



Annual Report and Accounts
for the year ended 30 June 2023

Company Number: 3369634

Making a Difference Worldwide

The Veterinary Perspective



Overview

Highlights	01
Chair's Statement	02
Chief Executive Officer's Statement	03
Our Purpose Framework	08
Dechra at a Glance	10

Strategic Report

Our Marketplace	24
Business Model	28
Delivering Our Strategy	32
Strategy in Action	36
Product Development	38
Global Product Offering	42
Financial Review	44
Key Performance Indicators	52
Non-Financial and Sustainability Information Statement	54
Section 172 Statement and Stakeholder Engagement	56
Sustainability	67
Task Force on Climate-related Financial Disclosures	69
Our Environment	76
How the Business Manages Risk and Viability Statement	79
Understanding Our Key Risks	83

Governance

Letter from the Chair on Governance	90
Governance at a Glance	92
Board of Directors and Senior Executive Team	94
Board Leadership and Company Purpose	98
Division of Responsibilities	108
Composition, Succession and Evaluation	113
Audit, Risk and Internal Control	123
Directors' Remuneration Report	132
Directors' Report – Other Disclosures	166
Statement of Directors' Responsibilities	169

Financial Statements

Independent Auditors' Report	172
Consolidated Income Statement	182
Consolidated Statement of Comprehensive Income	183
Consolidated Statement of Financial Position	184
Consolidated Statement of Changes in Shareholders' Equity	185
Consolidated Statement of Cash Flows	186
Notes to the Consolidated Financial Statements	187
Company Statement of Financial Position	235
Company Statement of Changes in Shareholders' Equity	236
Notes to the Company Financial Statements	237
Financial History	247

Additional Information

Glossary	250
Shareholder Information	252
Advisers	IBC

Welcome to Our 2023 Annual Report

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

Our expertise is in the development, manufacture and sales of high quality products exclusively for veterinarians worldwide.

Year in Review

Strategic

- Board recommended offer for the Group, which was subsequently approved by shareholders
- Acquisition of Piedmont Animal Health, Inc bolstered our new product pipeline, making it stronger than ever with 39 projects now in various stages of development
- Acquisition of Med-Pharmex Holdings, Inc increased the breadth and scale of our portfolio in the US

► Read more on pages 02 to 07

Operational

- Navigated unprecedented changes within the veterinary wholesaler channel
- Resilient supply chain performance with 50% of manufacturing now performed in-house
- Changes made within International division to help deliver future growth

► Read more on pages 03 to 07

Sustainability

- Significant progress made in a number of sustainability focus areas
- Making a Difference Sustainability strategy further embedded across the business
- ESG repositioned as its own underpin to delivery of the Group growth strategy

► Read more on pages 67 to 78

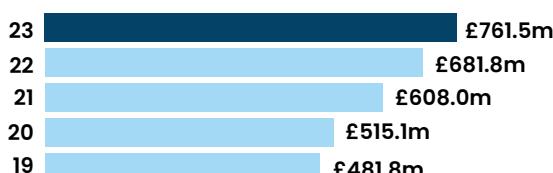
Highlights

Financial Highlights

Revenue

£761.5m

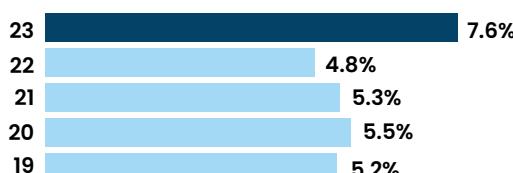
AER: +11.7% CER: +5.5%



Research & Development Investment as a % of Revenue

7.6%

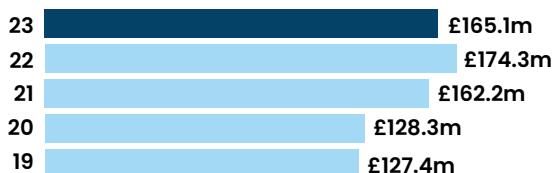
£57.5m +280 bps



Underlying Operating Profit

£165.1m

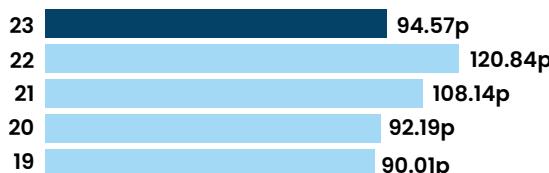
AER: (5.3%) CER: (10.8%)



Underlying Diluted Earnings Per Share

94.57p

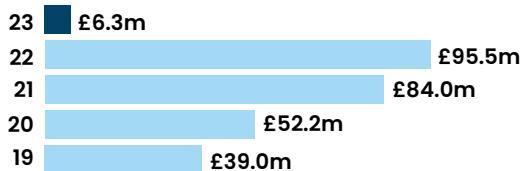
AER: (21.7%) CER: (26.8%)



Reported Operating Profit

£6.3m

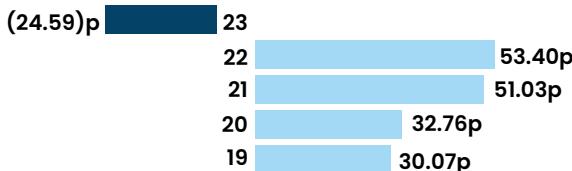
AER: (93.4%) CER: (89.8%)



Reported Diluted Earnings Per Share

(24.59)p

AER: (146.0%) CER: (140.7%)



For further **KPIs** see pages 52 and 53

Forward-Looking Statements

This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company during preparation and up to the publication of this document.

By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involve a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

Chair's Statement



"We have navigated a year of significant change and continue to have an exciting future ahead."

Alison Platt
Non-Executive Chair

Introduction

Welcome to our 2023 Annual Report, which will be the last before the Company transfers to private ownership following the approval by shareholders on 20 July 2023 to accept the offer of £38.75 per share from Freya Bidco Limited, a newly formed company to be indirectly owned by (i) EQT X EUR SCSp and EQT X USD SCSp, each represented by its manager (gérant) EQT Fund Management S.à r.l. (collectively referred to as EQT) and (ii) Luxinva S.A.

The 2023 financial year was incredibly eventful. A year that began with a refinancing of debt facilities and equity raise to help fund the acquisitions of Piedmont Animal Health, Inc and Med-Pharmex Holdings, Inc then saw unprecedented industry-wide changes within the US wholesaler channel at the turn of the calendar year, which later extended to the UK market. Although the animal health market remains highly resilient, it has not been completely immune to the macroeconomic challenges posed by the ongoing cost of living crisis, creating a more unpredictable environment in some of our major European markets in particular.

Focused on implementing Dechra's five year plan, the Board's agenda centred on integrating both US acquisitions, the planned uplift in investment in R&D and navigating the significant market dynamics that were outside of our control. In the midst of this the Board was approached by EQT who signalled their desire to buy the business. After some weeks of negotiation, we indicated that we were minded to recommend the offer, and subsequently granted EQT access to undertake due diligence. This involved considerable additional work by Dechra's management team and I want to take this opportunity, on behalf of the Board, to express my thanks for their tireless efforts in guiding the transaction through to a successful conclusion.

Board Changes

Following ten years as a Non-Executive Director at Dechra, Ishbel Macpherson stepped down from the Board on 22 June 2023. Ishbel's contribution to the Board over that time has been outstanding and on behalf of the Board I would like to thank her for her tenure, including the additional time committed to enable us to appoint a replacement Non-Executive Director and Remuneration Committee Chair.

We were delighted that Geeta Gopalan joined as a Non-Executive Director on 1 January 2023, later succeeding Ishbel as Remuneration Committee Chair on 1 March 2023.

Diversity

Dechra is committed to building high performing diverse teams at all levels in the organisation. We have long been cognisant of the ongoing requirements regarding diversity targets for listed businesses, and highlighted last year our intention to address these as part of the succession plan for our Remuneration Chair. Following the appointment of Geeta as noted above, we now have one director from a minority ethnic background and have maintained 37.5% female representation on the Board.

Sustainability

Dechra places great importance on our ability to positively impact the animals, people and areas of our planet touched by our operations. As you will see throughout this Report we have further integrated our Sustainability strategy within our business and corporate reporting, illustrating the extent to which it is woven within the fabric of the Group. Tangible examples of this include our commitment to a Living Wage globally, particularly pertinent this year as employees navigate rising inflation and other cost of living pressures, and our ambitious carbon emission reduction plans which have been submitted to the Science Based Targets initiative.

Looking Ahead

Throughout all of the events noted above and many more besides, our Values and Culture have shone through. Dechra remains a special business with special people. Along with the rest of the Non-Executive Directors, I will step down from the Board once the business has transferred to private ownership believing that it is well positioned to continue its sustainable growth strategy and has an exciting future ahead.

Alison Platt
Non-Executive Chair
12 October 2023

Chief Executive Officer's Statement



"Our strategy remains very much unchanged and we are making a number of investments to deliver long term value."

Ian Page
Chief Executive Officer

Introduction

The 2023 financial year was amongst the most eventful in our history. We delivered a robust performance in the first half against tough comparators from the prior year as the global companion animal market returned to more normalised levels of growth following the COVID-19 pandemic, before a second half that proved challenging.

Unprecedented changes within the US wholesaler channel at the turn of the calendar year, which subsequently extended to the UK market, led to significant industry wide disruption as the levels of inventory carried by intermediaries were materially reduced. Rising inflation, unpredictable country specific dynamics within some of our key European markets, and ongoing integration of the two US acquisitions made in July and August 2022 all required navigating. We also dedicated considerable time and effort in facilitating the approach by Freya Bidco Limited, a newly formed company to be indirectly owned by (i) EQT X EUR SCSp and EQT X USD SCSp, each represented by its manager (gérant) EQT Fund Management S.à r.l. (collectively referred to as EQT) and (ii) Luxinva S.A to acquire the Company, which I will reflect on further at the end of this statement.

Despite the above, we retained a clear focus on delivering our strategy. We have, as planned, significantly increased investment in our product development pipeline, with an increasing emphasis on innovation in Companion Animal Products (CAP); we made strategic changes within our International business, the results of which are disclosed separately for the first time this year; and we have further strengthened our sales force within the key US market.

I am proud of the way in which all Dechra employees have responded to the events of the past year, proving once again that they really are our greatest asset. The way in which we work remains an important differentiator relative to our competitors and, ultimately, is a key factor in delivering our strategic goals.

Operational Review

European Pharmaceuticals Segment

Revenue in our European (EU) Pharmaceuticals segment increased by 4.3% at CER (6.3% at AER), all of which was existing revenue growth as there were no acquisitions in Europe over the past twelve months. Revenue from non-core third party contract manufacturing, reported within this segment, saw a planned decline. Excluding the impact of this revenue, EU Pharmaceuticals revenue growth was 5.5% at CER (7.5% at AER).

Growth was delivered across all major European countries with the exception of the Netherlands, where the impact of portfolio rationalisation and local competition impacted year-on-year performance. The main driver of growth was CAP; however, it is pleasing that FAP remained in growth despite a challenging market and that Equine and Nutrition both delivered double digit growth.

Although macroeconomic uncertainties created a mixed picture in some European markets, the nature of the Dechra portfolio with its emphasis on prescription only, non-discretionary medicines helped us to outperform the market overall. This was particularly evident towards the end of the financial year when territories such as the UK, France and Germany showed positive signs of increased demand, contributing to a record sales month for the EU Pharmaceuticals segment in June 2023.

Education continues to be the main tool we use to engage our veterinary customers. Our commitment to providing technical support and Continuing Professional Development (CPD) training to veterinarians remains crucial to our success, particularly in relation to our novel portfolio.

➡ See the **Glossary** on page 07 for definitions

Chief Executive Officer's Statement

North American Pharmaceuticals Segment

Total North American (NA) revenue increased by 8.9% at CER (20.3% at AER). Existing revenue, which excludes the impact of acquisitions made over the last twelve months, decreased by (2.0)% at CER but increased 8.3% at AER. Although it was disappointing to see like-for-like revenues decline in constant currency terms, this nonetheless represented a solid outcome given the out-performance over the previous two years (when existing revenue growth at CER was 16.7% and 21.3% in financial years 2021 and 2022 respectively) and the severe disruption seen within the US wholesaler channel during the second half.

Despite the wholesaler de-stocking being deeper and longer than we had initially anticipated, we saw consistently strong end customer demand for Dechra products throughout the year. Independent data for sales from wholesalers out to veterinary clinics showed sales growth of over 10% for the year as a whole and over 12% for the second half of the year despite the wholesaler disruption, offering reassurance that the de-stocking impact on our performance should be one-off in nature rather than a structural headwind.

We continue to leverage our relationship with Vetcove, an online purchasing platform used by over 19,000 US veterinary hospitals, to extend the reach of our Dechra Rewards Scheme, deepen brand loyalty and help us compete with the increasing challenge posed by distributor private label alternatives. We have also increased the scale of our sales team and now have approximately 140 sales representatives in North America.

International Pharmaceuticals Segment

Having previously reported our International business, representing 11.4% of Group revenue, within the European Pharmaceuticals segment, we are now disclosing it separately in order to provide greater transparency between the global markets in which we operate.

International Pharmaceuticals revenue for the year as a whole decreased by (0.8)% at CER but increased 4.3% at AER. Within this full year outturn, there was a significantly improved performance during the second half of the year when sales grew 10.0% at CER, following a decline of (9.0)% in the first half. The revenue decline during the first half was due to two strategic changes. In South Korea, we established our own sales and marketing business unit to replace the previous distribution partner. Due to this transition, there was a period of approximately seven months during which no revenue was recognised in South Korea. We re-commenced sales through our own subsidiary in February 2023 and revenue contribution during the final five months of the financial year was £1.0 million. We also experienced disruption to our sales of nutrition products in Japan due to a change of distribution partner; however, we expect to commence trading through a new distributor shortly.

The International segment covers a large number of countries, many of which are smaller, emerging markets that we serve via numerous distribution partners. In the more established markets of Brazil, Australia and New Zealand, where we have our own sales and marketing presence, we delivered good revenue growth of 10.3% at CER. These territories collectively represent approximately 65% of total International Pharmaceuticals revenue.

Product Category Performance

Companion Animal Products (CAP) continue to represent the majority of our business at 73.8% of Group revenues and grew by 3.9% at CER, with performance in EU being the main driver. Therapeutic sectors such as dermatology, anaesthesia and analgesia and cardiovascular performed the strongest.

Food producing Animal Products (FAP), representing 11.7% of Group revenue, grew by 8.5% at CER. This reflected the net impact of challenges in the key European FAP market of the Netherlands offset by a positive contribution from the small FAP portfolio acquired through Med-Pharmex for sale in the US market.

Equine, representing 8.6% of Group revenue, grew by 25.1% at CER. Performance was particularly strong in NA, with growth of 35.1% at CER supported by the product acquisitions made in the prior year and the contribution from the new Med-Pharmex portfolio.

Nutrition represents 5.1% of Group revenue and increased by 8.6% at CER. The majority of our Specific® branded diet sales are made in Europe where we delivered strong growth with around 300 new clinics starting to use Specific for the first time, and this performance offset the decline in international sales due to the operational changes in South Korea and Japan as noted above.

Strategic Growth Drivers

Acquisitions

We completed two material company acquisitions at the start of the financial year; Piedmont Animal Health, Inc in July 2022 and Med-Pharmex Holdings, Inc in August 2022, for a combined consideration of approximately \$474.1 million. The strategic rationale for both acquisitions remains unchanged, with both businesses having the potential to deliver considerable value over the coming years.

Piedmont is a product development company with eight novel products in various stages of development, all in the CAP market and all within Dechra's key therapeutic areas of competence. We invested £7.7 million of research and development spend in the Piedmont pipeline during the year. In light of a negative opinion received from the FDA relating to one of the near term candidates which could result in a delay or cancellation of the project, we have also recognised a non-underlying impairment of £69.6 million. Further details can be found in the Financial Review later in this report.

Conversely, Med-Pharmex is an established manufacturing business with a number of products already approved and established in the US market. The ten month revenue contribution from Med-Pharmex was £28.9 million. This was lower than we had expected at the time of making the acquisition due to quality improvement works that were brought forward and supply chain challenges on certain products, both of which adversely impacted performance. The process of re-branding and migrating a selection of the acquired portfolio to our own in-house sales and marketing teams is underway. Notwithstanding the short term operational challenges noted above, the acquisition should provide a material margin benefit and operational leverage opportunity and also offers longer term optionality with regard to our US manufacturing footprint.

Product Developments and Regulatory Affairs

Pipeline Progress

It has been a year of strong progress on our product development pipeline having invested a record £57.5 million into R&D, representing 7.6% of Group revenue, and with an increasing emphasis on innovation. This investment has been made across a combination of our existing pipeline together with the eight candidates from the Piedmont acquisition as noted above.

Our partnership with Akston Biosciences to develop a breakthrough long acting insulin for dogs and cats remains on track for a calendar year 2026 approval of the dog product. Scaling up production of the active pharmaceutical ingredient by Akston Biosciences and our final drug product development work are both progressing as planned. The next stage of development is to perform our pivotal efficacy studies, which are expected to start in late 2024.

In collaboration with our partner Animal Ethics Pty Ltd and a contract manufacturer, we are developing a cost-effective method to manufacture sterile Tri-Solfen® for use in piglet castration, as mandated by the European regulator. If the planned pivotal manufacturing batches are successful, we will have a more direct path towards EU-wide approval.

New opportunities are constantly being identified and our pipeline remains stronger than ever and well positioned to deliver material products to support future growth, particularly in the US.

Product Approvals

A number of marketing authorisations have been achieved throughout the year. These represent both the extended reach of existing products into new territories and also the approval of new products delivered out of our pipeline and partnerships. The main product milestones of note were:

- Approval of Zycosan® (pentosan polysulfate sodium injection), a novel treatment for the control of clinical signs associated with osteoarthritis in horses, for use in the US market;
- Following approval in the US and EU, we also received Canadian approval for Zenalpha®, a novel canine sedative injection;
- A number of developments with regard to Tri-Solfen®, a food producing animal product with multiple possible applications where we hold the global distribution rights:
 - Approval for use in its non-sterile form in Brazil, Canada and Portugal;
 - Grant of a four day withdrawal period relating to the New Zealand licence, opening up the significant tail docking market in sheep; and
 - Approval for sale under a special licence to a major dairy integrator in Saudi Arabia;
- Registration of CosACTHen® in Brazil to support the sales and clinical use of our endocrinology portfolio of solutions;
- Registration of Forthyron® in a third international distribution market that will be unique to that territory; and
- Approval of Prevomax® for use in the Australian market.



Chief Executive Officer's Statement

Portfolio Focus

We regard our broad portfolio of products as a competitive strength and are focused on becoming the partner of choice for veterinarians worldwide in our chosen therapeutic areas. To support this approach, we were pleased to launch a new Dechra brand positioning in February 2023 called 'The Veterinary Perspective'. By seeing things from the Veterinary Perspective, we strive to support veterinarians through science and education, especially around uncommon diseases and difficult to treat cases.

The category mix differs considerably between the various territories in which we operate. This is a consequence of both the maturity of our operations in each individual country and also underlying market dynamics, such as the pace at which the companion animal market is developing. This creates a number of possible growth opportunities to pursue across the Group.

The main new product launches over the past year were *Zenalpha* in the US and a number of European markets, and *Zycosan* in the US in June 2023, following approval during the first half of the year as noted above.

Geographical Expansion

As of the year end, we operated in a total of 88 countries, with our own sales and marketing teams in 26 and a presence in the remaining 62 countries via a number of distribution partners. During the year, we transitioned South Korea to an in-house team as already explained, and we will shortly commence sales out of a newly established entity in Switzerland.

Strategic Enablers

Manufacturing and Supply Chain

Migrating the manufacture of key products in-house rather than using third party Contract Manufacturing Organisations (CMOs) has a number of strategic benefits such as improved reliability of our supply chain, greater control over quality standards and more efficient inventory level management. We transferred a number of products into our Zagreb and Skipton facilities during the first half of the year, taking the proportion of products manufactured across our eight sites to approximately 50%. This process will continue over the coming years, albeit at a considered, steady pace so as to avoid unnecessary execution risk. In the meantime, we have rationalised the number of CMOs we work with and are increasingly focused on partnering with fewer external manufacturers to help facilitate stronger, closer relationships and better overall performance.

At our Skipton, UK site we have now completed a significant phase of the capital investment programme to create additional space and improve work flows. These changes have been very well received by employees working on site and we are already benefitting from increased efficiencies. In our manufacturing facility in Somersby, Australia, a new secondary packaging line has delivered better throughput, increasing production efficiency and providing scope for further expansion.

We continue to have a focus on quality standards across the Group, and in that regard it was pleasing that Somersby received zero issues raised from their APVMA audit and that both Bladel and Zagreb sites had successful European GMP audits in the year.

