Department for Business, Energy and Industrial Strategy

Bioequivalence
The demonstration that the proposed formulation has the same biological effects as the pioneer product to which it is being compared. This is usually demonstrated by comparing blood concentrations of the active over time, but can be compared using a clinical endpoint (e.g. lowering of a worm count) for drugs that are not absorbed or for which blood levels cannot be determined

bps
Basis Points

CAGR
Compound Annual Growth Rate

CAP
Companion Animal Products

CAS
Credit Adjustment Spread

Cash Conversion
Cash generated from operating activities before interest and taxation as a percentage of underlying operating profit

CER
Constant Exchange Rates

CMA
Competition and Markets Authority

CMO
Contract Manufacturing Organisation

Code
UK Corporate Governance Code 2018

CPD
Continuing Professional Development

CSOP
Company Share Option Plan

Dechra Values or Values
Dedication, Enjoyment, Courage, Honesty, Relationships and Ambition

DPM&S
Dechra Pharmaceuticals Manufacturing and Supply

DSC
Dechra Service Center

DTR
Disclosure and Transparency Rules

DVP
Dechra Veterinary Products

DVP EU
Dechra Veterinary Products EU or Dechra Veterinary Products Europe

DVP International
Dechra Veterinary Products International

DVP NA
Dechra Veterinary Products North America

DVP US
Dechra Veterinary Products US

EBIT
Earnings before interest and tax. This is the same as operating profit

EBITDA
Earnings before interest, tax, depreciation and amortisation

EMA
European Medicines Agency

EPS
Earnings Per Share

eQMS
Electronic Quality Management System

ERP
Enterprise Resource Planning

ESEF
European Single Electronic Format

ESG
Environmental, Social and Governance

ESPP
Employee Stock Purchase Plan

ETR
Effective Tax Rate

EU Pharmaceuticals
European Pharmaceuticals Segment comprising DVP EU, DVP International and DPM&S

EURIBOR
The Euro Interbank Offer Rate

Executive Directors
The Executive Directors of the Company, currently Ian Page, Paul Sandland and Tony Griffin

FAP
Food producing Animal Products

FDA
US Food and Drug Administration

FRC
Financial Reporting Council

FRS
Financial Reporting Standards

FTSE
Companies listed on the London Stock Exchange

FTSE 100 Index
An index comprising the 1st to 100th largest companies listed on the London Stock Exchange in terms of their market capitalisation

FTSE 250 Index
An index comprising the 101st to 350th largest companies listed on the London Stock Exchange in terms of their market capitalisation

GAAP
Generally Accepted Accounting Principles

GDPR
General Data Protection Regulation

GHG
Greenhouse Gas

GMP
Good Manufacturing Practices

GPTW
Great Place To Work

GRT
Gross Registered Tonnage

HR
Human Resources

IFRSs
International Financial Reporting Standards

IT
Information Technology

KPI
Key Performance Indicator

Leverage
The ratio of Net Debt to underlying EBITDA

LIBOR
The London Inter-Bank Offered Rate

LTA
Lost Time Accident

LTAFR
Lost Time Accident Frequency Rate

LTIP
Long Term Incentive Plan

MRL
Maximum Residue Limit

NCSC
National Cyber Security Centre

NA Pharmaceuticals
North American Pharmaceuticals Segment comprising DVP US, Canada and Mexico

Non-Executive Directors
The Non-Executive Directors of the Company, currently Alison Platt, Lisa Bright, Julian Heslop, Lawson Macartney, Ishbel Macpherson and John Shipsey

OECD
The Organisation for Economic Cooperation and Development

Ordinary Shares
An ordinary share of 1 pence in the share capital of the Company

Oracle ERP
Enterprise Resources Planning (ERP) software

PDRA
Dechra's Product Development and Regulatory Affairs team

POMs
Prescription Only Medicines

Qualifying LTIP Award
Qualifying LTIP Awards comprises a CSOP option and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option

R&D
Research and Development

RCF
Revolving Credit Facility

RFR
Risk Free Reference

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Rights Issue
The three for ten rights issue of 20,040,653 shares, details of which are set out in the prospectus of the Company dated 25 April 2012

ROCE
Return On Capital Employed

RPI
Retail Price Index

SASB
Sustainability Accounting Standards Board

SAYE
Save As You Earn Share Scheme

SBTi
Science Based Target Initiative

SDG
United Nations Sustainable Development Goals

SET
Senior Executive Team

SG&A
Selling, General and Administrative Expenses

SOFR
Secured Overnight Financing Rate

SONIA
Sterling Overnight Index Average

SPC
Summary of Product Characteristics

TCFD
Task Force on Climate-related Financial Disclosures

TSR
Total Shareholder Return

Shareholder Information

Financial Calendar

2022 Annual General Meeting	20 October 2022
Final Dividend Ex-Dividend Date	27 October 2022
Final Dividend Record Date	28 October 2022
Final Dividend Payment Date	18 November 2022
Announcement of Half Yearly Results	27 February 2023

Annual General Meeting

The 2022 Annual General Meeting of the Company will be held at 9.30 am on 20 October 2022 at Dechra Pharmaceuticals PLC, 6 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA. The notice of meeting (the Notice), which includes special business to be transacted at the Annual General Meeting together with an explanation of the resolutions to be considered at the meeting, is made available on the Company website or mailed to shareholders, if they have elected to receive the Notice in paper format.

Share History

Dechra floated on the London Stock Exchange in September 2000 at £1.20 per share, with a market capitalisation of £60.0 million.