Technology

Information technology continues to be a key strategic focus and we have made good progress in establishing a clear IT strategy that is aligned to our business priorities and future growth opportunities. The first phase of our new quality and document management system, Veeva, has now been rolled out across five manufacturing sites and there are further modules planned for release over the coming years. Our key manufacturing ERP systems are also being upgraded to one consolidated cloud-based Oracle platform to help deliver consistency of systems, processes and KPIs between sites, and this multi-year project remains on track. The estimated combined investment remaining for these two projects over the next four years is £23.9 million.

In addition, we have begun to develop our thinking around the potential strategic advantages that can be delivered through digital activities and the better use of data. In DVP EU, we also launched the Dechra endocrine and anaesthesia apps aimed at helping veterinarians with the correct dosing of products.

People

As one of our ESG targets, we remain committed to paying the Living Wage (or its equivalent) to all our employees on a global basis. Cognisant of the challenges many employees are facing as a result of the cost of living crisis, we carefully considered individual job roles and country specific considerations such as local rates of inflation as part our annual salary review this year. We implemented a weighted average salary increase of 6.6% from 1 January 2023 and also introduced a number of other improved benefits.

We have been making carefully chosen strategic investments in people across different parts of the Group. We have grown our sales team in North America; we have strengthened our PDRA and quality teams and recruited new site directors for all three US manufacturing sites and the facility in Bladel, the Netherlands.

We were pleased to appoint Geeta Gopalan as a Non-Executive Director with effect from 1 January 2023. Geeta subsequently became Chair of the Remuneration Committee on 1 March 2023 as successor to Ishbel Macpherson, who retired as a Non-Executive Director on 22 June 2023 following ten years of outstanding service for which I am extremely grateful.

Sustainability

This year, we have made a subtle but important change to reflect the extent to which sustainability is firmly embedded in our strategy. Rather than ESG sitting as a standalone Strategic Enabler, it is now re-positioned as a fundamental underpin to delivering our strategy and, ultimately, our Purpose.

For further information on how we have integrated sustainability across the Group, and highlights of our progress during the financial year, please see the second edition of our Sustainability Report available on our website.

In particular, we have submitted our ambitious carbon reduction targets for Scope 1, 2 and 3 emissions to the Science Based Targets initiative and also made a philanthropic investment in AgCo Tech, a business that has developed a unique product that improves cattle welfare and productivity whilst at the same time reducing methane intensity and generating strong social benefits in the communities where it is used.

Dividend

An interim dividend of 12.50 pence per share was paid on 13 April 2023. The ongoing acquisition of the Company by Freya Bidco Limited remains conditional upon the receipt of antitrust approval in the European Union and foreign direct investment approval in Australia, in each case to the extent required, as well as the sanction of the Scheme by the Court at the Sanction Hearing (each as defined in the scheme document dated 26 June 2023) and is expected to occur in late 2023 or early 2024. If prior to the acquisition becoming effective, any dividend is announced, declared, made or paid or becomes payable in respect of the ordinary share capital of the Company (Dechra Shares), Freya Bidco Limited reserves the right to reduce the consideration payable under the terms of the acquisition for the Dechra Shares by an amount up to the aggregate amount of such dividend. Therefore the Directors are not recommending the payment of a final dividend.

Outlook

It is with mixed feelings that I complete this, the last of my reports as the Chief Executive Officer of a listed company. Since the Initial Public Offering in 2000 and my appointment as Chief Executive Officer in 2001, being a listed company has served Dechra well due to the help and support demonstrated by our shareholders throughout this period. I am very grateful for the personal support and guidance provided to me by many stakeholders, not least shareholders, and would like to thank everyone who has contributed to Dechra's success over this time.

Despite a challenging period, we ended the last financial year strongly and have started the new one on a secure footing. I look forward to the challenges ahead as a private company and remain confident in our people, strategy and future prospects.

Ian Page
Chief Executive Officer
12 October 2023

Glossary

AER: Actual Exchange Rates

APVMA: Australian Pesticides and Veterinary Medicines Authority

CAP: Companion Animal Products

CER: Constant Exchange Rates

ERP: Enterprise Resource Planning

ESG: Environmental, Social and Governance

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

FAP: Food producing Animal Products

GMP: Good Manufacturing Practices

International Pharmaceuticals: International Pharmaceuticals Segment comprising a large number of direct and distribution markets

KPIs: Key Performance Indicators

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

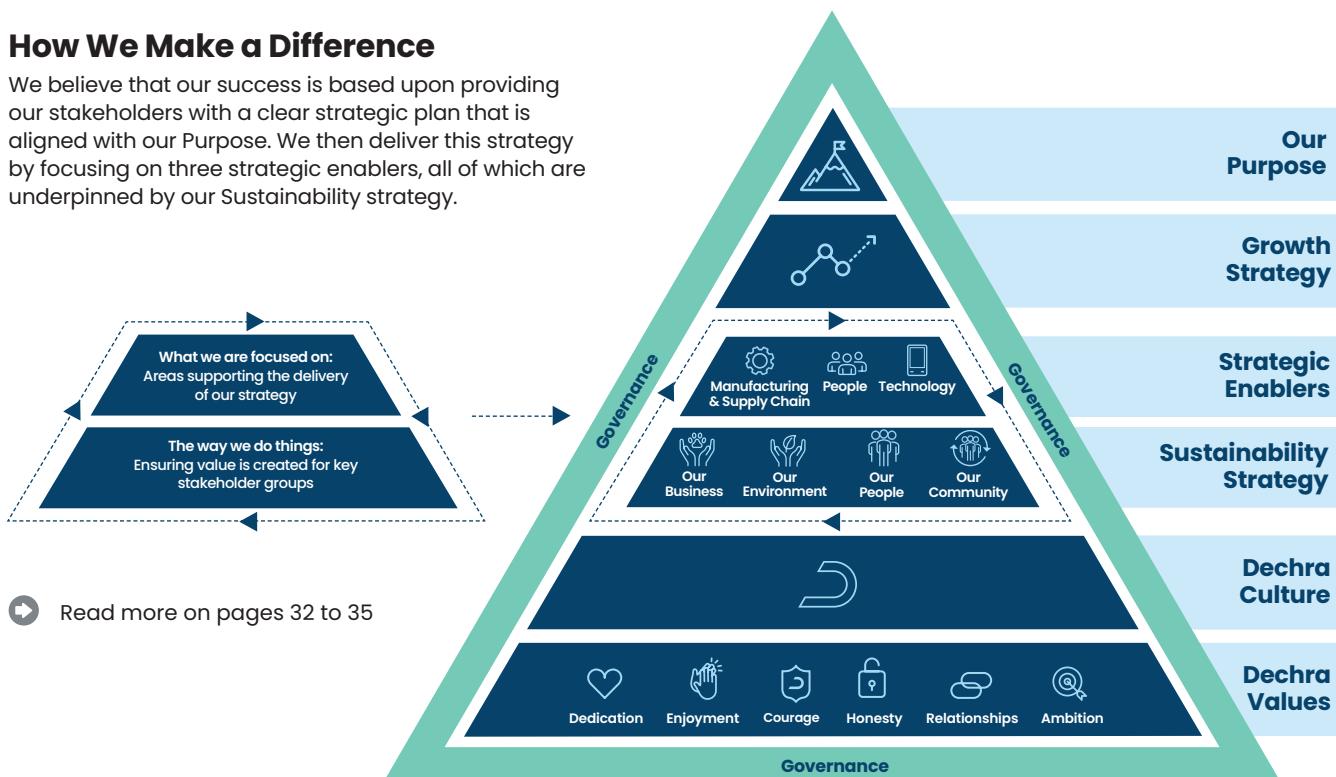
R&D: Research & Development

Our Purpose Framework

Our purpose is the sustainable improvement of global animal health and welfare.

How We Make a Difference

We believe that our success is based upon providing our stakeholders with a clear strategic plan that is aligned with our Purpose. We then deliver this strategy by focusing on three strategic enablers, all of which are underpinned by our Sustainability strategy.



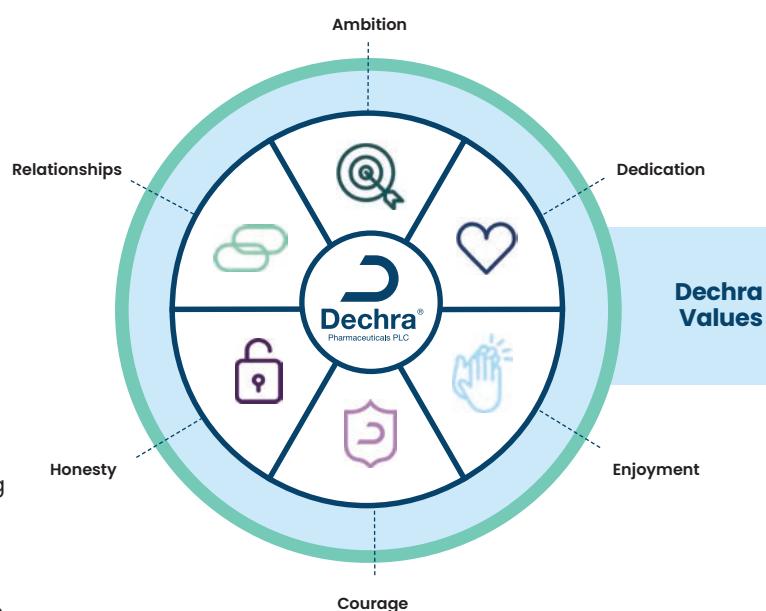
Our Culture and Values

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.

Our Values are a consistent part of how we lead the Dechra business. From recruitment through to investment in the development and growth of our employees we use our Values to describe what matters at Dechra. To maintain that integrity our employees are encouraged to contribute new items or blogs which demonstrate how our Values are being lived every day.

As the Dechra business grows through acquisition, we have recognised the importance of onboarding new employees into the Dechra way and enabling them to share and build on our Values as a route to unlocking value and success.

Read more on pages 58, 99 and 100



The Importance of Our Stakeholders

Engagement with stakeholders is a vital component of our long term sustainability and success, and helps make the business stronger and more resilient. We have identified six key stakeholder groups that we believe are important to engage with regularly to continue to make Dechra successful:

- People:** our employees are our greatest asset and we aim to make Dechra a great and safe place to work by attracting, retaining and developing talent;
- Veterinary Professionals:** we engage with veterinary professionals to improve animal health and welfare through the use of our innovative and effective products supplemented by daily engagement with our people, utilisation of the Dechra Academy, lunch and learns and technical support helpline;
- Shareholders:** engagement is key to instilling trust and confidence, whilst also facilitating informed investment decisions;
- Suppliers:** we aim to trade with honesty and integrity, and to source sustainable, ethically produced, quality raw materials and finished products;
- Communities:** we believe it is important to give something back to the communities in which we operate; and
- Regulatory Authorities:** it is vital to our business that our products meet the highest possible safety and quality standards and we work collaboratively with the relevant bodies worldwide.

➡ Read more on pages 58 to 66

Our Integrated Approach to Sustainability

This year, we have made a change to how we think about and present the interaction between our corporate strategic enablers and our Sustainability strategy. Rather than ESG being a standalone Strategic Enabler we have taken the opportunity to reposition our Sustainability strategy such that it now serves as a fundamental underpin to delivering our corporate growth strategy and, ultimately, our Purpose.

➡ Read more on pages 33 and 67

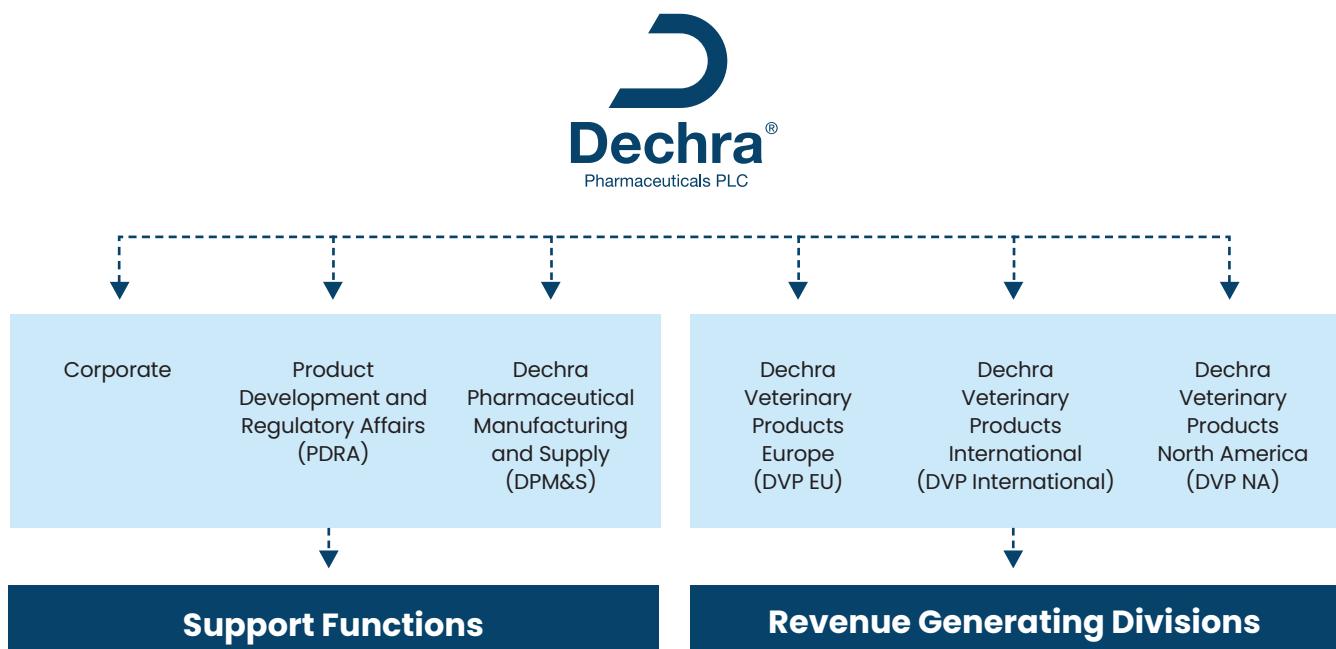
Our Impact

Since 2020, we have chosen to link our Sustainability strategy to the United Nations Sustainable Development Goals. This allows us to contribute to a number of goals through our Making a Difference plan.



Dechra at a Glance

Our Structure



Support Functions

Corporate

Number of Employees 87

90% of Corporate employees are located out of the UK, with the majority out of the Northwich office. Corporate includes Group Finance, Company Secretarial, Compliance and Legal, Group HR, Sustainability, Group IT and Digital.

Product Development and Regulatory Affairs (PDRA)

Number of Employees 228

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 in every country that we operate.

Laboratories are located in UK, Netherlands and Croatia with teams also located in Australia, Brazil and US.

Dechra Pharmaceuticals Manufacturing and Supply (DPM&S)

Number of Employees 901

Manufactures and supplies Dechra's product range efficiently and to the highest quality standards maintaining a reliable supply chain. Approximately 50% of Dechra's pharmaceuticals are produced within our eight manufacturing sites with the remaining 50% managed through external supply relationships.

In Europe, our manufacturing sites are located in Skipton, UK, Bladel, the Netherlands and Zagreb, Croatia. We also have three sites in the United States with facilities in Fort Worth, Melbourne and Pomona, and a further two sites located in Brazil and Australia.

Revenue Generating Divisions

Dechra Veterinary Products Europe (DVP EU)

45.1% of Revenue
Number of Employees 561

Markets and sells Dechra's products in 18 countries via our own legal entities and via two distributors. It has sales teams in Austria, Belgium, Bosnia-Herzegovina, Croatia, Denmark, Finland, France, Ireland, Italy, Germany, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, UK. The business has opened an office in Switzerland and is due to commence trading during the 2024 financial year.

Products are sold across all key categories of CAP, Equine and FAP. DVP EU also markets a range of specialist, therapeutic pet diets, branded Specific.

The major geographies are France, Germany, the Netherlands and UK.

Dechra Veterinary Products International (DVP International)

11.4% of Revenue
Number of Employees 385

Markets and sells Dechra's veterinary products in Australia, New Zealand, Serbia, South Korea and Brazil through our own legal entities and via 80 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.

The products sold by DVP International vary significantly by country, largely due to the different rates at which the CAP market is developing in each territory.

The major geographies are Australia, New Zealand, Brazil and South Korea.

Dechra Veterinary Products NA (DVP NA)

43.5% of Revenue
Number of Employees 295

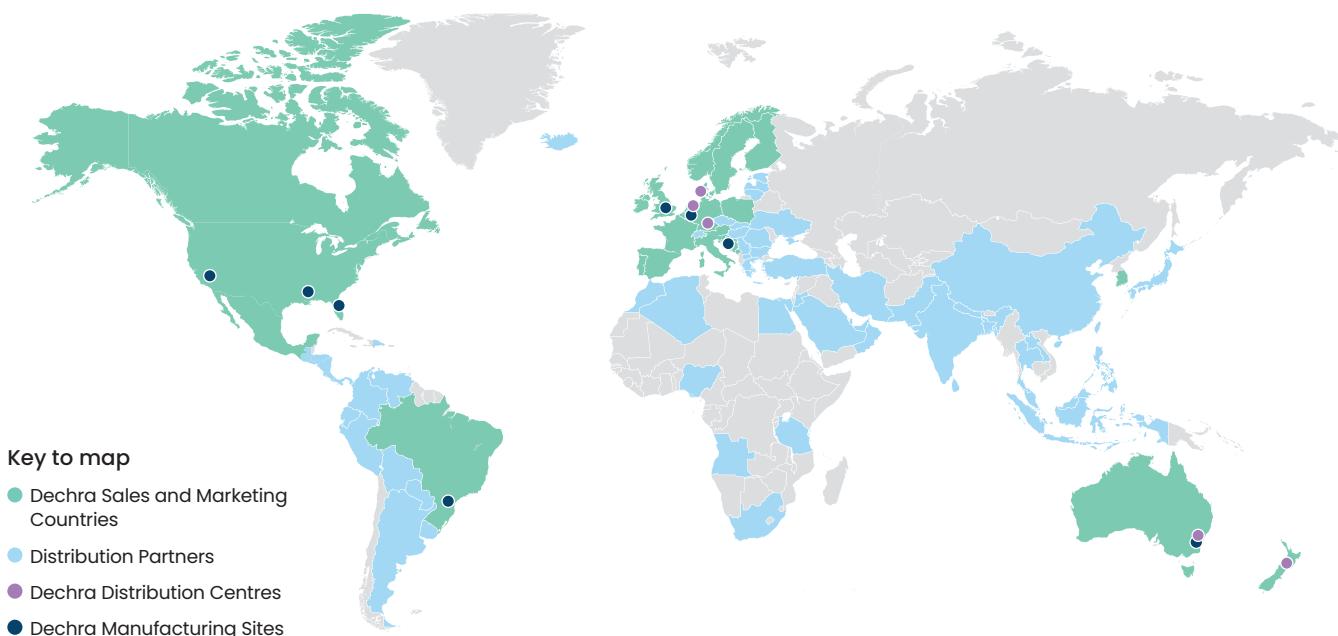
Markets and sells Dechra's veterinary products in Canada, Mexico and the US via our own legal entities and via six distributors to other countries in Central America.

DVP US predominantly markets CAP and Equine medicines. Following the acquisition of Med-Pharmex in August 2022, it also now sells a small range of FAP products. DVP Canada and DVP Mexico both market CAP and Equine medicines, whilst the latter also sells FAP and exports to Central America countries.

The major geographies are Canada, Mexico and US.

Our Global Footprint

We have eight manufacturing sites, our own sales and marketing teams in 26 countries and market our products in 62 other countries through distributors.



We Have a Broad Range of Products That Treat a Selection of Animals ...



Companion Animals

Focus Areas

- Anaesthesia and Analgesia
- Dermatology
- Endocrinology
- Internal Medicine
- Cardiovascular
- Nutrition

What Differentiates Us

Our broad portfolio serves specialist therapy areas and is predominantly prescription only medicines rather than 'blockbuster' vaccines or regular healthcare treatments. As such, our portfolio is largely non-discretionary in nature and also benefits from a high degree of novelty.

We also offer a specialist range of pet food for dogs and cats under our Speciifc® brand, providing high quality nutrition to support many of the therapeutic conditions treated by our pharmaceuticals.



Food Producing Animals

Focus Areas

- Water soluble antibiotics
- Vaccines
- Lameness
- Pain management

What Differentiates Us

Our focus is on water soluble antibiotics and vaccines, both of which help to maintain productivity of food producing animals globally in the face of a rising world population.

We also play a prominent role in looking to develop products aimed at improving animal welfare and husbandry.



Equine

Focus Areas

- Lameness
- Pain management

What Differentiates Us

The equine market is relatively small and serviced by very few animal health companies.

Dechra's specialism in lameness and pain management for horses and ponies allows us to be a leading brand within equine pharmaceuticals and we offer a range of highly efficacious products to support the equine veterinarian.



Read more on pages 42 to 43



... With the Help of our Talented and Professional Colleagues ...

Highly Skilled People Working across the Group

Our people are the heartbeat of our business and they reinforce our Culture every single day, helping to create the special place to work that Dechra is.

All 2,457 employees are crucial to our success. Whether it is the highly talented scientists in our Product Development and Regulatory Affairs teams, front line manufacturing employees across our various sites, the hugely passionate sales representatives or the teams providing central support functions in our Corporate division, everyone who works for Dechra has an important role to play in delivering our success year after year.

We empower our people to take responsibility and foster a collaborative, supportive and ambitious environment within which to perform to the best of their ability.

How we Attract and Retain the Best Talent

We are rightly proud of the fact that we are a Living Wage employer globally. Never has this been more important than today given the cost of living challenges being felt by many people worldwide.

In addition to ensuring an appropriate approach to reward and recognition, we also provide a wide range of other support to employees. This is all underpinned by a shared passion for fulfilling our purpose every single day.

We invest heavily in training and development, which includes our internal digital learning platform, Delta, and encourage employees to take responsibility for their own career knowing that Dechra will support and encourage those endeavours wherever possible.

An Employer of Choice Within the Industry

Many Dechra employees have been with the business for a number of years, and it is also not uncommon for former employees to return to us after leaving to pursue an opportunity elsewhere. This speaks volumes about how well regarded Dechra is within the animal health industry and is something we know will be important as we look ahead to our next phase of growth.

2,457
Employees
Globally

26
Countries with
Sales Team

7,807
Delta Training
Hours

55%
Females in
Workforce

Case Study

Future Facing Leaders

In January 2022, we launched our inaugural Future Facing Leaders programme designed to help develop our internal talent and create a sustainable pipeline for future leaders within the business.

The current cohort of 24 employees, taken from across the Group both in terms of geography and business function, have now reached the end of the course.

The programme has been an undoubted success over the past two years. Much has been learnt, both by the participants themselves on an individual level but also by the wider business and the Senior Executive Team thanks to the candid and thoughtful feedback provided during the various sessions.

As the business enters a new chapter in its history, these employees will have a crucial role to play in helping to keep Dechra successful.

We are currently developing plans for the next iteration of the programme so that it remains closely aligned to the business strategy over the coming years and addresses the need to maintain the flow of high calibre individuals who can enact that strategy.



... Whose Knowledge Sharing Enables the Best Care ...

Our Broad Range of Products Help to Improve the Health and Welfare of Animals Globally

Innovation at the Heart of What we do

Our portfolio, particularly within CAP, has a high degree of novelty and addresses conditions in relatively niche therapeutic areas. This makes Dechra the partner of choice for many veterinarians when it comes to certain conditions and allows our sales teams to engage with them on products that can help grow their own practice rather than just price or the role of generic alternatives. The fact that a large proportion of our sales representatives are qualified veterinarians in their own right only adds to the credible and differentiated nature of our portfolio.

Dechra collaborates with veterinary professionals, academic institutions and industry experts to enhance our understanding of animal health and develop innovative solutions. Through this collaboration we foster knowledge exchange and develop products and services that address emerging healthcare challenges and meet the evolving needs of the veterinary

community. Our pipeline of potential new products is as strong as ever and has an increasing focus on bringing novel CAP products to market over the coming years.

Continuous Education and Support for Veterinarians

Dechra supports veterinary professionals through continuing education programs and resources. We provide training, workshops, webinars, and educational materials that help veterinarians stay updated with the latest advancements in veterinary medicine and improve their clinical skills.

The Dechra Academy provides a digital platform through which our extensive educational resources are shared with the veterinary community, whilst our technical support teams provide expert advice in how to best use Dechra products and enable veterinarians to provide the best possible care to animals in their care.

206

5,994

New Marketing Authorisations

Marketing Authorisations

205,012

CPD Training Hours Provided

16,300

Technical Support Enquiries

Case Study

The Veterinary Perspective

We regard our broad portfolio of products as a competitive strength and are focused on becoming the partner of choice for veterinarians worldwide in our chosen therapeutic areas. To support this approach, we were pleased to launch a new Dechra brand positioning in February 2023 called The Veterinary Perspective.

By seeing things from the Veterinary Perspective, we strive to support veterinarians through science and education, especially around uncommon diseases and difficult to treat cases.

Dechra continues to grow because we understand the challenges veterinarians face. We provide

training, support and information that helps them help animals. We provide accessible science that enables veterinarians to communicate with owners and farmers better. It is this perspective that makes us a preferred supplier. Understanding customers is built into our business model. We give veterinarians what they need, from everyday evidence-based treatments to knowledge on rarer diseases.

To ensure our growth, we are not just an animal pharmaceutical company. We are the veterinary professionals' pharmaceutical company.



... To a Marketplace With Global Opportunities ...

Dechra's Extensive Footprint Enables our Products to Reach Veterinary Professionals Around the Globe

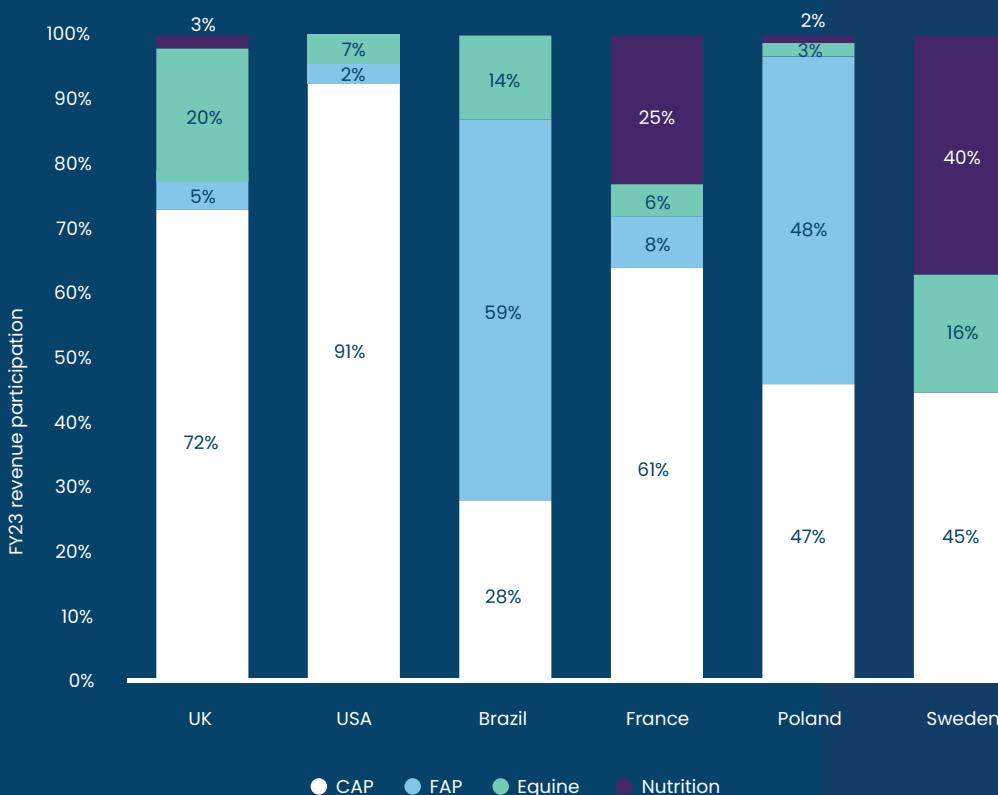
Dechra's heritage is as a UK based veterinary distribution business, but by 2013 we had become a fully focused veterinary pharmaceutical business. Through a combination of both organic growth and a number of business acquisitions, we have since grown to become a truly global business with operations in a total of 88 countries.

Whilst we already have a strong presence in the well developed markets of Western Europe and North America, these markets continue to represent significant further growth opportunities; particularly the largest animal health market in

the world, the US. We already have a talented US sales team but intend to invest in more representatives commensurate with our future growth aspirations.

In addition, we continue to extend the reach of our products to animal health markets worldwide through our International division. This is typically achieved by using local distribution partners to obtain a foothold in new markets initially, before bringing operations in-house once sufficient critical mass has been achieved.

There are Significant Opportunities for Further Growth Across Territories



Dechra's revenue profile differs by country depending on underlying market dynamics and the maturity of our operations. For example, the UK market is very mature whereas in Brazil sales are heavily weighted towards FAP; indicative of both the large numbers of livestock in Brazil but also the nascent companion animal market that is slowly developing.

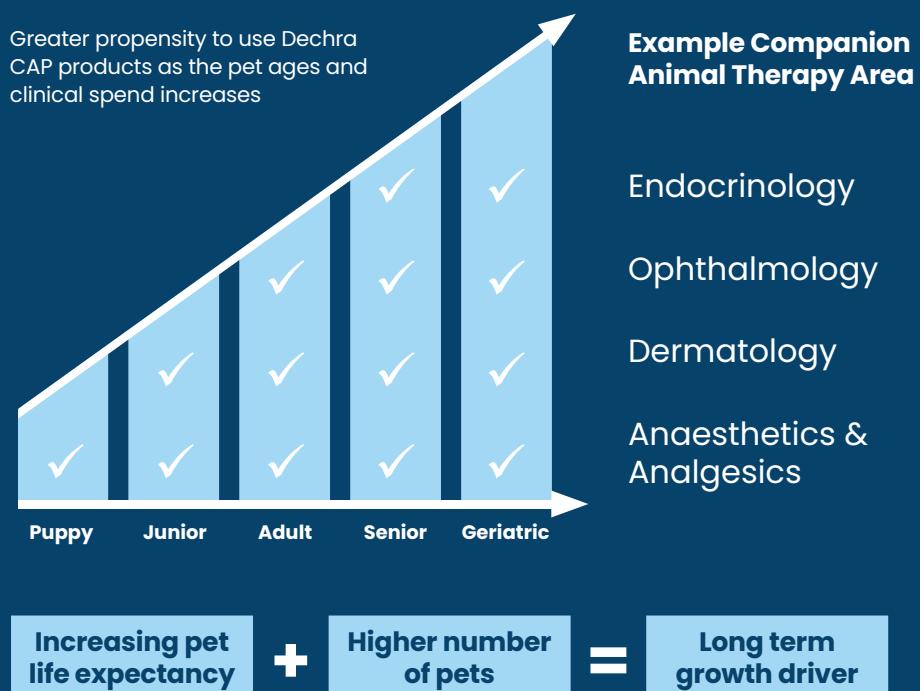
We have a significant opportunity to grow market share in product categories where we are currently underweight, but this will likely be achieved slowly given market dynamics and the time taken to register products in each country.

Education of veterinarians, increasing brand awareness and leveraging our novel portfolio will all remain crucial to our future success and allow us to capitalise on the strong structural growth drivers within the animal health industry.



... That is Improving the Health and Welfare of Animals for Their Entire Lifetime

With increasing numbers of both companion and food producing animals, which are also living longer, Dechra's Purpose has never been more relevant. Through our focus on innovation and providing a portfolio of products that can be used across an animal's entire lifetime, we will support veterinarians to administer the best possible clinical care.



Case Study

Cushing's Detective Campaign

Cushing's syndrome is a condition treated by our innovative product Vetaryl®. As part of our strategy to defend Vetaryl against potential competitors, we developed a "Suspecting Cushing's" marketing campaign.

Aimed directly at dog owners, the campaign was developed to raise awareness of the condition by inviting owners to become a 'Cushing's Detective' and enter an online investigation room hosting multiple helpful resources. These included a humorous but informative video series starring the Cushing's Prime Suspects; a series of characters designed to educate dog owners about Cushing's symptoms including everything from

hair loss to excessive urination, increased appetite to excessive panting, and lethargy. Additionally, the online investigation room had a symptoms checklist designed to help dog owners uncover their dog's symptoms, as well as a treatment and monitoring logbook.

The feedback received from veterinarians was extremely positive, who noted that it really helped pet owners recognise the signs of Cushing's.

In addition to being a successful campaign from an animal health industry perspective, it also won two awards at the B2B Marketing's Elevation Awards in the USA.



Strategic Report

Contents

Our Marketplace	24
Business Model	28
Delivering Our Strategy	32
Strategy in Action	36
Product Development	38
Global Product Offering	42
Financial Review	44
Key Performance Indicators	52
Non-Financial and Sustainability Information Statement	54
Section 172 Statement and Stakeholder Engagement	56
Sustainability	67
Task Force on Climate-related Financial Disclosures	69
Environment	76
How the Business Manages Risk and Viability Statement	79
Understanding Our Key Risks	83



The Veterinary Perspective



Read more about us at:
www.dechra.com



Our Marketplace

Market Overview

The animal health market is large, highly resilient and benefits from a number of long term structural growth drivers.

There is a wide range of estimates for the size of the global animal health market, likely due to the inclusion (or not, as the case may be) of certain areas of the market such as food, veterinary services and testing/diagnostics.

Grand View Research estimates that the total market, including key segments such as vaccines, pharmaceuticals, diagnostics, medical devices and feed additives along with other smaller revenue streams was worth over \$58 billion in 2022. Within this, pharmaceuticals is the largest product segment representing over 40% share, and it is here where Dechra mostly competes.

Animal Types

Animal health globally is generally described as comprising two segments of animals, with approximately two thirds of revenue generated from the Food producing Animal Products (FAP) segment and the remaining one third derived from Companion Animal Products (CAP), which also typically includes horses.

Our Global Markets

The geographical breakdown of the market differs between the FAP and CAP segments, but North America is the largest animal health market in the world, comprising over 30% of the global market overall.

Territory	Market trends	Our response	Outlook
North America 43.5% of Group revenue	Well developed CAP markets, with an acceleration in pet ownership supported by widespread adoption of hybrid working patterns.	Key focus area for future growth as we extend the reach of our portfolio through new product launches and a growing sales team.	Market has normalised against the heightened growth rates seen during the pandemic but is expected to remain in growth.
Europe 45.1% of Group revenue	Large numbers of livestock with an emphasis on increasing productivity.	Continue to leverage our heritage in markets where we already have a strong, established position.	Within Europe, pet ownership is becoming increasingly common in Eastern countries.
Rest of the World 11.4% of Group revenue	Emerging markets such as South America, Asia Pacific, the Middle East and Africa have a greater bias towards FAP revenues, with the companion animal market still maturing.	Steadily grow brand awareness and presence in selected countries, typically through FAP initially. Pursue registrations of existing products in new territories.	CAP markets are expected to develop at varying rates as the status of pets increases, whilst FAP growth will likely remain strong due to burgeoning populations.

Competitors

Over the past 25 years, the global animal health market has become characterised by a small group of large international businesses that have emerged via a series of mega mergers and together now account for over half of the overall market.

Beyond this concentration of large players, the market is very fragmented with a long tail of smaller sized companies operating on either a global or more localised basis and typically with an expertise in specific product segments and/or species.

Dechra is positioned within the top ten in terms of total market share, despite not operating in the high value 'blockbuster' categories such as regular flea, tick and worm treatments. Instead, the Dechra portfolio consists of a very broad range of products in niche therapy areas with an increasing emphasis on offering veterinarians novel treatments for a variety of conditions and with a strong bias towards prescription only medicines.

Routes to Market

In addition to manufacturers supplying direct to veterinary practices, the market is also serviced by a relatively small number of large veterinary wholesalers who play an important role within the animal health value chain.

This wholesaler channel is the main route to market for Dechra, particularly in the US, Australia, New Zealand and many Western European countries, although there are instances where we supply direct or via pharmacies. Within less developed markets, international distributors act as a vital interface between the manufacturer and veterinary practice or farmer. These distributors can be both smaller, local players as well as larger conglomerates.

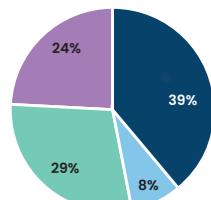
Types of Veterinary Practice

Most veterinary practices tend to specialise in either companion animals or food producing animals; however, there are numerous practices that are classified as mixed and service all species. There is also an increasing number of specialist equine practices and referral hospitals.

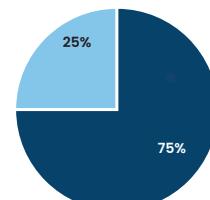
The veterinary profession continues to see a degree of consolidation as large corporate groups are increasing their share of companion animal practices. This has been a well established trend within the UK, but is also being seen in other developed markets such as the US and Western Europe, albeit from a relatively fragmented starting position. As such, our relationships with these corporate groups are becoming increasingly important and we continue to increase our focus through experienced key account managers and technical support services.

Dechra sales by type of Veterinary Practice

Europe



North America



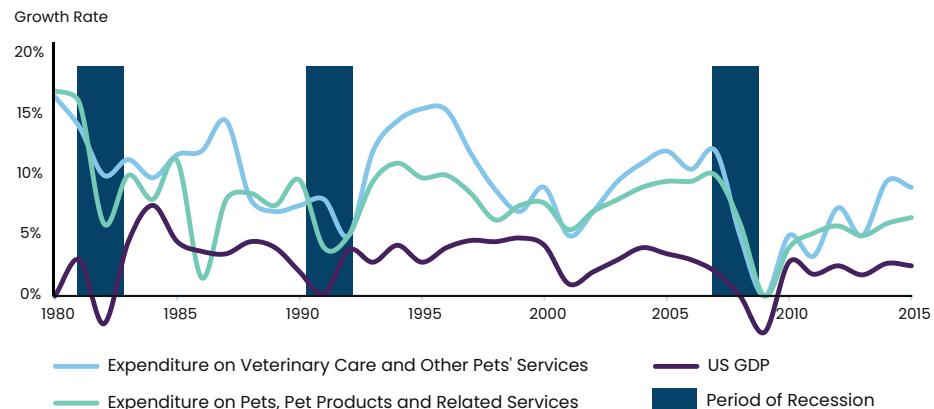
- Independents
- Large scale pig and poultry customers
- Local consolidated Groups
- Pan-EU consolidated groups

Source: Dechra sales data, June 2023

A Resilient Animal Health Market

Total veterinary care has proven itself to be highly resilient over a multi-decade time horizon.

The Dechra product portfolio is positioned at the most resilient end of this resilient market, given the largely non-discretionary nature of our prescription only medicines.



Market Growth Drivers and Outlook

There has been growth in the CAP market for many years driven by a number of well established trends:

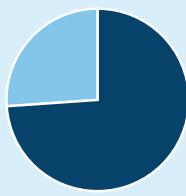
- **Increasing pet population** in both developed and developing markets driven by positive demographic trends, widespread adoption of hybrid working arrangements, improved pet nutrition and increased pet life expectancy
- **Humanisation of pets** by owners who are increasingly willing to spend on the wellbeing of their pet, regarding them as a member of the family
- **Growing awareness and knowledge** allows veterinarians to manage increasingly complex conditions through improved diagnosis and treatment
- **Greater medical innovation** providing an increasing choice of treatments available to veterinarians and pet owners

The FAP market also remains robust given the ongoing rise in the global population, which the United Nations predicts will reach 10 billion by 2050, and the growing awareness of animal welfare. This creates a corresponding need to ensure that food supply is capable of keeping pace through the heightened production of animal based food products, but in a responsible way.

Given these trends, the global animal health market is regarded as being highly resilient and able to overcome any short term challenges. Although growth of the market has normalised following the heightened levels seen during the COVID-19 pandemic, when increasing pet ownership fuelled exceptional levels of growth in the CAP market, the market is expected to remain in growth over the coming years. This expectation, despite the current macroeconomic uncertainties, is supported by the historical performance of the market through periods of recession during which spend on animal health remained robust, as illustrated above. Against that context, Grand View Research expects the market overall to grow at a high single digit CAGR over the coming years.

Our Marketplace

Product Market Dynamics

Our Products	Description of market	
Companion Animal Products (CAP)  73.8% of Group revenue	<p>Species: Dogs and cats.</p> <p>Key therapeutic sectors: Endocrinology, dermatology, analgesia and anaesthesia, cardiovascular and internal medicine.</p> <p>Products: The majority of products in our portfolio are Prescription Only Medicines (POMs) that are 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, which together create a broad offering within each therapeutic area.</p>	<p>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 in new territories.</p>
Food producing Animal Products (FAP)  11.7% of Group revenue	<p>Species: Poultry, pigs and an increasing presence in cattle.</p> <p>Key therapeutic sectors: Water soluble antibiotics, vaccines, locomotion (lameness) and pain management.</p> <p>Products: Our products are predominantly POMs that are prescribed by veterinarians who work in either specialist veterinary practices or professional farming units.</p>	<p>With approximately two thirds of all global animal health sales being FAP, Dechra is underweight relative to the overall market and many competitors.</p>
Equine  8.6% of Group revenue	<p>Species: Horses and ponies.</p> <p>Key therapeutic sectors: Lameness and pain management.</p> <p>Products: Dechra offers a wide range of products supporting the equine veterinarian, from pain management to products for anaesthesia, dermatology, critical care, reproduction, euthanasia and vaccines.</p>	<p>Veterinarians that specialise in horses operate out of either mixed practices or, increasingly, specialist equine centres.</p> <p>Compared to companion and food producing animals, the number of horses in the world is relatively small and as such, the market potential is limited. The market can be divided roughly into high performance sports horses, leisure horses and ponies.</p>
Nutrition  5.1% of Group revenue	<p>Species: Dogs and cats.</p> <p>Key therapeutic sectors: Our specialist pet diets are available to support the wellbeing of animals with numerous therapeutic conditions.</p> <p>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.</p>	<p>The global pet food market is huge and dwarfs the animal pharmaceuticals market. The veterinarian's recommendation is highly respected and valued by their client, the pet owner, which allows specialist nutrition products to take a small but significant part of the overall pet food market.</p>

Key trends and our response

The principal driver of growth in companion animal markets is increasing pet ownership, particularly among younger demographics, and the pet owners' compassion for their animals.