On 15 January 2008, Dechra undertook a placing and open offer on the basis of 11 Open Offer shares for every 50 existing shares held on 10 December 2007 at an issue price of 303 pence. On 9 January 2008, 11,624,544 shares were issued.

On 5 April 2012, a Rights Issue was announced on the basis of three new ordinary shares for every existing ten shares held on 23 April 2012 at a subscription price of £3.00 per share. The Rights Issue resulted in 20,040,653 shares being issued with dealings commencing on 16 May 2012.

On 17 March 2016, 4,398,600 ordinary shares were offered by way of a placing at an issue price of £11.00 per share.

On 30 January 2018, 5,121,952 ordinary shares were offered by way of a placing at an issue price of £20.50 per share.

On 8 June 2020, 5,132,500 ordinary shares were offered by way of a placing at an issue price of £26.00 per share.

On 25 July 2022, 5,247,813 shares were offered by way of a placing and 116,870 ordinary shares via a retail offer, both at an issue price of £34.30 per share.

Company Website

The Dechra website (www.dechra.com) is the best source of useful and up-to-date information about Dechra and its activities, including the latest news, financial and product information to help improve understanding of our business. Additionally, the terms of reference of all our Committees, Articles of Association, our Values and a number of our internal policies are published on the website.

Electronic Communications

Shareholders now have the opportunity to receive shareholder communications electronically, e.g. Annual Reports, Notice of the Annual General Meeting and Proxy Forms. You can elect to receive email notifications of shareholder communications by registering at www.shareview.co.uk, where you can also set up a bank mandate to receive dividends directly to your bank account and to submit proxy votes for shareholder meetings. Receiving the Company's communications electronically allows the Company to communicate with its shareholders in a more environmentally friendly, cost effective and timely manner.

Registrar

Dechra's Registrar is Equiniti Limited. Equiniti should be contacted for any matters relating to your shareholding, including:

- notification of change in name and address;
- enquiries about dividend payments; and
- submission of proxy form for voting at the Annual General Meeting.

Shareholders who receive duplicate sets of Company mailings because they have multiple accounts should contact Equiniti to have their accounts amalgamated.

Equiniti offers a facility whereby shareholders are able to access their shareholdings in Dechra via their website (www.shareview.co.uk). Alternatively, Equiniti can be contacted at: Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The Registrars' Shareholder Helpline for Dechra is 0371 384 2030 or +44(0) 121 415 7047, if calling from outside the UK.

Please have your Shareholder Reference Number to hand whenever you contact the Registrar; this can be found on your share certificate or a recent dividend tax voucher.

Share Dealing Service

Equiniti Financial Services Limited offer a Share Dealing Service to buy or sell shares. Further information can be obtained from www.shareview.co.uk/dealing or by telephoning 0345 603 7037.

	Telephone share dealing	Internet share dealing	Postal share dealing
Fee (on value of transaction)			
up to £50,000	1.5%	1.5%	1.9%
Balance over £50,000	0.25%	0.25%	1.9%
Minimum charge	£60.00	£45.00	£70.00
Stamp duty charge (purchases only)	0.5%	0.5%	0.5%

Equiniti Financial Services Limited and its agents are authorised and regulated by the Financial Conduct Authority.

Please note that the price of shares can go down as well as up, and you are not guaranteed to get back the amount you originally invested. If you are in any doubt, you should contact an independent financial adviser.

Warning to Shareholders

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free Company Annual Reports. If you receive any unsolicited investment advice, whether over the telephone, through the post or by email:

- make sure you get the name of the person and organisation;
- check that they are properly authorised by the FCA before getting involved by visiting https://register.fca.org.uk/; and
- report the matter to the FCA by calling 0800 111 6768 or by completing the online form at www.fca.org.uk/consumers/report-scam-unauthorised-firm.

More detailed information and guidance is available on the shareholder information pages of our website.

Additionally, feel free to report and/or discuss any shareholder security matters with the Company. To do this, please call +44 (0)1606 814 730 and ask to be put through to a member of the Company Secretarial department.

Advisers

Independent Auditor
PricewaterhouseCoopers LLP
One Chamberlain Square
Birmingham
B3 3AX

Stockbroker & Financial Advisers
Investec Bank plc
30 Gresham Street
London
EC2V 7QN

Lawyers
DLA Piper UK LLP
2 Chamberlain Square
Birmingham
B3 3AX

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Financial PR
TooleyStreet Communications
15 Colmore Row
Birmingham
B3 2BH

Principal Bankers
Bank of Ireland (UK) plc
40 Mespil Road
Dublin
Ireland
B3 2QZ

BNP Paribas, London Branch
3rd Floor
10 Harewood Avenue
London
NW1 6AA

Credit Industriel et Commercial
London Branch
Finsbury Circus House
15 Finsbury Circus
London
EC2M 7EB

Fifth Third Bank
38 Fountain Square Plaza
Cincinnati
Ohio 45263
USA

HSBC Bank plc
Midlands Corporate Banking Centre
120 Edmund Street
Birmingham
B3 2QZ

Raiffeisen Bank International AG
Am Stadtpark 9
1030 Vienna
Austria

Santander UK PLC
2 Triton Square
Regent's Place
London
NW1 3AN

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jonesandpalmer.co.uk

Dechra®
Pharmaceuticals PLC

Dechra Pharmaceuticals PLC

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

T: +44 (0) 1606 814730
F: +44 (0) 1606 814731
E: corporate.enquiries@dechra.com

www.dechra.com

View our online Annual Report at:
dechra.annualreport2022.com