Expenditure on companion animals continues to grow due to advances in nutrition, increased competence in managing complex conditions by veterinarians, and increasing options for preventative healthcare and wellness.

The key driver for growth in this sector is a huge increase in the global demand for high quality animal protein and dairy products due to the rise in world population. Vaccines are the biggest growth sector of the veterinary market and are anticipated to continue to outgrow therapeutic treatments.

There is also increasing awareness of the need for better animal welfare standards, such as pain control during procedures such as pig castration and tail docking in sheep.

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

Expenditure on companion animals continues to grow due to increasing pet ownership, willingness to spend on the pet's health, 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 position and growth opportunity

The CAP market was where Dechra established its market position and continues to be by far our main sector. Dechra has developed a strong reputation for providing specialist and clinically necessary novel products. We also supply a range of complementary generic products in key therapeutic sectors where we are seen as the company of choice by many veterinarians.

We will continue to invest in R&D 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.

Dechra entered the FAP sector through the acquisition of Eurovet in 2012 and it currently represents 11.7% of Group revenue. The majority of our FAP sales are our market leading swine and poultry water soluble antibiotics sold mainly into Europe.

We also have a growing vaccines portfolio, where we continue to seek marketing authorisations in new territories, particularly in those countries where livestock numbers are significant.

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.

Dechra's focus lies in therapeutic diets sold under the *Specific* brand, which are not available for self-selection through supermarkets and require advice from the veterinarian. Despite the highly competitive nature of the pet food market, we are able to differentiate our position through the use of higher quality ingredients, innovation and the complementary nature of our pharmaceuticals.

Business Model

We Operate Across the Entire Animal Health Value Chain

Our objectives are to innovate, develop, register, manufacture, supply and market high quality products to the veterinary profession worldwide. We also offer high levels of service, technical support and educational training to promote the Dechra brand and to develop a strong relationship with, and be recognised as an important partner to, veterinarians worldwide.

Our Key Assets and Resources

Values and Culture

As a relatively small business in a very large market, the agile and entrepreneurial way in which we operate gives us a competitive edge against companies several times larger than ourselves.

Technology

We are increasingly investing in technology to underpin our future growth aspirations. Embracing new technologies also extends to the way in which we engage with our end customer, the veterinarian.

The Best People

From research and development teams through to the sales representatives who educate veterinarians on the clinical benefits of our products, we believe we have the very best in the industry.

Financial Discipline

Our high profit margins and strong cash generation allow us to pay down debt quickly, resulting in a robust balance sheet. This enables us to adhere to our capital allocation policy by investing in organic growth, paying a dividend and pursuing opportunistic acquisitions.

Sustainable Mindset

We are a Purpose driven organisation, and this long term, sustainable way of thinking extends across the Group. We have made significant progress over recent years in developing an ambitious Sustainability strategy, increasing awareness within the business and driving genuine change.



Read more about
Our Strategy
on pages 32 to 35

Read more about
Our Products
on pages 26 and 27

Veterinary professionals
109,691
Dechra Academy users

Shareholders
3,471%
Total shareholder return
from IPO to 12 April 2023

People
602
New employees

Communities
£432k
Cash donations

Suppliers
15 Number of
quality audits

Environment
13%
Reduction in GHG emissions
intensity ratio

Our Impact and Value Creation

Our Key Activities

1

Innovate, Develop and Register

Our development pipeline is spread across novel entities, differentiated generics, generics and lifecycle management projects in all 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.
- our talented veterinary scientists extensively screen scientific papers looking for new human medicine-related technologies that might have an application in animal health.

Innovative Products that Treat a Range of Conditions

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 and positions Dechra as a market leader within our chosen therapeutic areas.

In-house Product Development vs External Partnership

Our R&D laboratories are located at our manufacturing sites, allowing us to emulate the manufacturing processes and making the in-house R&D cycle more effective. In addition, we also pursue opportunities to partner with select third parties to develop new products in areas where we do not necessarily have the required expertise.

Global Registration 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. This is an ongoing process in territories where we already hold marketing authorisations and also new international markets we are looking to enter.

2

Manufacture and Supply

The principal objective of our Manufacturing & Supply division is to deliver safe, efficacious, cost effective, high quality products on time and in full every time. Batch runs for veterinary medicines are often relatively small compared to human medicines, making manufacturing a key competency of the Group and an important barrier to entry.

Our Range of Competencies

We have a wide range of competencies across our eight manufacturing sites including tablets, creams, liquids, ointments, powders, vaccines and sterile injections that can be packed in a multitude of different presentations.

In-house vs Third Party Manufacturing

We currently manufacture around 50% of our products in-house. To complement our in-house production, we also have a network of third party Contract Manufacturing Organisations (CMOs) that is an important part of our business. This network is utilised where there are competencies and dosage forms that we do not have, or where we have long term agreements that prevent in-house manufacturing of some products. However, we have a long term strategy to migrate more products into our own production facilities through an ongoing process of technical transfers.

An International Supply Chain

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.

3

Route to Market

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

Specialised Veterinary Wholesalers

The majority of veterinary practices worldwide are supplied through specialised veterinary wholesalers that operate as one-stop shops. They stock the majority of items veterinary practices need such as pharmaceuticals, equipment and consumables, 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.

As such, although our customer is the veterinarian, in most major markets it is the wholesaler who we actually generate direct revenue from.

International Distribution Partners

We have a presence in 62 countries where we do not have our own sales and marketing organisation and instead sell through international distribution partners. This network provides a valuable entry point to emerging markets where we look to establish a presence.

Country Specific Exceptions

There are a few markets, such as Germany and the Netherlands, that are not fully supported by veterinary wholesalers and where we therefore offer direct supply.

There are also some instances where legislation enforces all pharmaceuticals to be sold through pharmacies, such as Denmark, Italy, Norway and Sweden.

Our Key Activities

4

Customers

Our customers are veterinary professionals operating in veterinary practices and major farming units. It is they who our products and sales and marketing activities are mainly targeted at, and is why the Dechra brand is deliberately positioned as 'The Veterinary Perspective'.

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 also have a range of complementary non-prescription products. Our product range includes novel, generic-plus (or differentiated generic) and generic products in key therapeutic areas, in particular endocrinology and anaesthesia and analgesia.

5

Sales and Marketing

Our relationship with veterinarians is crucial and, to this end, we provide added value services to complement our broad product portfolio. 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 26 countries, predominantly in Europe, North America, Brazil and ANZ. In 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:
[dechra.com/about/
our-business](http://dechra.com/about/our-business)



Our Key Strengths

We have a number of key strengths that supplement our business model, support the delivery of our strategy and help us to impact animal health and welfare globally.

1

Well Recognised Brand

We are recognised as a global animal health company with a strong and growing reputation as a provider of high quality, specialist veterinary medicines and related products in our chosen therapeutic areas. This has been underpinned further this year by the launch of our new brand positioning, the Veterinary Perspective.

2

Breadth of Products

We are a global leader in veterinary endocrinology and topical dermatology and 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 and specialist nutrition. We have a highly diversified portfolio covering novel, generic and generic plus products that are typically non-discretionary prescription only medicines.

3

Weighting Towards CAP and Innovation

Although we have a presence across different product categories, we are deliberately focused on bringing innovation to the higher margin CAP market that is proven to be highly resilient and set to benefit from numerous long term structural growth drivers.

4

Strong Industry 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. Furthermore, our networking within the industry is a key driver in finding new product development and acquisition opportunities. We also have an important network of third party CMOs who produce around half of all our products.

5

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.

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.



Portfolio Focus

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

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 9**



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

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

- 2 5 7 8**



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 our product portfolio through acquisitions.

Link to our KPIs

- 2 3 4 5**

Link to our risks

- 6 7**

Our Strategic Enablers



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



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



People

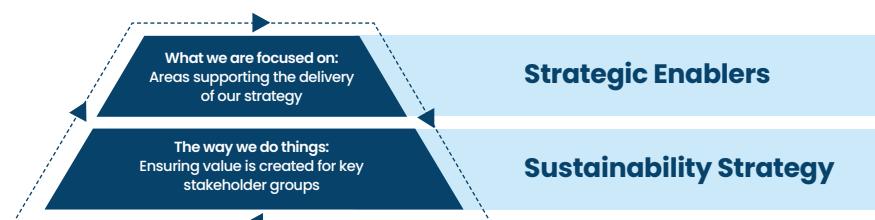
Our people strategy underpins everything we do in the business. We have a well-defined plan to build talent, develop people and strengthen the Dechra Culture.

Link to our KPIs

6 7

Link to our risks

7 9



Our Sustainability Strategy



Our Business

Provide sustainable products, education and technical support to veterinarians



Our Environment

Minimise our impact on the environment



Our People

Be a great and safe place to work



Our Community

Give back to the communities in which we operate

Key to KPIs

- 1** Existing 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** Climate Risk
- 10** Cyber Security and IT Failure Risk



View our sustainability website:
dechra.sustainabilityreport2023.com/

Delivering Our Strategy

Our Strategic Growth Drivers



Pipeline Delivery

Our Achievements

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

2022

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

Our Progress in 2023

- Invested a record £57.5 million into R&D in the year, representing 7.6% of revenue
- Zenalpha rolled out across Europe
- Launched Zycosan in the US market



Portfolio Focus

Our Achievements

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

2022

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

Our Progress in 2023

- Entered the US FAP market for the first time through acquired Med-Pharmex portfolio
- Launched new brand positioning 'The Veterinary Perspective'



Geographical Expansion

Our Achievements

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 Vetyl®, 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 market

2022

- Launched Oosphos® and Zycortal in Brazil
- Established a new legal entity in South Korea

Our Progress in 2023

- Commenced trading in South Korea
- Established own sales and marketing organisation in Switzerland



Acquisition

Our Achievements

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%

2022

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

Our Progress in 2023

- Acquired Piedmont Animal Health, Inc, a product development company in the US
- Acquired Med-Pharmex Holdings, Inc, an established platform business with a number of products already approved and established in the US market

Our Strategic Enablers



Manufacturing & Supply Chain



Technology



People

Our Achievements

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

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 a new quality management system (Veeva) and to move most manufacturing sites onto a single consolidated ERP system

Our Progress in 2023

- In-house manufacturing now approximately 50% following a number of technical transfers into Skipton and Zagreb sites
- Significant capital investment in Skipton site to create additional space and improve workflows
- First phase of Veeva rollout successfully completed across five manufacturing sites
- Appointment of Non-Executive Director
- Remained a Living Wage (or equivalent) employer globally, supporting employees through the cost of living challenges

Strategy in Action

Strategic Enabler



Manufacturing & Supply Chain

Investment at the Skipton Facility

The Skipton site manufactures a comprehensive range of products, across solid dosage forms of tablets and capsules, liquids, creams and ointments and terminally sterilised, principally for CAP. The site employs 250 people, is licensed by the VMD and FDA and includes a Pharmaceutical Product Development laboratory.

In 2021 the Board approved the first of a three phase development plan, and the site has recently embarked on its implementation. The investment of £5.7 million included the expansion of the site footprint through the acquisition and refurbishment of a neighbouring building. This has enabled the site to increase volumes by transferring product previously manufactured at third party contract manufacturers and the introduction of new products. It has also delivered a number of other key benefits, namely:

- more efficient material storage and workflow around the site, with segregation of traffic types providing improved levels of employee protection;
- enhanced sustainability credentials, through the installation of photovoltaic cells and increased levels of insulation;
- further improved levels of quality and security compliance;
- better work environment for employees and visitors; including open plan office areas, welfare facilities, meeting rooms, visitors reception, training facilities, a collaboration space and increased parking and EV charging facilities;

- a new Quality Control laboratory with increased footprint and modernised facilities, fixtures and fittings; and
- expansion and refurbishment of the Product Development laboratory and pilot facilities.

As well as the physical changes to site, the team has also led the way in adopting new ways of working by implementing a 36 hour week with revised start and finish times to facilitate a nine day fortnight (further information can be found in Stakeholder Engagement: Employees). These improvements are part of the site's ambition to build a great place to work which attracts and retains a talented workforce and provides them with the facilities and culture in which they can thrive.

Phase 1 was completed in August 2023 and was delivered to budget with no disruption to product supply. This is testament to the dedication of the team involved, both Dechra employees and the locally based contractors who have contributed to the success of the project.

As Phase 1 ends the focus turns to Phase 2, which will involve the installation of the next generation of processing equipment to provide Skipton with further levels of capacity, capability and compliance to support growth in volumes and revenue, and will position the Skipton site as the 'centre of excellence' for solid dose supply.



Strategic Growth Driver



Acquisition

Acquisition of Piedmont Animal Health

On 21 July 2023, Dechra acquired Piedmont Animal Health Inc, a Greensboro, North Carolina based company specialising in the development and approval of novel products for the companion animal market. This strategic acquisition added several complementary and innovative CAP products to Dechra's PDRA pipeline, a team of 18 development experts and an in-house laboratory with early stage development capability. The primary goal of the transition was to preserve the development and approval timelines for the pipeline products whilst simultaneously assimilating the Greensboro team into the Dechra systems and ways of working. To achieve this objective, we approached the integration from three angles:

Seamless transition of the legal and financial processes that support development work

While early stage investigative work was done in-house, Piedmont partnered with contract development organisations to fully develop and obtain product approvals. Within three months of acquisition, all existing Piedmont suppliers and open purchase orders were successfully transitioned into Oracle and the team was leveraging Dechra systems and processes to pay for development work. Further, this workstream necessitated close interaction with the Dechra legal and finance teams; as a result the Greensboro team mastered Dechra processes for new quotation and contract review and execution, as well as supplier approval and set-up within Oracle.

Enable the Greensboro team to successfully operate within the greater Dechra network

The integration lead worked closely with personnel across several divisions to map out the roles and responsibilities of each department, how each department would interact with Greensboro and to set up introductory calls or in-person visits. This included, but was not limited to Quality, HSE, Product Launch, Labelling, External Network and Marketing. This enabled the Greensboro team to understand which departments they needed to work with for the various scopes of work and to form relationships with key stakeholders across the business.

A strong focus on talent retention

It was critical to retain the significant expertise and experience of the team through the integration period and beyond. A heavy emphasis was placed on routine face to face check ins with each team member and proactively fielded feedback, concerns, questions and unexpected issues. In this manner, the anxiety and stress that inevitably accompanies change was minimised, allowing for more rapid and smoother adjustment to Dechra by the team.

Summary

This acquisition is an example where Dechra needed to balance the competing tension between integration and development work in order to achieve a successful transition. The collaborative effort between the Dechra and the Piedmont teams allowed us to successfully strike this balance as evidenced by on-time, per plan submission of major technical sections for lead pipeline projects, the Greensboro team effectively leveraging Dechra systems and processes, and retention of all key talent throughout the transition. That said, Dechra is proactively applying the learnings from this integration process to further hone and optimise our approach to company acquisitions.

Product Development

Product Development

It is our mission to improve animal health and welfare globally, and as such the wellbeing of animals used in the development of our products is always a top priority. In line with that commitment, we carefully consider the responsible use and humane treatment of animals in all of our 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 in vitro systems, computer models or 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 as dictated by country specific requirements.

We are committed to the following principles:

- We will comply with all relevant regulations.
- Any 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 3“R’s”.
- Animals will be treated humanely with greatest consideration given to their health and welfare and consistent with meeting the necessary scientific objectives.
- All studies conducted by or on behalf of Dechra will be reviewed by an Animal Welfare Committee or similar oversight committee.
- For clinical trials involving client owned animals an owner consent will be obtained and the study will be reviewed by Dechra’s Animal Welfare Committee.

The Difference Between Novel, Generic and Generic Plus Products

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

- **Novel:** are products registered for the first time and require the submission of a dossier containing three key sections for the registration process:
 - Safety: examines risks to the environment, the human administrator of the product, as well as the safety of the product in the target animal at multiples of the intended dose
 - Efficacy: includes the study(ies) in which the best dose is identified, and the effectiveness of the drug is demonstrated in animals with the targeted disease
 - Manufacturing: the quality and purity of the product are demonstrated along with proof that the product can be manufactured consistently through the production of several independent large scale batches
- **Generic:** are products that are near identical to an already registered pioneer product and contain the same chemical substance(s). Approvals for a generic 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 intravenous injection or those not absorbed from the digestive system. The manufacturing section for a generic may require fewer pilot batches than for a pioneer drug, but the emphasis on quality and purity is identical.
- **Generic Plus:** are products which are approved as a generic but improve on it through the development of a better formulation, dosage form, delivery system or packaging. It may include use in additional species or for additional indications.

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 for best practices and appropriate ethical treatment;
- promotes awareness of animal welfare and subscribes to the guiding principles of 3R’s (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;

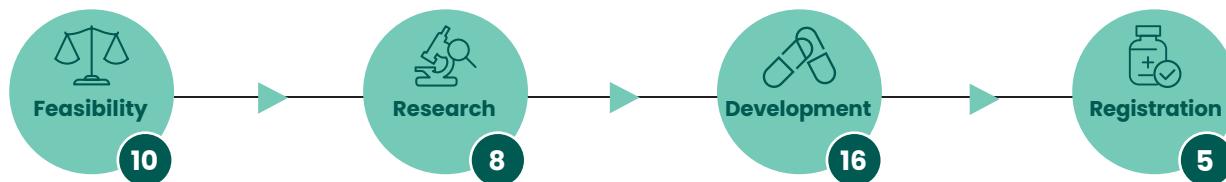
- provides critical feedback by asking questions and freely communicating with the researchers; and
- is comprised of veterinary professionals, members educated in science and regulations, and member(s) that represent the public-at-large who ensure the research follows the Company’s position on animal welfare.

The Committee holds twice yearly meetings in which the Committee 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 Committee 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.



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-licence opportunities are evaluated for strategic fit within these sectors. Therapies outside 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 cross-functional Therapeutic Area Leadership (TALT) and Business Development (BD) Teams, 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 necessary pilot data is 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 often 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**.

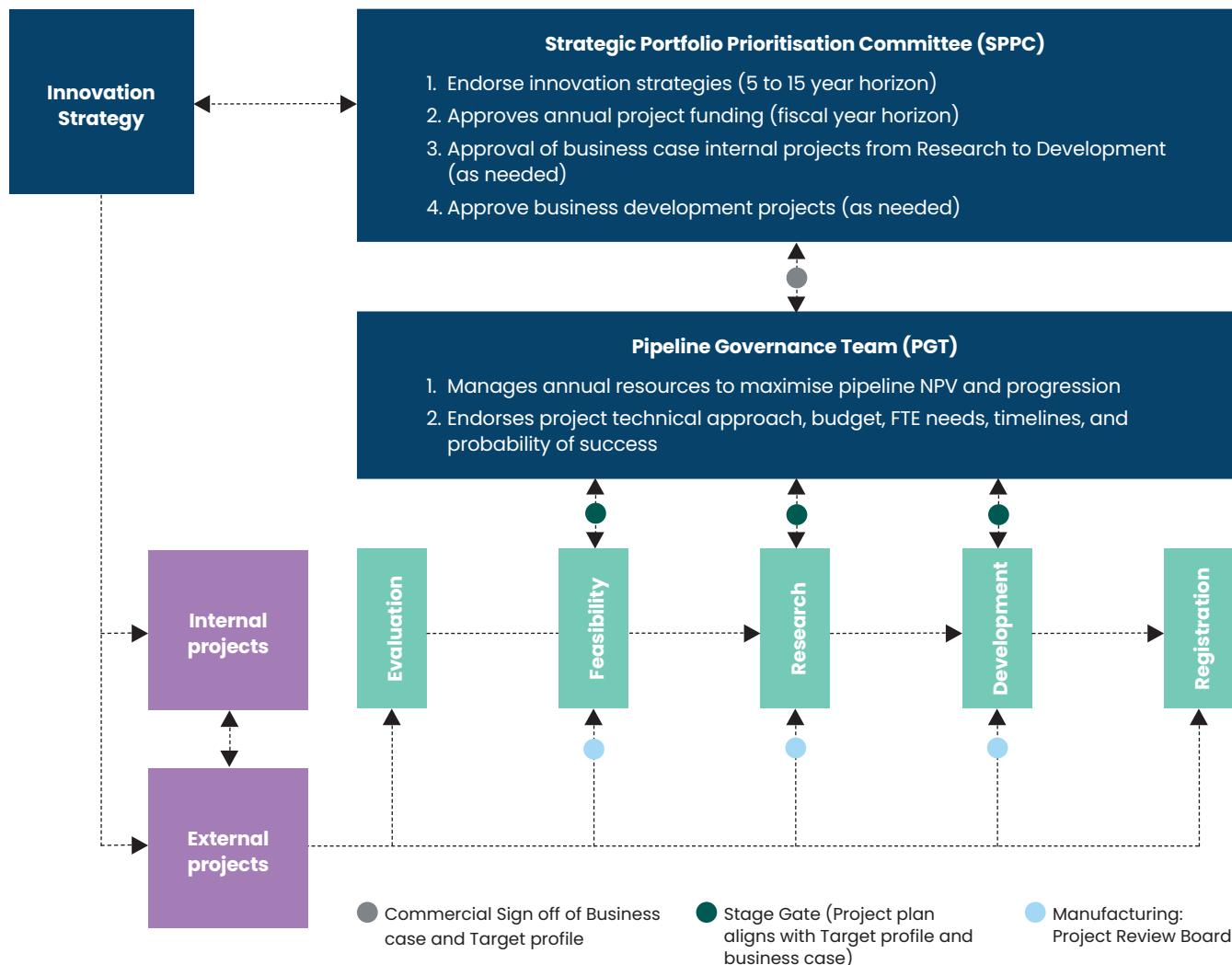
The whole process from beginning to end can take between three and ten years before **LAUNCH**, depending on the complexity and nature of the product.

Stage Gate Process

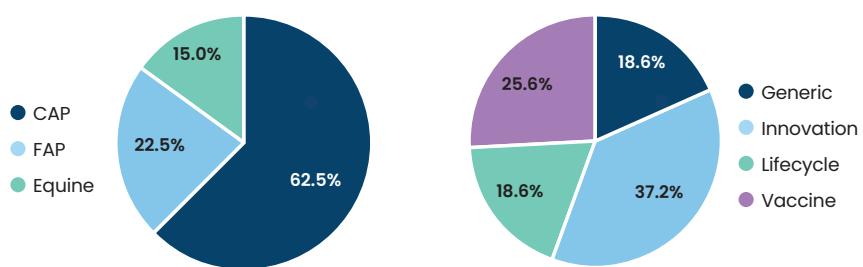
The Pipeline Governance Team (PGT) analyses each project after each phase for technical or regulatory risks and issues, and for any changes to the business case. Pipeline strategy and annual project resource allocations are endorsed by the Strategic Portfolio Prioritisation Committee (SPPC) based on their overall commercial and strategic value within resource constraints.

Read more about our **Pipeline Delivery** on pages to 40 and 41.

Product Development



Pipeline by Number of Projects



Product Pipeline

The table below 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.

Evaluation		Development	
CAP/Equine	FAP	CAP/Equine	FAP
<p>New opportunities are constantly being evaluated and will move into Feasibility quickly if of interest.</p>			
Feasibility		Development	
CAP/Equine	FAP	CAP/Equine	FAP
● Antibiotic for Dogs and Cats	● Poultry Vaccine	● Anaesthetic for Dogs and Cats	● Poultry Vaccine
● Renal Therapy for Cats	● Poultry Vaccine	● Dermatological Therapy for Dogs	● Poultry Vaccine
● Antibiotic for Dogs and Cats		● Dermatological Therapy for Dogs	● Poultry Vaccine
● Dermatological Therapy for Dogs		● Cardiovascular Therapy for Dogs	● Poultry Vaccine
● Dermatological Therapy for Dogs		● Dermatological Therapy for Dogs	
● Anti-Viral Therapy for Cats		● Endocrine Therapy for Dogs	
● Endocrine Therapy for Dogs		● Gastrointestinal Therapy for Cats	
● Ophthalmic Therapy for Dogs		● Analgesic Therapy for Horses	
Research		Development	
CAP/Equine	FAP	CAP/Equine	FAP
● Ophthalmic Therapy for Dogs	● Poultry Vaccine	● Horse Vaccine	
● Endocrine Therapy for Cats		● Horse Vaccine	
● Endocrine Therapy for dogs		● Horse Vaccine	
● Antibiotic for Dogs		● Endocrine Therapy for Horses	
● Analgesic Therapy for Dogs			
● Analgesic Therapy for Dogs			
● Gastrointestinal Therapy for Horses			
Registration		Development	
CAP/Equine	FAP	CAP/Equine	FAP
● Antibiotic for Cats		● Antibiotic for Cattle and Pigs	
● Gastrointestinal Therapy for Dogs			
● Endocrine Diagnostic			
● Endocrine Therapy for Dogs			

Key to Product Pipeline

● Analgesic, Anaesthesia, Anti-inflammatory	● Dermatology	● Vaccines
● Antibiotic	● Endocrinology	● Ophthalmology
● Anti-Viral	● Gastrointestinal	● Cardiovascular
	● Renal	

Global Product Offering

Analgesia, Anaesthesia and Anti-inflammatory

Key Product	Animal		COUNTRY																				INTERNATIONAL											
			Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'Ilands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas		
Atipam/Sedastop	Cats, Dogs																											1	6	5				
Carprofren/Caprovet	Dogs	●																										2						
Comfortan	Cats, Dogs																																	
Dexmedesed	Cats, Dogs																																	
Domidine	Cattle, Horses	●						●																				1	3	1				
Euthosal	Cat, Dogs, Rabbits, Cattle, Horses																														3			
Melexoral/Meloxicam	Cat, Dogs	●																													4	8		
Pardale V	Dogs																																	
Sedator/Sedastart	Cats, Dogs																														7	6		
Tilzolan	Cats, Dogs																														1	6	6	
Tralieve/Tramadol	Cats, Dogs																															3		
Isoflurane	Horses, Dogs																																	
Butorphanol	Horses																														1	3		
Rapidexon	Cat, Dogs, Rabbits, Cattle, Horses																														1	2	3	

Other products: Anesketin, Bupredine, Euthasol, Fentadon, Intubeaze, Ketamine, Meloxicolor, Myorelax, Nerfasin, Relaqueine, Rominervin, Sedadex, Sympagesic, Tranquinervin, Willcain

Antibacterial and Antibiotics

Other products: Gentacalm, Muricin

Dermatology and Care

Other Dermatology and Care: 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'Ilands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S. Korea	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Felimazole	Cats	●	●	●																								3	5		
Forthryon/ Thyroxine/ Thyroxanil	Dogs		●	●	●																							4	8		
Vetoryl	Dogs		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		5	10		
Zycortal	Dogs		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	4	9			

Other Endocrinology products: Cosacthen

Lameness		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	S Korea	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Cyclospray	Cattle, Pigs, Sheep																										1	2	10		
Equipalazone	Horses																										6	2			
HY-50	Horses																										5	1			
Oosphos	Horses																										5	3			
Phycox	Dogs, Horses																														

Nutrition		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	S Korea	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Specific	Cats, Dogs																										1	10			

Water Solubles		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	S Korea	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Altidox	Pigs, Chickens, Turkeys																														
Otacillin/Solamocta	Pigs, Chickens, Turkeys																										1	4	3		
Solodox	Pigs, Chickens, Turkeys																										3	5	2		

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

Vaccines		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	S Korea	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Avishield ND	Chickens, Turkeys																										3	7	6		
Excell 10	Cattle, Pigs, Sheep, Goats																										5				
Vencomax	Dogs																										1	1	8		

Other Brands		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	S Korea	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Cardisure	Dogs																										7	9			
Isathal	Cats, Dogs, Rabbits																										4	5			
Libromide	Dogs																											2			
Mirataz	Cats																										5	7			
Phenoleptil	Dogs																											4			
Prednicortone	Cats, Dogs																										1	7			
Prevomax	Dogs																										8	7			
Tri-Solfen	Cattle, Pigs, Sheep																										1				
Vetivex	Cat, Dogs, Cattle, Horses																											1			

Other products: Apovomin, Fruesdale, Hypertonic, Laxattract, Lubrithal, Ophtocycline, CleanOcular, Puralube, Vetropolyclin

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

Financial Review



"End user demand for our products has remained strong and our increased investment in R&D will help to fuel future growth."

Paul Sandland
Chief Financial Officer

Glossary

IFRSs: UK-adopted International Financial Reporting Standards

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

FAP: Food producing Animal Products

bps: basis points

Operating profit (EBIT) margin: operating profit as a percentage of revenue

Underlying 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

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.

Including non-underlying items, the Group's consolidated operating profit decreased by (89.8)% at CER ((93.4)% at AER). Consolidated profit before tax decreased by (141.4)% at CER ((146.5)% at AER), a greater decline than operating profit due to an increase in net finance costs including a higher impact from the unwind of the discount associated with contingent consideration liabilities.

Existing operating profit of £96.0 million includes underlying operating profit of £168.8 million and non-underlying charges of £(72.8) million principally relating to amortisation of intangibles and cloud computing costs (further detail is provided below). The acquisition operating loss of £(89.7) million includes an underlying operating loss of £(3.7) million and non-underlying charges of £(86.0) million reflecting to the impairment of an acquired intangible relating to one of the near term candidates in the Piedmont product pipeline, the amortisation of acquired intangibles, the unwind of the fair value uplift on inventory, expenses relating to acquisitions and subsequent integration activities, and costs associated with the acquisition of the Company by Freya Bidco Limited.

Diluted EPS was (140.7)% lower than the prior year at CER ((146.0)% at AER) reflecting the combined effect of a lower profit before tax and higher share capital following the equity raise in July 2022.

Reported segmental performance is presented in note 2.

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 and product rights acquired in the current and prior year, reported on a 'like-for-like' basis.

Reported	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Growth at AER Consolidated	Growth at CER Consolidated
Revenue	728.6	32.9	761.5	681.8	11.7%	5.5%
Gross profit	418.4	7.9	426.3	384.8	10.8%	4.9%
Gross profit %	57.4%	24.0%	56.0%	56.4%	(40) bps	(30) bps
Operating profit/(loss) (EBIT)	96.0	(89.7)	6.3	95.5	(93.4)%	(89.8)%
Operating profit (EBIT) %	13.2%	(272.6)%	0.8%	14.0%	(1,320) bps	(1,270) bps
Profit/(loss) before tax	64.5	(100.6)	(36.1)	77.6	(146.5)%	(141.4)%
Diluted EPS (p)			(24.59)	53.40	(146.0)%	(140.7)%

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 and expenses related to acquisitions and subsequent integration activities, 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, impairments and costs associated with acquisitions and subsequent integration activities are excluded, underlying earnings will be higher than total Reported earnings.

A reconciliation of underlying results to total Reported results in the year to 30 June 2023 is provided in the table below. In the commentary which follows, all references will be to CER movement unless otherwise stated.

	Non-underlying Items				2023 Reported Results £m
	2023 Underlying Results £m	Amortisation and related credits of acquired intangibles and associates £m	Acquisition, impairments and cloud computing costs £m	Tax rate changes and finance expenses £m	
Revenue	761.5	–	–	–	761.5
Gross profit	429.6	–	(3.3)	–	426.3
Selling, general and administrative (SG&A) expenses	(207.0)	(67.4)	(84.8)	–	(359.2)
Research & Development (R&D) expenses	(57.5)	(3.3)	–	–	(60.8)
Operating profit (EBIT)	165.1	(70.7)	(88.1)	–	6.3
Net finance costs	(23.8)	–	–	(17.7)	(41.5)
Share of associate (loss)	(1.0)	0.1	–	–	(0.9)
Profit/(loss) before tax	140.3	(70.6)	(88.1)	(17.7)	(36.1)
Taxation	(32.4)	16.8	20.1	3.7	8.2
Profit/(loss) after tax	107.9	(53.8)	(68.0)	(14.0)	(27.9)
Diluted EPS (p)	94.57				(24.59)

Consolidated revenue increased 5.5% on the prior year to £761.5 million. This included £728.6 million from the existing business, an increase of 1.2% on a like-for-like basis and £32.9 million from acquired businesses and product rights.

Consolidated underlying EBIT decreased (10.8)% to £165.1 million. This included £168.8 million from Dechra's existing business, a decrease of (8.8)% where underlying EBIT growth in European (EU) Pharmaceuticals and Corporate cost savings were offset by a decline in both North American and International Pharmaceuticals plus an increase in Research & Development (R&D) costs due to ongoing investment in our existing pipeline. There was a £(3.7) million loss relating to acquired businesses and product rights in the year, mostly reflecting the net impact of R&D costs relating to the acquisition of Piedmont Animal Health, Inc and the profit contribution from Med-Pharmex Holdings, Inc. Although underlying EBIT declined overall, excluding the £25.1 million increase in R&D expenses it actually increased 1.4% to £222.6 million, largely driven by performance in the EU Pharmaceuticals segment.

Underlying EBIT margin decreased by (400) bps to 21.7%. The main driver of this was the planned increase in R&D as noted above, whilst there were also strategic investments made within operating costs to underpin the Group's future growth. Underlying diluted EPS declined by (26.8)% to 94.57 pence due to the combined effect of a lower underlying operating profit, higher finance costs and the dilutive impact of the equity raise.

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

Underlying	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	Growth at CER		
				2022 £m	Existing	Consolidated
Revenue	728.6	32.9	761.5	681.8	1.2%	5.5%
Gross profit	418.4	11.2	429.6	385.3	2.9%	5.6%
Gross profit %	57.4%	34.0%	56.4%	56.5%	100 bps	0 bps
Operating profit/(loss) (EBIT)	168.8	(3.7)	165.1	174.3	(8.8)%	(10.8)%
Operating profit (EBIT) %	23.2%	(11.2)%	21.7%	25.6%	(260) bps	(400) bps
EBITDA	186.0	(2.3)	183.7	190.6	(7.9)%	(9.1)%
Diluted EPS (p)			94.57	120.84		(26.8)%
Dividend per share (p)			12.50	44.89		(72.2)%

Financial Review

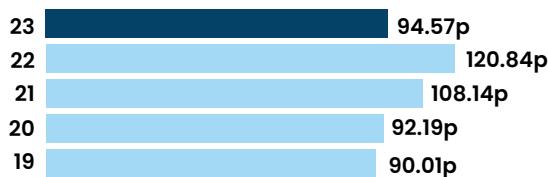
Underlying Segmental Performance

The effect of acquisitions in the year was material; the underlying 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 that first year of ownership, 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.

Underlying	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Growth at AER		Growth at CER	
					Existing	Consolidated	Existing	Consolidated
Total revenue	728.6	32.9	761.5	681.8	6.9%	11.7%	1.2%	5.5%
EU Pharmaceuticals	343.5	-	343.5	323.2	6.3%	6.3%	4.3%	4.3%
NA Pharmaceuticals	298.0	32.9	330.9	275.1	8.3%	20.3%	(2.0)%	8.9%
International Pharmaceuticals	87.1	-	87.1	83.5	4.3%	4.3%	(0.8)%	(0.8)%
Gross profit	418.4	11.2	429.6	385.3	8.6%	11.5%	2.9%	5.6%
Gross profit %	57.4%	34.0%	56.4%	56.5%	90 bps	(10) bps	100 bps	0 bps
SG&A expenses	(199.8)	(7.2)	(207.0)	(178.6)	(11.9)%	(15.9)%	(6.6)%	(10.3)%
R&D expenses	(49.8)	(7.7)	(57.5)	(32.4)	(53.7)%	(77.5)%	(45.4)%	(67.0)%
Underlying operating profit	168.8	(3.7)	165.1	174.3	(3.2)%	(5.3)%	(8.8)%	(10.8)%
EU Pharmaceuticals	107.7	-	107.7	103.4	4.2%	4.2%	2.3%	2.3%
NA Pharmaceuticals	92.2	4.0	96.2	87.7	5.1%	9.7%	(5.6)%	(1.6)%
International Pharmaceuticals	25.5	-	25.5	28.1	(9.3)%	(9.3)%	(13.9)%	(13.9)%
Pharmaceuticals R&D	(49.8)	(7.7)	(57.5)	(32.4)	(53.7)%	(77.5)%	(45.4)%	(67.0)%
Corporate & unallocated costs	(6.8)	-	(6.8)	(12.5)	45.6%	45.6%	45.6%	45.6%
Net finance costs	(12.9)	(10.9)	(23.8)	(31.1)	(316.1)%	(667.7)%	(335.5)%	(651.6)%
Share of associate (loss)	(1.0)	-	(1.0)	(1.2)	(16.7)%	(16.7)%	(16.7)%	(16.7)%
Profit before tax	154.9	(14.6)	140.3	170.0	(8.9)%	(17.5)%	(15.1)%	(22.9)%

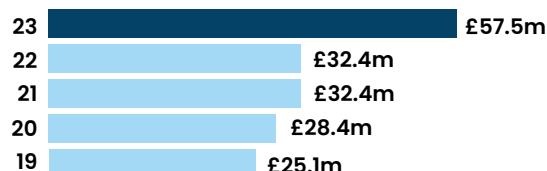
Underlying Diluted Earnings Per Share

94.57p



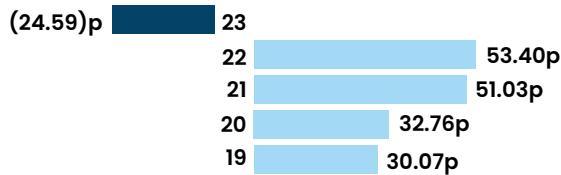
Research and Development Spend

£57.5m



Reported Diluted Earnings Per Share

(24.59)p



European Pharmaceuticals

Revenue in European (EU) Pharmaceuticals increased by 4.3% to £343.5 million, with all of this growth coming from the existing business. The EU segment now excludes the International Pharmaceuticals division, which is disclosed separately below, but does include revenue of £6.2 million related to third party contract manufacturing (2022: 9.5 million), which is a non-core part of the Group and decreased again this year. Excluding this third party revenue, growth of the core European Pharmaceutical business was 5.5%, reflecting a robust performance given country specific dynamics such as wholesaler de-stocking in the UK, local generic competition in the Netherlands and unpredictable demand in other European markets.

Operating profit increased by 2.3% with operating margin decreasing by (60) bps to 31.4%, which was largely driven by higher distribution and operating costs although we have remained pro-active in looking to offset inflationary headwinds through sales price action taken during the year.

	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Growth at CER	
					Existing	Consolidated
Underlying						
Revenue	343.5	-	343.5	323.2	4.3%	4.3%
Operating profit	107.7	-	107.7	103.4	2.3%	2.3%
Operating profit %	31.4%	-	31.4%	32.0%	(60) bps	(60) bps

North American Pharmaceuticals

Total revenue from North American (NA) Pharmaceuticals increased 8.9% year-on-year to £330.9 million, reflecting existing revenue of £298.0 million and acquisition revenue of £32.9 million. Like-for-like revenues decreased (2.0)% as the NA business was impacted by significant wholesaler de-stocking across the industry during the second half of the financial year. The vast majority of our NA revenue is derived from sales made to wholesalers rather than direct to veterinary practices; therefore although sales out from wholesalers to practices remained consistently strong, we experienced a one-off adverse impact whilst wholesalers reduced their inventory levels.

Acquisition revenue consists of £28.9 million related to Med-Pharmex (acquired on 26 August 2022) and a further £4.0 million from various product rights acquired during the prior year for which there is no comparative.

Operating profit from the existing business decreased (5.6)% with operating margin decreasing (120) bps due to investment in sales and marketing teams to support future growth of the business as we expect the NA business to become the largest part of the Group next financial year. Consolidated operating margin decreased (310) bps due to the dilutive impact from Med-Pharmex this year, where the revenue and profit contribution were lower than originally expected due to one-off factors related to planned quality improvement works and supply chain challenges on some of the higher margin products.

	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Growth at CER	
					Existing	Consolidated
Underlying						
Revenue	298.0	32.9	330.9	275.1	(2.0)%	8.9%
Operating profit	92.2	4.0	96.2	87.7	(5.6)%	(1.6)%
Operating profit %	30.9%	12.2%	29.1%	31.9%	(120) bps	(310) bps

International Pharmaceuticals

Revenue from our International Pharmaceuticals segment, disclosed for the first time in this report, was £87.1 million. This represented a decline of (0.8)% for the year overall, but a strong recovery in the second half of the year when sales grew 10.0% following a decline of (9.0)% in the first half. The marked difference in performance during the year reflects the impact of establishing our own sales and marketing organisation in South Korea, whereby no revenue was generated during the first seven months, and disruption caused by a change of nutrition distribution partner in Japan.

Operating profit decreased (13.9)% compared to the prior year, largely due to a full year of costs relating to the newly established South Korean subsidiary but without a full year profit contribution.

	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Growth at CER	
					Existing	Consolidated
Underlying						
Revenue	87.1	-	87.1	83.5	(0.8)%	(0.8)%
Operating profit	25.5	-	25.5	28.1	(13.9)%	(13.9)%
Operating profit %	29.3%	-	29.3%	33.7%	(450) bps	(450) bps

Financial Review

Pharmaceuticals Research and Development

Pharmaceuticals Research and Development (R&D) expenses grew significantly in the year to £57.5 million or 7.6% of revenue (2022: £32.4 million and 4.8% of revenue). This represented a 280 bps increase in R&D expenditure and therefore was a key driver of the overall EBIT margin decline of (400) bps.

The increase in spend was as planned and in line with our original guidance of between 7% and 8% of revenue, driven by both ongoing investment in our existing pipeline together with development of the eight candidates acquired from Piedmont. In particular, spend included £14.2 million in relation to Akston (2022: £3.3 million), which remains on track for approval of the dog insulin product in 2026.

Revenue by Product Category

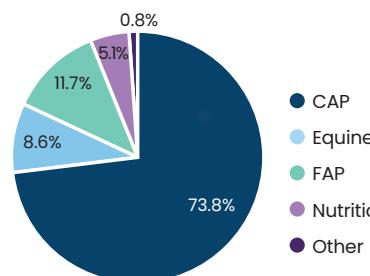
The pharmaceutical product categories of CAP, FAP and Equine all delivered growth in the year. CAP continues to be the largest proportion of the business at 73.8% of total revenue and we delivered another year of growth despite the high comparatives and disruption in the wholesaler channel as explained above. FAP performed well, reflecting a benefit from the Med-Pharmex portfolio applied to a relatively small base, whilst Equine was the strongest category this year.

Nutrition sales were impacted by operational changes in South Korea and Japan as noted above, but nonetheless grew in total. Other revenue decreased year-on-year and remains a small, non-core part of the business. The majority of this revenue is generated from one remaining third party contract manufacturing arrangement relating to a feed supplement at our Zagreb facility.

Revenue	2023 £m	2022 £m	Change at AER	Change at CER
CAP	562.6	508.4	10.7%	3.9%
FAP	89.0	78.8	12.9%	8.5%
Equine	65.2	49.5	31.7%	25.1%
Subtotal Pharmaceuticals	716.8	636.7	12.6%	6.1%
Nutrition	38.5	35.0	10.0%	8.6%
Other	6.2	10.1	(38.7)%	(40.7)%
Total	761.5	681.8	11.7%	5.5%

* 'Other' includes third party contract manufacturing revenue and other non-veterinary business

Revenue by Product Category (at AER)



Underlying Gross Profit

Underlying gross profit margin increased by 100 bps to 57.4% on an existing basis, reflecting a strong margin performance of our novel CAP portfolio in particular and effective pass-through of cost inflation through carefully implemented pricing action. On a consolidated basis, underlying gross margin was largely flat year-on-year at 56.4% due to the dilutive impact from Med-Pharmex where there was an adverse sales mix towards lower margin products.

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

Group SG&A costs grew from £178.6 million in the prior year to £207.0 million in the current year, an increase of 10.3% principally driven by people costs. Such costs include the annualised impact of salary increases across the Group, investment in additional heads, particularly in Manufacturing and the NA sales team, and consolidation of the Med-Pharmex cost base for the first time. Total SG&A costs now represent 27.2% of revenue (2022: 26.2%) reflecting good management of inflation in the like-for-like operating cost base from last year and the additional operating costs associated with Med-Pharmex and South Korea.

Corporate and Unallocated Costs

Corporate costs decreased to £6.8 million (2022: £12.5 million), driven by a lower year-on-year charge relating to incentive arrangements. Central functions remain well invested to support the continued expansion of the Group.

Finance Expense

Net underlying finance expense increased to £23.8 million (2022: £3.1 million), largely due to the additional level of borrowing as a result of the Med-Pharmex acquisition, a higher variable interest rate compared to the prior year and foreign exchange movements.

Non-underlying Items

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

- Amortisation of acquired intangibles of £71.1 million has decreased from £72.8 million in 2022 principally due to new charges relating to the Med-Pharmex acquisition being more than offset by the reducing charge from the AST Farma and Le Vet acquisition and the Eurovet acquisition intangible becoming fully amortised in the prior year;
- Unwind of a non-cash inventory adjustment of £3.3 million arising through a fair value increase in the valuation of acquisition inventory of Med-Pharmex in line with IFRS 3 'Business Combinations';
- Impairment of assets of £69.6 million relates to an acquired intangible of one of the candidates in the Piedmont product pipeline;
- Cloud computing arrangement costs of £8.5 million relating to the costs of the programme to implement the Manufacturing and Supply function's new ERP and Electronic Quality Management systems;
- Expenses relating to acquisition and subsequent integration activities of £7.5 million predominantly relating to the acquisition of Med-Pharmex (£2.8 million) and to the pending acquisition of the Company by Freya Bidco Limited (£5.0 million);

- Finance charge of £17.7 million (2022: £13.6 million) represents the charge arising on the unwind of the discount relating to the contingent consideration liability of £20.8 million, the loss on extinguishment of debt of £0.6 million and associated foreign exchange gain of £3.7 million; and
- Taxation credit of £40.6 million (2022: £18.9 million) represents the tax impact of the above items.

In addition to costs relating to the acquisition of the Company by Freya Bidco Limited that have been incurred in the year, there are anticipated future costs of £26.0 million, of which £25.0 million are contingent on completion.

Taxation

The reported effective tax rate (ETR) for the year, including the tax impact of non-underlying items, was 22.8% (2022: 25.0%). On an underlying basis the ETR increased to 23.1% (2022: 22.5%), largely reflecting the regional mix of operating profits. The main differences to the UK corporation tax rate applicable of 20.5% (2022: 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 2024. We continue to monitor relevant tax legislation internationally as it may affect our future ETR.

Earnings per Share and Dividend

Underlying diluted EPS declined by (26.8)% to 94.57 pence (2022: 120.84 pence) due to the combined effect of a lower underlying operating profit, higher finance costs driven by higher borrowing costs and additional debt taken following the acquisition of Med-Pharmex and the dilutive impact of the equity raise. The weighted average number of shares for diluted earnings per share for the year was 114.1 million (2022: 109.0 million).

The reported diluted EPS for the year was (24.59) pence (2022: 53.40 pence). The year-on-year decline in reported diluted EPS is greater than the decline in underlying diluted EPS due to the significant increase in non-underlying costs as noted above.

An interim dividend of 12.50 pence per share was paid on 13 April 2023. The ongoing acquisition of the Company by Freya Bidco Limited remains conditional upon the receipt of antitrust approval in the European Union and foreign direct investment approval in Australia, in each case to the extent required, as well as the sanction of the Scheme by the Court at the Sanction Hearing (each as defined in the scheme document dated 26 June 2023) and is expected to occur in late 2023 or early 2024. If prior to the acquisition becoming effective, any dividend is announced, declared, made or paid or becomes payable in respect of the ordinary share capital of the Company (Dechra Shares), Freya Bidco Limited reserves the right to reduce the consideration payable under the terms of the acquisition for the Dechra Shares by an amount up to the aggregate amount of such dividend. Therefore the Directors are not recommending the payment of a final dividend.

Currency Exposure

The average rate for £/€ decreased by (2.6)%, and the £/\$ rate decreased by (9.6)% 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		
	2023	2022	% Change
£/€	1.1504	1.1807	(2.6)%
£/\$	1.2038	1.3316	(9.6)%

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 +/- 0.6%.

Current exchange rates are £/€ 1.1559 and £/\$ 1.2210 as at 6 October 2023. If these rates had applied throughout the year, the underlying diluted EPS would have been approximately 1.0% lower.

Statement of Financial Position

The Statement of Financial Position is summarised in the table below.

- Non-current assets (excluding deferred tax) increased from £846.6 million to £1,096.6 million and include the intangible assets recognised on the acquisitions of Med-Pharmex and Piedmont, partly offset by amortisation of acquired intangibles.
- Working capital increased from £175.7 million to £234.7 million, largely driven by a higher inventory and trade receivables balance at year end.
- Net debt increased in the year by £221.9 million from £208.2 million to £430.1 million; this includes cash generated from operations before interest, tax and non-underlying items of £122.7 million, an outflow of £396.9 million principally relating to acquisitions made during the year, net capital expenditure of £22.6 million, net interest/tax outflows of £44.4 million and £51.7 million in dividends. Exchange rate variations positively impacted the net debt position by £17.8 million.
- Current and deferred tax net liabilities increased from £34.7 million to £68.6 million principally due to the recognition of deferred tax liabilities on the acquired intangible recognised on the acquisition of Piedmont and Med-Pharmex.

	2023 £m	2022 £m
Non-current assets	1,096.6	846.6
Working capital	234.7	175.7
Net debt	(430.1)	(208.2)
Current and deferred tax	(68.6)	(34.7)
Other liabilities	(77.4)	(112.6)
Total net assets	755.2	666.8

Financial Review

Cash Flow, Financing and Liquidity

The Group delivered an underlying EBITDA margin of 24.1% this year (2022: 28.0%). Working capital increased by £60.2 million mainly due to the increase in the proportion of products now manufactured in-house and the deliberate decision to invest in stock levels to maintain a robust supply chain. In addition, the impact of the significant wholesaler de-stocking seen during the second half of the year had not fully unwound by the year end, further contributing to higher inventory levels. There was also an increase in cash flows from non-underlying items relating to cloud computing arrangement costs and acquisition and integration expenses. This resulted in cash generated from operations after non-underlying items of £109.3 million, representing underlying cash conversion of 66.2% of underlying operating profit.

	2023 £m	2022 £m
Underlying operating profit	165.1	174.3
Depreciation and amortisation	18.6	16.3
Underlying EBITDA	183.7	190.6
Underlying EBITDA margin %	24.1%	28.0%
Working capital movement	(60.2)	(27.8)
Other	(0.8)	3.3
Cash generated from operations before interest, taxation and non-underlying items	122.7	166.1
Non-underlying items	(13.4)	(2.8)
Cash generated from operations before interest and taxation	109.3	163.3
Underlying cash conversion (%)	66.2%	93.7%

Net Debt Bridge

Net debt at the year end was £430.1 million, an increase of £221.9 million from £208.2 million at 30 June 2022. The Adjusted Net Debt to Adjusted underlying EBITDA (adjusted for the impact of acquisitions) banking covenant leverage (on a pre IFRS 16 basis) was 2.3 times (2022: 1.0 times) versus a covenant of 3.0 times. This reflects both a higher net debt balance due to the increase in RCF borrowings following the acquisition of Med-Pharmex and elevated levels of working capital, and the lower underlying EBITDA compared to the prior year due to the increased investment in R&D.

	£m
Net Debt 30 June 2022	(208.2)
Net cash generated from operations before non-underlying items	122.7
Non-underlying items	(13.4)
Net capital expenditure	(22.6)
Acquisition of intangible assets	(7.5)
Acquisition of subsidiaries	(396.9)
New lease liabilities	(5.7)
Interest and tax	(44.4)
Dividend paid	(51.7)
Equity raised	181.9
Other non-cash movements	(2.1)
Foreign exchange on net debt	17.8
Net Debt 30 June 2023	(430.1)

Borrowing Facilities

On 31 March 2023, the Group entered into a new multi-currency Revolving Credit Facility Agreement in the maximum amount of £340.0 million and maturing 31 March 2028. This RCF is provided by a syndicate of banks comprising BNP Paribas, CaixaBank SA UK branch, Crédit Industriel et Commercial, London Branch, Handelsbanken Capital Markets, Handelsbanken plc, HSBC UK Bank plc, PNC Capital Markets LLC, Santander UK plc and The Governor and Company of the Bank of Ireland. The covenant requirements in the RCF remain unchanged from the prior RCF Agreement (being Interest Cover in respect of any Relevant Period shall not be less than 4:1 and Leverage in respect of any Relevant Period shall not exceed 3:1).

The RCF uses Risk Free Reference (RFR) rates, with the relevant RFR rates for the principal Borrowings of the Group being 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. The Margin on the RCF is a minimum of 1.40% and a maximum of 2.30%, dependent upon the Leverage (the ratio of Adjusted Net Debt to Adjusted underlying EBITDA) of the Group. At 30 June 2023, £241.4 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 2023.

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 2023. 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), the proceeds of which were used to repay existing debt. Both facilities remain fully drawn at 30 June 2023. Interest is charged on the EUR50.0 million senior secured notes at a fixed rate of 3.64% until maturity (July 2029), and on the EUR100.0 million senior secured notes at a fixed rate of 3.93% until maturity (July 2032).

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

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 3,430 pence per placing share, raising gross proceeds of £184.0 million which were largely deployed to fund the Piedmont acquisition upon its completion on 25 July 2022.

Covenants

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

- Leverage: Adjusted Net Debt to Adjusted underlying EBITDA not greater than 3.0:1 for the RCF and 3.5:1 for the Private Placements (30 June 2023: 2.3:1); and
- Interest Cover: Adjusted underlying EBITDA to Net Finance Charges not less than 4.0:1 (30 June 2023: 8.0:1).

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.

Underlying Return on Capital Employed (ROCE)

Underlying ROCE decreased to 15.3% in the year (2022: 19.5%) reflecting the lower level of profitability during the year and the investments made in Piedmont and Med-Pharmex, the return on which we expect to realise in future years (see note 35).

Acquisitions

During the 2023 financial year the Group acquired Piedmont Animal Health, Inc and Med-Pharmex Holdings, Inc. See note 29 for further details.

The Group has made several acquisitions in recent years. The incremental performance during the first year of ownership of the acquisitions made during the 2022 and 2023 financial years is separately summarised compared to the existing business in the sections above.

Accounting Standards

The accounting policies adopted are outlined in note 1 to the financial statements in the 2023 Annual Report.

Going Concern

The Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and will continue to be able to meet its liabilities as they fall due, within 12 months of the date of approval of these financial statements. 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 future growth and operating performance including the principal risks and uncertainties and an assessment of a number of severe but plausible stress tests on these areas (as set out on pages 79 to 87);
- The current and projected future financial position of the Group, its cash flows, available cash resources and committed debt facilities and compliance with the financial covenants associated with the Group's borrowings, which are described in the financial statements; and
- Subsequent events (see note 34 and below).

On 2 June 2023, the boards of directors of Dechra and Freya Bidco Limited (Bidco) announced that they had reached agreement on the terms and conditions of a recommended cash acquisition by Bidco of the entire issued, and to be issued, ordinary share capital of Dechra (the Acquisition). The Acquisition is being implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the Scheme) and is subject to the terms and conditions set out in the circular in relation to the Scheme sent to Dechra Shareholders dated 26 June 2023 (the Scheme Document). As announced by Dechra on 20 July 2023, the Scheme and its implementation were approved by the requisite majority of Scheme Shareholders and Dechra Shareholders (as applicable) on 20 July 2023 and the Acquisition is expected to complete after the date of approval of the Annual Report and Accounts.

The going concern assessment of the Group and Company is therefore subject to uncertainties relating to the potential change in ownership of the Group and Company and the actual funding requirements and financing arrangements post completion. For this reason, the Directors cannot reasonably predict the financial position of the Group and Company post-completion, including the details of any financing arrangements related to the transaction that could affect the Group and Company. This indicates the existence of a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as going concern. As noted above, the financial statements do however not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Notwithstanding this uncertainty, based on the circumstances described above, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and the accounts are prepared on the assumption that the Group and Company is a going concern.

Subsequent Events

On 20 July 2023, shareholders voted in favour of the proposed cash offer for the Company by Freya Bidco Limited.

Summary

The Group delivered a satisfactory financial performance during the year considering the factors that were outside of our control. The strength of the business and attractiveness of the market in which we operate are evident by the takeover and we are well positioned to deliver future growth.

Paul Sandland

Chief Financial Officer
12 October 2023

Key Performance Indicators

KPI and Definition	Performance																		
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 using constant exchange rates.	<table> <tr> <td>23</td> <td>£728.6m</td> <td>↑1.2%</td> </tr> <tr> <td>22</td> <td>£681.8m</td> <td></td> </tr> <tr> <td>21</td> <td>£608.0m</td> <td></td> </tr> <tr> <td>20</td> <td>£515.1m</td> <td></td> </tr> <tr> <td>19</td> <td>£481.8m</td> <td></td> </tr> <tr> <td>18</td> <td>£407.1m</td> <td></td> </tr> </table>	23	£728.6m	↑1.2%	22	£681.8m		21	£608.0m		20	£515.1m		19	£481.8m		18	£407.1m	
23	£728.6m	↑1.2%																	
22	£681.8m																		
21	£608.0m																		
20	£515.1m																		
19	£481.8m																		
18	£407.1m																		
Underlying Diluted EPS Growth Underlying profit after tax divided by the diluted average number of shares, calculated on the same basis as note 11 to the Accounts using constant exchange rates. 	<table> <tr> <td>23</td> <td>94.57p</td> <td></td> </tr> <tr> <td>22</td> <td>120.84p</td> <td>↓(26.8)%</td> </tr> <tr> <td>21</td> <td>108.14p</td> <td></td> </tr> <tr> <td>20</td> <td>92.19p</td> <td></td> </tr> <tr> <td>19</td> <td>90.01p</td> <td></td> </tr> <tr> <td>18</td> <td>76.45p</td> <td></td> </tr> </table>	23	94.57p		22	120.84p	↓(26.8)%	21	108.14p		20	92.19p		19	90.01p		18	76.45p	
23	94.57p																		
22	120.84p	↓(26.8)%																	
21	108.14p																		
20	92.19p																		
19	90.01p																		
18	76.45p																		
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). 	<table> <tr> <td>23</td> <td>15.3%</td> <td></td> </tr> <tr> <td>22</td> <td>19.5%</td> <td>↓(420)bps</td> </tr> <tr> <td>21</td> <td>18.8%</td> <td></td> </tr> <tr> <td>20</td> <td>15.4%</td> <td></td> </tr> <tr> <td>19</td> <td>15.6%</td> <td></td> </tr> <tr> <td>18</td> <td>15.4%</td> <td></td> </tr> </table>	23	15.3%		22	19.5%	↓(420)bps	21	18.8%		20	15.4%		19	15.6%		18	15.4%	
23	15.3%																		
22	19.5%	↓(420)bps																	
21	18.8%																		
20	15.4%																		
19	15.6%																		
18	15.4%																		
Underlying Cash Conversion Cash generated from operations before tax and interest payments as a percentage of underlying operating profit.	<table> <tr> <td>23</td> <td>66.2%</td> <td></td> </tr> <tr> <td>22</td> <td>93.7%</td> <td>↓(2,740)bps</td> </tr> <tr> <td>21</td> <td>87.1%</td> <td></td> </tr> <tr> <td>20</td> <td>99.4%</td> <td></td> </tr> <tr> <td>19</td> <td>85.0%</td> <td></td> </tr> <tr> <td>18</td> <td>81.9%</td> <td></td> </tr> </table>	23	66.2%		22	93.7%	↓(2,740)bps	21	87.1%		20	99.4%		19	85.0%		18	81.9%	
23	66.2%																		
22	93.7%	↓(2,740)bps																	
21	87.1%																		
20	99.4%																		
19	85.0%																		
18	81.9%																		
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.	<table> <tr> <td>23</td> <td>15.6%</td> <td>↑480bps</td> </tr> <tr> <td>22</td> <td>10.8%</td> <td></td> </tr> <tr> <td>21</td> <td>20.4%</td> <td></td> </tr> <tr> <td>20</td> <td>16.7%</td> <td></td> </tr> <tr> <td>19</td> <td>16.7%</td> <td></td> </tr> <tr> <td>18</td> <td>11.9%</td> <td></td> </tr> </table>	23	15.6%	↑480bps	22	10.8%		21	20.4%		20	16.7%		19	16.7%		18	11.9%	
23	15.6%	↑480bps																	
22	10.8%																		
21	20.4%																		
20	16.7%																		
19	16.7%																		
18	11.9%																		
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 working days after the day when the incident occurred, normalised per 100,000 hours worked.	<table> <tr> <td>23</td> <td>0.21</td> <td>↑5.0%</td> </tr> <tr> <td>22</td> <td>0.20</td> <td></td> </tr> <tr> <td>21</td> <td>0.09</td> <td></td> </tr> <tr> <td>20</td> <td>0.17</td> <td></td> </tr> <tr> <td>19</td> <td>0.21</td> <td></td> </tr> </table>	23	0.21	↑5.0%	22	0.20		21	0.09		20	0.17		19	0.21				
23	0.21	↑5.0%																	
22	0.20																		
21	0.09																		
20	0.17																		
19	0.21																		
Employee Turnover Number of leavers during the period as a percentage of the average total number of employees in the period.	<table> <tr> <td>23</td> <td>12.6%</td> <td></td> </tr> <tr> <td>22</td> <td>16.0%</td> <td>↓(340)bps</td> </tr> <tr> <td>21</td> <td>13.5%</td> <td></td> </tr> <tr> <td>20</td> <td>12.4%</td> <td></td> </tr> <tr> <td>19</td> <td>13.6%</td> <td></td> </tr> <tr> <td>18</td> <td>15.9%</td> <td></td> </tr> </table>	23	12.6%		22	16.0%	↓(340)bps	21	13.5%		20	12.4%		19	13.6%		18	15.9%	
23	12.6%																		
22	16.0%	↓(340)bps																	
21	13.5%																		
20	12.4%																		
19	13.6%																		
18	15.9%																		

Commentary**Relevance to Strategy**

Dechra's existing business grew by 5.5% in EU Pharmaceuticals (excluding third party manufacturing) which was offset by the one-off adverse impact of the US wholesaler destocking in NA Pharmaceuticals.



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

This reflects a lower operating profit, higher financing costs and the dilutive impact of the July 2022 equity raise.



Underlying 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.

A decline in the underlying return on capital employed reflects the lower level of profitability during the year and the investments made in Piedmont and Med-Pharmex.



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

Lower cash conversion is driven by an investment in stock levels to maintain a robust supply chain, and higher non-underlying cash outflows driven by acquisition costs and cloud computing arrangement costs.



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

Increase in new product revenue is driven by the acquisition of Med-Pharmex during the year.



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 products.

The lost time accidents increased to 0.21. The majority of the incidents occurred at our Manufacturing sites with one incident at our central logistics centre in Denmark. None of these incidents resulted in a work related fatality or disability.



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

We are pleased to see that moving annual turnover has reduced back to 12.6%. We felt the post Covid impact of the changing nature of the workforce and increased competition for talent, particularly in more specialist roles. We have introduced a range of measures to manage turnover.



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

Strategic Driver/Enabler Key:

Pipeline
Delivery



Portfolio
Focus



Geographical
Expansion



Acquisition



Manufacturing
& Supply Chain



Technology



People



Long Term Incentive Plan (LTIP)
performance condition

Non-Financial and Sustainability Information Statement

This section of the Strategic Report constitutes the Group's Non-Financial and Sustainability 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	Policies and Handbook
Environmental matters (including the impact of the Company's business on the environment)*	Task Force on Climate-related Financial Disclosures Pages 69 to 75 Environment Pages 76 to 78 Understanding Our Key Risks Page 87 Section 172 Statement Pages 56 and 57 Sustainability Report dechra.com/sustainability	Our Group Code of Conduct confirms the Groups commitment to adopting responsible environmental practices and compliance with the applicable legislation. Our Group Third Party Code of Conduct outlines what is expected of those we work with to minimise the impact of our operations on the environment. Our Group Environmental Policy applies to all Dechra employees, Directors, temporary staff, agency workers, contractors and other persons acting on behalf of the Group.
Employees*	Chief Executive Officer's Statement Pages 03 to 07 Composition, Succession and Evaluation Pages 113 to 122 Stakeholders: Employees Pages 58 to 61 Section 172 Statement Pages 56 and 57 Understanding Our Key Risks Page 86 Sustainability Report dechra.com/sustainability	Our Group Diversity Policy recognises that the diversity of our team and an inclusive culture is beneficial for our business, its processes, and its performance. Our Group How to Raise a Concern handbook encourages individuals to report genuine concerns. Our external audit of our Culture with Great Place to Work for the UK . Our Group Code of Conduct outlines what is expected of our employees during the course of our business. Our Dignity at Work Policy outlines how we treat people fairly and do not tolerate bullying and harassment. We do not discriminate for reasons such as age, gender, sexual orientation, marital status, race, colour, ethnicity, disability, religion, political affiliation or union membership. Our Health & Safety Policy sets out our requirements for all aspects of our business to be conducted in compliance with the applicable Health and Safety laws, regulations, Company policies, standards and best practices to ensure the Health and Safety of our employees, contractors and visitors.
Social matters*	Stakeholders: Communities Page 64 Section 172 Statement Pages 56 and 57 Sustainability Report dechra.com/sustainability	Our Group Human Rights Policy confirms our commitment to acting responsibly and with integrity, respecting the laws, regulations, traditions and cultures of the countries within which we operate, whilst supporting the dignity, wellbeing and human rights of our employees. Our Group Third Party Code of Conduct outlines what is expected of the third parties we engage with. Our Group Donations Policy promotes engagement between our employees and the community and in particular the support of local community groups and charities Our Volunteer Service Toolkits for Large and Small Events provides guidance on how to develop and manage volunteer service events. Our Group Data Protection Policy outlines how our people protect suppliers and customers data.

Reporting Requirement	Where to read more	Policies and Handbook
Respect for human rights*	<p>Stakeholders: Suppliers Page 63</p> <p>Sustainability Report dechra.com/sustainability</p>	<p>Our Group Human Rights Policy confirms our commitment to acting responsibly and with integrity, respecting the laws, regulations, traditions and cultures of the countries within which we operate, whilst supporting the dignity, wellbeing and human rights of our employees.</p> <p>Our Modern Slavery Statement confirms our commitment to ethical behaviour and sourcing products from suppliers who share this value.</p>
Anti-Bribery and Anti-Corruption*	<p>Stakeholders: Suppliers Page 63</p> <p>Audit, Risk and Internal Control Pages 123 to 131</p> <p>Sustainability Report dechra.com/sustainability</p>	<p>Our Group Third Party Code of Conduct outlines our commitment to conducting business in a way that is honest and fair. It confirms that we are committed to preventing bribery and corruption and outlines how third parties should act in respect of this commitment.</p> <p>Our Group ABC Policy provides guidance on business practices that are acceptable and those that are not. The policy applies to officers, employees and consultants of the Group.</p> <p>Our Group Code of Conduct confirms we do not give or receive bribes or participate in corruption.</p> <p>Our Group How to Raise a Concern handbook encourages individuals to report genuine concerns.</p>
Business Model	<p>Our Business Model Pages 28 to 31</p> <p>Stakeholders: Veterinary Professionals Page 62</p>	
Description of Principal Risks and Impact of Business Activity	<p>How the Business Manages Risk Pages 79 to 82</p> <p>Understand Our Key Risks Pages 83 to 87</p> <p>Our Business Model Pages 28 to 31</p>	
Non-Financial Key Performance Indicators	<p>Key Performance Indicators Pages 52 and 53</p> <p>Strategic Report Pages 24 to 87</p>	

* 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.

Section 172 Statement and 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 stakeholder groups that it believes are important to engage with regularly to continue to make Dechra successful: employees; veterinary professionals; suppliers, communities; shareholders and regulatory authorities.

Our business model sets out the impact and the value we generate for stakeholders on pages 28 to 31. The section on understanding our key risks includes an overview of



Employees	Veterinary Professionals	Suppliers
<p>Objective</p> <ul style="list-style-type: none">To make Dechra a great and safe place to work by attracting, retaining and developing talent <p>Material Issue</p> <ul style="list-style-type: none">Development opportunitiesMaking a differenceAgile and friendly place to workLiving Wage/Fair pay <p>How We Engage</p> <ul style="list-style-type: none">Group intranet siteRegular site visits by Senior ManagementEngagement surveysEmployee meetings with the Employee Engagement Designated Non-Executive Director, Lisa BrightEmployee development and training <p>Performance</p> <ul style="list-style-type: none">Living Wage employer or local equivalent since 202120,207 Delta courses completed77% Trust Index (Engagement Survey) <p>Where to Read More</p> <ul style="list-style-type: none">Stakeholder Engagement: Employees (pages 58 to 61)Understanding Our Key Risks (page 86)Governance Report (pages 102 to 112)Sustainability Report (pages 08 and 22 to 24)	<p>Objective</p> <ul style="list-style-type: none">To improve animal health and welfare <p>Material Issue</p> <ul style="list-style-type: none">Innovative and effective productsInformation on correct use of productsEducational opportunities <p>How We Engage</p> <ul style="list-style-type: none">Educational and training programmesTechnical support via helplines and product informationPhD veterinary student funding <p>Performance</p> <ul style="list-style-type: none">205,012 CPD hours16,300 Technical support enquiries (USA and UK) <p>Where to Read More</p> <ul style="list-style-type: none">Stakeholder Engagement: Veterinary Professionals page 62)Understanding Our Key Risks (pages 83 to 87)Governance Report (pages 102, 104, 105, 111 and 112)Sustainability Report (pages 08, 13 and 14)	<p>Objective</p> <ul style="list-style-type: none">To trade with honesty and integrity, and to source quality raw materials, finished products and services <p>Material Issue</p> <ul style="list-style-type: none">Fair payment termsLong term relationships <p>How We Engage</p> <ul style="list-style-type: none">Quality auditsDue diligenceABC trainingThird Party Code of Conduct <p>Performance</p> <ul style="list-style-type: none">15 Quality/CMO audits completed107 ABC training courses provided <p>Where to Read More</p> <ul style="list-style-type: none">Stakeholder Engagement: Suppliers page 63)Understanding Our Key Risks (page 84)Governance Report (pages 103 to 105, 111 and 112)Sustainability Report (pages 08 and 14)

the potential impacts, controls and mitigating actions in connections with our key stakeholders. Our Sustainability strategy is centred around the four pillars of Business, Environment, People and Community, and we believe that effective engagement drives sustainable value for all stakeholders. Details on our Group's Sustainability strategy can be found on pages 66 to 78 and in our Sustainability Report.

Engagement with all our stakeholders is led by our Senior Executive Team, who provide updates to Board members, via Board papers and presentations. The table below and the stakeholder sections on pages 58 to 66 detail how the Board and the Group as a whole engages with its key stakeholders, and why the key stakeholders are important. This section should be read in conjunction with the Governance Report, on pages 101 to 103, which contains information on how the Board engages with key stakeholders and their impact on principal decisions made over the year.



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

- 3,147 Community hours
- £432,181 Cash donations
- £201,464 Product donations

Where to Read More

- Stakeholder Engagement: Communities (page 64)
- Governance Report (pages 103 to 105, 111 and 112)
- Sustainability Report (pages 08, 14 and 25 to 27)

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-to-one meetings

Performance

- 3,471% total shareholder return (TSR) between IPO and 12 April 2023

Where to Read More

- Stakeholder Engagement: Shareholders page 65
- Governance Report (pages 101, 104, 105, 111 and 112)
- Sustainability Report (page 08)

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

- 206 new market authorisations
- 15 manufacturing facility inspections

Where to Read More

- Stakeholder Engagement: Regulatory Authorities (page 66)
- Product Development (pages 38 to 41)
- Understanding Our Key Risks (pages 84 to 86)
- Governance Report (pages 103, 104, 105, 111 and 112)
- Sustainability Report (pages 08 to 11)

Section 172 Statement and Stakeholder Engagement



We employ 2,457 employees in 26 countries in manufacturing, logistics, laboratories, offices as well as 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.

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. Our training programme which is also translated into eight languages 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 the four internal reporting channels, we have a third party confidential hotline, which 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. Further details can be found in the Governance Report.

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.

Training

Delta is our dedicated internal digital learning platform for Dechra employees across the world. Training includes Dechra's Code of Conduct, Information Security and Health, Safety and Wellbeing. This is only one element of training that we provide; our employees have logged a total of 24,687 hours in the 2023 financial year, which equates to 10.0 hours per employee.

We have been running our Leadership programme since 2020. The programme is run as a mixture of virtual and live sessions and the leadership teams across all functions except DVP EU (which has its own programme) have attended or are currently on a programme. The strategic intent of this development activity 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 some virtual and face to face content.

This year we have reached the conclusion of our first pilot of the Future Facing Leaders programme, which commenced in February 2022. With 24 employees in attendance, the course was delivered both virtually and via three live sessions, two in the UK and one in Croatia, including an immersion experience at our site in Zagreb. The final stage of the programme focused on leading enterprise, and the group worked in teams to present strategic proposals to a selection of the Senior Executive team and the Executive Board. Two of the four proposals are planned for implementation in the 2024 financial year. Deemed a success, the next cohort of Future Facing Leaders will commence their programme in early 2024.



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 a total of 31 Apprenticeships/Internships of which 14 are in Europe and 17 are in Brazil.

Engagement

Case Study: Employee Engagement

One of our strategic objectives this year was to continue to adapt to the changing needs of our workforce. We face challenging labour markets with candidates having more options as well as seeing an increased focus on wellbeing and work-life balance, and particularly in our manufacturing environments flexibility is an opportunity for us to pursue.

During the 2023 financial year the Skipton site explored flexible options for the team to improve work-life balance; without impacting on pay and business output, continue building a great place to work for our employees, and create an attraction and retention tool in a competitive labour market.

The leadership team worked closely with the Works Council to generate ideas from the workforce. A number of options were put forward and worked through, evaluating feasibility as well as impact on the objectives of the pilot. In January, the site started a trial with two working patterns, a nine day fortnight and a four and half day week, reducing working hours from 37.5 to 36 hours per week with no impact to pay and benefits. Success criteria were defined, linked to site performance metrics and communicated to all teams.

The trial was initially for three months with the Works Council and site team meeting regularly to review feedback from employees as well as the success criteria. It was agreed to extend the trial to allow for the implementation of some suggested changes from the employees to improve ways of working, one of which was to align all employees to the nine day fortnight to give them a regular full day away from work.

The trial successfully concluded after six months with the changes becoming permanent. The trial has been a fantastic engagement tool with the site team, demonstrating great teamwork and collaboration as well as encouraging innovative solutions to problems they faced. We have seen increased levels of employee engagement and an improvement in the overall site productivity across a range of key performance indicators. The new working pattern is being utilised as a recruitment tool helping us to become an employer of choice in the local area. Following the success of this trial, we are also adapting flexible working patterns across the rest of the UK and planning for similar trials in both Australia and Brazil.

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), intranet, 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 our Sustainability strategy. Wherever possible, we seek to engage our employees in change projects. We also have a small number of Works Councils, in Croatia, France, Netherlands, Spain and Skipton, the UK, who we regularly meet with. Our intranet, OneDechra, includes two way communication encouraging comments, sharing and community participation.

Our next GPTW survey was scheduled to run in March 2023; however this was postponed until the first half of the 2024 financial year, following the acquisition of both Piedmont and Med-Pharmex, as we wanted to allow our newest employees the opportunity of having a year of experience working as part of Dechra before being surveyed. We look forward to gaining further feedback to continue developing 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. Further information on how the Board engages with Employees can be found on pages 102 and 106 in the Governance Report.

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.

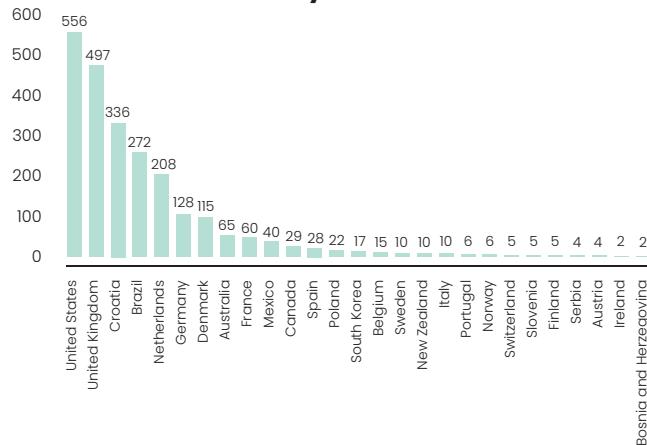
We firmly believe that our Dechra Values support the culturally diverse business that we have become and, although we are separated by time zones, geographically and by language, we share common goals and ways of working that are underpinned by our Values. We believe that our position on diversity and 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. The Group does not tolerate bullying, harassment or discrimination.

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.

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 118. The gender diversity statistics required to be disclosed under the Companies Act can be found on page 119 of the Governance Report.

Section 172 Statement and Stakeholder Engagement

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 1.3% in 2022. 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 benchmarking and reward.

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 to 8% with effect from July 2022 in the UK.

 Further information can be found in our [Sustainability Report](#) page 22

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. The Committee discussed the safety priorities highlighted during 2023 financial year audits of four manufacturing sites (Londrina, Pomona, Somersby and Bladel) and the proposed remedial actions. An update of the status of the actions is provided at each meeting until they are resolved. The HSW Committee has also reviewed and approved the THRIVE Line Manager training and the High Level Risk Assessment for the business to guide priorities for Workplace Transport and Pedestrian Safety.

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 remained at ten this year.

Assure

Our online Health and Safety reporting system, Dechra Assure, is available to all 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. 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 17%, and with the exception of one site, 100% of employees across all our Manufacturing facilities were involved in reporting and resolving at least one hazard. Through our communication campaigns and B-Safe walks, 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, increased from 58 to 87.

High Level Risk Assessments

The HSW Committee is also responsible for maintenance of the safety critical tasks which determines our priorities in the safety programme. HSE Standards have been developed initially for High Risk activities, most of which reside in Manufacturing. 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.

Behavioural Safety

Strong safety leadership is the best 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. B-Safe is our behavioural safety programme which teaches our manufacturing leaders to hold positive conversations about safety, including our Life Saving Rules.

Further information can be found in our [Sustainability Report](#) pages 23 to 24

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; this measures 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 (see pages 52 and 53). In order to improve transparency and increase learnings related to injuries across the business, we are now also reporting all lost time accidents which resulted in any absence or inability to conduct 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 17 LTAs resulting in an AFR of 0.41 compared to 0.36 last year (13 accidents). Fourteen of these accidents occurred within our Manufacturing sites, with three of the accidents occurring in the newly acquired facility in Pomona, California. Ten of these accidents were influenced by unsafe behaviours and this will be addressed throughout the coming year through the continued delivery of our B-Safe, behavioural safety programme for leaders. In addition, there were four contractor accidents reported in Brazil. There were no fatalities (employees or contractors).

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. 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. At a foundation element we have committed to providing an Employee Assistance Programme (EAP) to all employees globally. Following a gap assessment, it was identified that approximately 600 employees do not have access to an EAP. Following a review of potential providers, we have chosen a service which covers emotional, physical, financial and social support. This service is being launched in all countries who currently do not have an EAP with the exception of Croatia (as it was not available in this language) in August 2023. An alternative provider is being evaluated for Croatia. In addition, the Global EAP provision is being enhanced to provide financial information to employees. The support from existing EAPs will be evaluated to ensure they meet our target standards.

In order to make THRIVE feel more connected into each country, the THRIVE Champion team has been formed. This group of 23 employees cover all countries and regions and their role is to:

- understand the THRIVE wellbeing programme and local employee benefits;
- be a point of contact for employees to ask questions about THRIVE and wellbeing; and
- quickly signpost employees to official sources of information and support and not attempt to provide any health, emotional, financial or legal advice themselves.

Section 172 Statement and Stakeholder Engagement



Veterinary Professionals

Our relationship with veterinarians is key to our business and therefore we are committed to the following focus areas:

- the development and promotion of products to improve animal health and welfare;
- the provision of high levels of technical support and pharmacovigilance; and
- maintaining and improving the knowledge and skills of veterinarians who prescribe and use our products.

Development and Promotion

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. 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 page 38

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. 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.

The volume and value of payments to animal health professionals is very modest compared to payments to healthcare professionals by the human pharmaceutical industry. We only make modest fee-for-service payments to key opinion leaders who help us develop and deliver educational materials events and to veterinarians who we use to conduct clinical trials.

Technical Support and Pharmacovigilance

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 16,300 technical customer enquiries, many of which related to endocrinology, procedural sedation and in the US oncology. In addition, these larger markets also have field-based veterinarians providing technical support and continuing professional development events.

For further information on **Pharmacovigilance** please refer to page 66

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.

During the financial year the Dechra Academy was awarded the status of being an internationally recognised accredited Learning Provider by the Learning and Performance Institute (the LPI). Dechra Academy is the first veterinary education provider that has been accredited by the LPI. The accreditation was due to the Academy's commitment to high quality and process improvement in the provision of learning and development services to veterinary professionals across the world.

The Academy now has a total of 945 courses available across markets and learners from across the world have enrolled. In addition to 20,196 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 184,818 hours of CPD hours globally.



Suppliers

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. These policies are integral to our risk management programme and reinforce our expectation of compliant behaviours across the business.

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 our employees. 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 pages 58 and 107.

Risk Management System

During the year we have developed a Third Party Risk Management (TPRM) Platform, which will be integral to our risk management programme. The TPRM Platform is designed to manage the full third party risk management life cycle, from initial entity creation, profiling, tiering and risk assessing, followed by due diligence, ongoing monitoring and potential offboarding. The TPRM Platform provides a Group-wide consistent approach to risk management, as well traceability of decisions, risk rejection or risk mitigation and acceptance.

The TPRM Platform currently covers risk assessments and screening on areas of Anti-Bribery and Anti-Corruption, Sanctions, Data Privacy, IT, Modern Slavery, ESG and Health and Safety, with other compliance topics due to be added throughout the next year. The system will generate automated reminders for the business to refresh the due diligence on an annual or triennial basis, subject to the risk level associated with the vendor and is the central storage point for risk records, with assessments being completed by both employees and third parties within the Platform itself.

A phased launch of the Platform commenced in July 2023 with our DVP International business who were selected due to the territories in which they operate, together with the nature of their distribution activities, being generally considered to pose a higher compliance risk. It is envisaged that the system will be rolled out across all divisions by the end of the calendar year.

Anti-Bribery and Anti-Corruption (ABC)

We remain committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. 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 geographical expansion, 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 employees and third party network via such programmes. 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, and the linchpin of these programmes will be the TPRM Platform.

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, together with the newly formed Compliance function, 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. Every employee and sales agent engaged by Dechra is required to complete our e-learning ABC course on an annual basis, with the exception of operational blue collar workers who are engaged in low risk roles and do not interact with third parties.

Human Rights and Modern Slavery

Dechra is committed to upholding and respecting human rights both in our own business and within our supply chain, and has put in place steps aimed at ensuring there is no modern slavery or human trafficking in any part of our business. 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 also be found on our website.

The new TPRM Platform will enable us to risk assess all suppliers for modern slavery risks, and where relevant, undertake modern slavery due diligence. In addition, any identified high risk suppliers (identified using key information such as supplier type, supplier services/products, spend and geographical location) are subject to further due diligence and screening, as well as being required to adhere to the Dechra Third Party Code of Conduct. This risk assessment and due diligence are refreshed for high risk third parties, such as contract manufacturing organisations, on a regular basis.

Reporting

Our employees and third parties have access to the independent externally provided hotline to report any situations that they feel violate any of the standards detailed in the Third Party Code of Conduct, which includes ABC and Modern Slavery. No concerns have been raised during the 2023 financial year.

Section 172 Statement and Stakeholder Engagement



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 Purpose and Values, in particular, our Relationships and Enjoyment Values. Our Community pillar focuses on Community Activities and 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. In the 2023 financial year, we dedicated a total of 3,147 hours across our global operations. We have a ten year target to achieve 100,000 hours by 30 June 2030. As at 30 June 2023 we have achieved 7,537 hours. We acknowledge that we are currently running short of our ten year target and that whilst some elements of our business have taken the community ethos to heart and are continuing year on year to participate, prioritisation in other parts of our business has been slow. To achieve our target, we have made available a Volunteer Service Toolkit and encourage all of our employees to identify and lead events. Additionally, we have established a reporting tool where employees are able to log their volunteer hours following an event; quarterly reporting of average hours per employee and total by division are communicated to the senior leadership team to track progress against their Community KPIs.

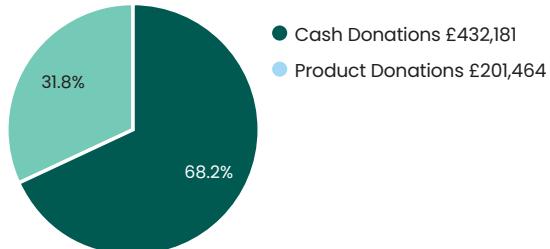
Dechra has a partnership with Not One More Vet (NOMV), a US based charitable organisation whose mission is to transform the status of mental wellbeing within the profession so veterinary professionals can survive and thrive through education, resources, and support. We partner with NOMV to raise awareness 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 aimed at providing a support system for veterinary and veterinary technical students. Dechra has also encouraged its employees globally to participate in NOMV's Race Around the World, to help raise funds and 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 were excited to encourage global participation in their 2022 and now 2023 sponsored race, furthering our support of an organisation that supports the wellbeing of our customers. Dechra also partnered with NOMV in 2023 with their development of an accredited course in Dechra's Academy, with the first module released in September 2023 focused on the Flavors of Fatigue. Modules will be released periodically to provide wellbeing education and resources to veterinarians worldwide. To increase international awareness of NOMV's resources, Dechra will sponsor the development of international Chapters; an ambassador programme to create and grow local networks to unite and support the veterinary community.

Community Donations

We have operated a Group Donations scheme for 13 years, and in the last two years we have empowered our employee community by setting up decentralised regional giving committees. A budget of £368,000 was allocated across the countries based on the number of employees as at 30 June 2022. Each country has a regional giving committee which consists of volunteer employees who have agreed to be members of their respective committee for two years. All employees are given the opportunity to nominate non-profit organisations meaningful to them and the community in which they live, and donations are awarded after the committee's due diligence on the organisations is conducted. In many instances, the nominator and the committee member visit the organisation to make the donation in person. This new scheme is empowering and moving for all involved, making a difference in and outside of Dechra.

In addition to the regional giving committees, each business unit has the discretion to allocate funds and/or products to local community, environmental and/or animal welfare charities.

Total Donations



➡ Further details of our Community Donations and Activities can be found in our [Sustainability Report](#)

The Group has also committed to the provision of finance in the form of a AUD 6 million loan and minority investment in AgCo Tech Ltd, an Australian private limited company which provides practical help to livestock owners in developing countries (further details can be found on page 14 and in the Sustainability Report). The loan will be repayable, following a one year repayment holiday, over a six year period in the form of verified carbon credits (calculated at market value), which will be retired through our income statement upon receipt. This will be treated as a donation. Due to the philanthropic nature of the investment we will not look to profit from this investment, with any income being reinvested in other climate stewardship projects.

Further details on how the Board engages with Communities can be found in the [Governance report](#) on page 103



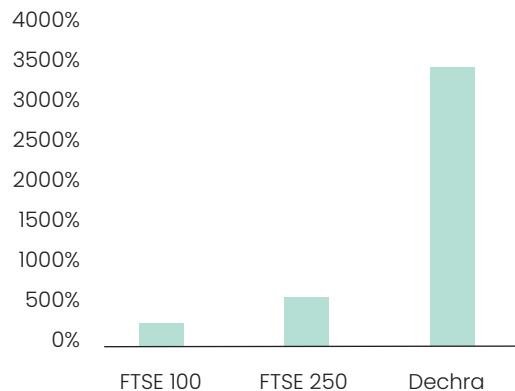
Shareholders

3,471%
TSR between
IPO and
12 April 2023**99%**
votes cast in
favour of the
acquisition

Creating Value for Shareholders

We have a strong track record of delivering against our strategic objectives, resulting in consistent growth and value creation ever since IPO on 21 September 2000 when Dechra shares were first admitted to the London Stock Exchange at a price of £1.20 per share. Between IPO and 12 April 2023, being the latest practicable date prior to the announcement that we had received a proposal from EQT to acquire the Company, Dechra delivered a total shareholder return (TSR) of 3,471% compared to the FTSE 100 of 177% and FTSE 250 of 425% over the same period.

TSR for the period 21 September 2000 to 12 April 2023



In recommending that shareholders accepted the price of £38.75 per share offered by Freya Bidco Limited, the Dechra Board believed this was at a level that enabled shareholders to accelerate the crystallisation of value in full and in cash, at a level commensurate with its judgments, the opportunities and risks of future potential performance. This offer was subsequently accepted at the shareholder vote on 20 July 2023, with over 99% of votes cast being in favour.

Investor Relations Strategy

Prior to the approach by Freya Bidco Limited, the Company had been developing its long standing approach to shareholder engagement with the support of the recently appointed Head of Investor Relations. This aimed to build on the strong relationships already established with a number of long term shareholders whilst extending the reach of investor communication to potential new shareholders.

The Company placed a high priority on relationships with shareholders and a summary of the main events during the year is shown below. These meetings sought to foster a mutual understanding of both the Company's and shareholders' objectives and were conducted in a format to protect price sensitive information that had not already been made generally available to all the Company's shareholders.

Equity raise	July 2022	Chief Executive Officer and Chief Financial Officer
Rolling programme of investor meetings until 11 April 2023	Over 60 individual meetings throughout the year	Chief Executive Officer, Chief Financial Officer and Head of Investor Relations
Results Roadshow	September 2022 and February 2023	Chief Executive Officer, Chief Financial Officer and Head of Investor Relations
Investor Conferences	November 2022	Chief Financial Officer and Head of Investor Relations
Remuneration Consultation	January and February 2023	Remuneration Committee Chair, Company Secretary and Group HR Director
Shareholder calls relating to the proposed acquisition	Numerous calls during the Offer Period from 12 April 2023 to 2 June 2023	Chief Executive Officer, Chief Financial Officer and Head of Investor Relations, all of which were chaperoned by Investec in their role as corporate broker under the rules of the Takeover Panel



Further details on how the Board engages with Shareholders can be found in the **Governance report** on page 101

Section 172 Statement and Stakeholder Engagement



Regulatory Authorities

It is vital to our business that our products meet the appropriate standards for quality, safety and efficacy. 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, sales data and changes to the registrations. Dechra is required to provide full adverse event reports for all of our products through regular signal detection analyses and periodic Drug Experience 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. We have an obligation to notify our Regulators of any new evidence which emerges which may alter the benefit: risk assessment of any of our products, and the Global Safety Council is key to providing cross functional input into this process.

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, negotiation for the ongoing use of NMPs (N-methyl pyrrolidone) in veterinary medicines and the recent survey of plastic use in veterinary products. We engage with Regulators on how their fees are set and how the approval process operates, holding them accountable for a high standard of scientific review and timely service delivering new products to market and maintaining supply of our existing ones.

Several of our regulatory staff have worked in key Regulatory Agencies at National, Regional or International levels 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 PV e-learning module on Delta or in person training. All employees undertake an annual pharmacovigilance refresher training. The PV 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.

Regulatory Agencies

ACVM: Agricultural Compounds and Veterinary Medicines (New Zealand)

APQA: Animal and Plant Quarantine Agency (South Korea)

APVMA: Australian Pesticides and Veterinary Medicines Authority (Australia)

EMA: European Medicines Agency (EU)

FDA: Food and Drug Administration (USA)

MAPA: Ministério da Agricultura, Pecuária e Abastecimento (Department of Agriculture, Livestock and Food Supply) (Brazil)

VDD: Veterinary Drugs Directorate (Canada)

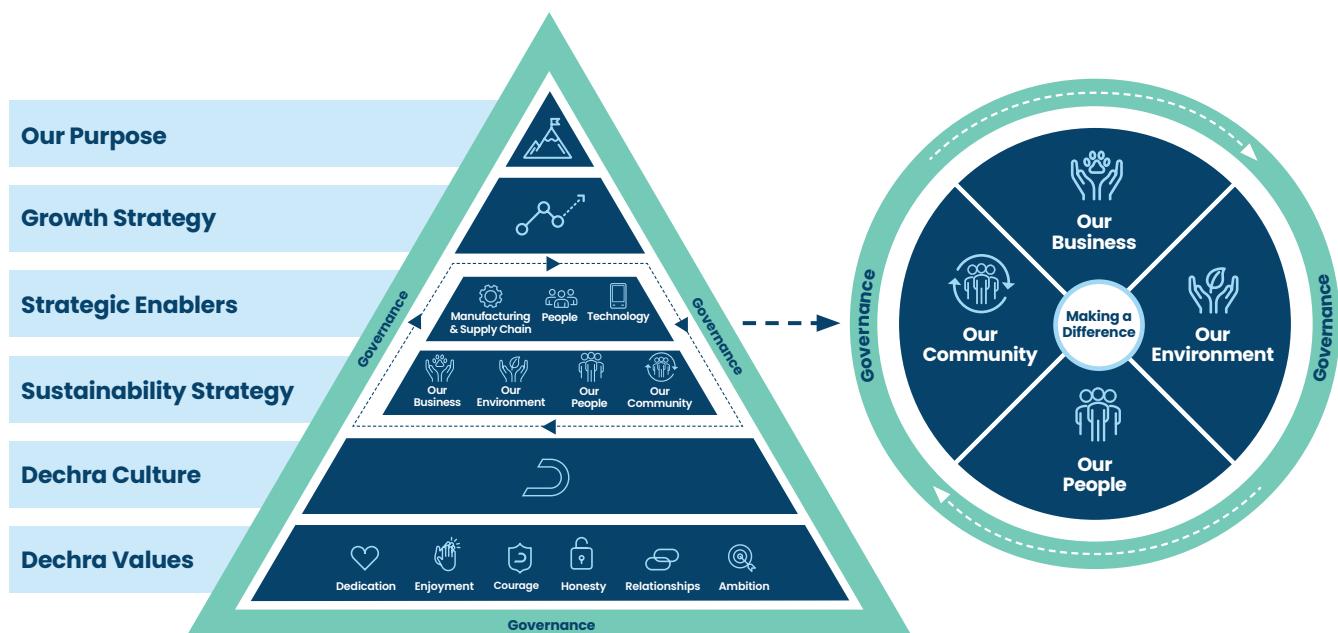
VMD: Veterinary Medicines Directorate (UK)

Further details on how the Board engages with Regulatory Authorities can be found in the [Governance report](#) on page 103

Sustainability

Our Sustainability Framework

Our Purpose, the sustainable improvement of animal health and welfare globally, continues to guide all that we do and we are embedding our Making a Difference sustainability strategy deeper within the business.



Our Integrated Approach

This year, we have made a subtle but important change to how we think about and present the interaction between our corporate strategic enablers and our Sustainability strategy.

Our corporate growth strategy remains very much unchanged, consisting of four clear strategic drivers as discussed on page 32. Historically, we have regarded delivery of this strategy as being driven by the Strategic Enablers of Manufacturing & Supply, Technology, People and ESG.

However, such is the importance that we place on building a resilient, sustainable business capable of delivering superior long term performance, it became clear to us that ESG is no longer a standalone Strategic Enabler. Rather, it has in fact become central to all that we do. In recognition of this, we have taken the opportunity to re-position our sustainability strategy such that it now serves as a fundamental underpin to delivering our corporate growth strategy and, ultimately, our Purpose. Doing so will help deliver even better alignment between our corporate and sustainability strategies, including a clearer way of demonstrating their interdependencies.

Our long term approach to sustainability, articulated through our Making a Difference strategy, remains centred around the four pillars of Business, Environment, People and Community, and more information on our progress this year can be found in our standalone Sustainability Report.

Our Business

Provide sustainable products, education and technical support to veterinarians

Our Environment

Minimise our impact on the environment

Our People

Be a great and safe place to work

Our Community

Give back to the communities in which we operate

Sustainability

Our Approach to Materiality

Our Material Issues

Animal Health & Welfare	Human Rights	Equality and the Workplace
Trust and Transparency	Customer Satisfaction	Living Wage Policy
Waste Management	Integrated Climate Strategy	Plastic Leakage
Community Involvement	Philanthropic Activities on Grass Root Level	 Read more about our Material Issues in our Sustainability Report

Sustainability Strategy Update

Sustainability Pillar	Sustainability topic	Target(s)	Performance in the 2023 financial year
 Our Business	Animal Health and Welfare	Invest 5% to 6% of revenue on product development per annum	7.6% invested in Research & Development (see note 1 below)
	Customer Satisfaction	Provide 100,000 of continuous professional development (CPD) hours per annum	204,912 CPD hours provided globally
	Trust and Transparency	Perform value chain sustainability assessment by June 2030	Project remains on track
 Our Environment	Integrated Climate Strategy	Reduce Scope 1, 2 and 3 emissions in line with climate science through the Science Based Targets initiative (SBTi); Achieve net zero by 2050; 100% FSC paper & wood by June 2023	13% reduction in GHG emissions intensity ratio (see note 2 below); Science based targets submitted to the SBTi; 66% FSC paper & wood (see note 3 below)
	Waste Management	Zero to landfill by June 2025	Reduced waste sent to landfill from 7% to 5%
	Plastic Leakage	Review full product range by June 2025	Project remains on track
 Our People	Wage Policy	Remain a Living Wage Employer or equivalent	Retained UK accreditation and pay relative to OECD standards
	Human Rights	Zero lost time accidents (LTAs)	17 LTAs
	Equality in the Workspace	Increase the number of women in senior and technical roles	Reduced gender pay gap from 1.7% to 1.3%
 Our Community	Community Involvement	100,000 community hours by June 2030	3,147 hours this year 7,537 hours cumulative (three years)
	Philanthropic Activities	£5 million donated in cash or products by June 2030	£633,645 this year £1,361,297 cumulative (three years)

1. Our longer term target is to invest between 5% and 6% of revenue on R&D. However, for financial years 2023 to 2025 inclusive, we have committed to temporarily increasing this investment to between 7% and 8% to help drive further innovation and future growth.

2. The GHG emissions intensity ratio is calculated with reference to our Scope 1, 2 & 3 emissions reported historically under the GHG Protocol Corporate Accounting and Reporting Standard, which differs to our carbon footprint for the purposes of Science Based Targets. See our Annual Report for further details.

3. We did not meet our target to source 100% of our internally procured paper & wood from FSC sources by the end of June 2023, with 66% of our suppliers currently FSC approved. Wherever possible, we have endeavoured to adopt a localised approach to sourcing FSC materials and to work collaboratively with existing suppliers rather than adopt a blanket approach across all Dechra operations. This process has taken longer than anticipated, however we expect to achieve our target by June 2024.

Task Force on Climate-related Financial Disclosures

Our Commitment to Climate Change

We support the Task Force on Climate-related Financial Disclosures (TCFD) framework, and our disclosures are consistent with its four TCFD core elements and the eleven recommended disclosures, in line with the compliance requirements of Listing Rule 9.8.6R(8) of the UK Financial Conduct Authority. The required disclosures are set out in detail along with an explanation where further information can be found on pages 69 to 75. Further information can also be found in our Sustainability Report which is published separately to this Annual Report.

We have disclosed our assessment of our compliance to the TCFD framework annually since 2020 and continue to apply it to describe our activities in 2023. All our business operations worldwide are in scope, unless otherwise stated. The framework applies a risk-based approach focusing on material risks and opportunities.

During the year, we have completed our initial review into all material Scope 3 emission categories, which has enabled us to establish our base year data, calculate our corporate footprint and submit our near term targets to the Science Based Targets initiative (SBTi) which are in the process of being validated. Our footprint is dominated by Scope 3 indirect value chain emissions with Scope 1 and 2 emissions together accounting for 8% of our footprint.

 Further information on our **Science Based Targets** can be found on page 78

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 and the Group HSE 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 well established groups including a global cross-functional ESG Committee and associated sub committees (see the governance diagram in our Sustainability Report) who work with them to deliver our Sustainability strategy, and set objectives and targets which are aligned with the United Nations Sustainable Development Goals and SBTi. The outcomes from these groups were reported directly to the Board at meetings in February 2023 and June 2023. The Audit Committee also discussed and approved the TCFD disclosures for 2022 in August 2022, updated disclosures for 2023 in

October 2023 and climate risk, which continues to be identified as a principal risk to the Group, in June 2023.

Given the importance of managing climate risk, factors relevant to it have been considered as part of the remuneration of the Executive Directors and SET since 2021. As part of their personal objectives within the annual bonus plan, which constitutes 10% of Executive Directors' and 5% of SET annual salary, each senior executive team member had an ESG objective in the 2023 financial year.

Identifying and Managing Climate Risk and Opportunity

To inform the wider Group risk management process of any specific risks and opportunities posed by climate change, and/or the transition to a low carbon economy, we have integrated climate assessments into the overall Group risk management process. As a Company with a global footprint and with operations across the entire animal health value chain, from research and development through to after-sales support, we are potentially exposed to a number of varied factors.

Climate Change and Our Strategy for Physical Risks

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. It is critical to understand the physical hazards from climate change (e.g. extreme heat, floods and storm damage) and the risks to our value chain, which includes our workforce, local communities, suppliers, partners and customers as well as our physical assets. Working in a preventative way, we will implement planned response strategies and minimise interruptions from extreme weather events across our operations and value chain. During the 2022 financial year, we assessed the impact of climate risk to our business using the Intergovernmental Panel on Climate Change (IPCC) data under two transition scenarios and two physical scenarios over a 30 year time horizon; the first two modelled a positive scenario – Representative Concentration Pathway (RCP 1.9) indicating a 1.5°C temperature rise in accordance with the Paris Agreement and the second two (RCP 7.5) a 4°C temperature rise deemed to be a worst case which assumes that there will be no significant change in people's attitudes and priorities, or no major changes in technology, economics, or policies, so that normal circumstances are expected to continue unchanged.

Using these assessments we have screened climate impacts across our own business critical operations and identified that all were potentially exposed to some form of risk, with three sites warranting further assessment. We have prioritised our Pomona site for a more detailed review in the 2024 financial year due to the high risk of earthquake and increasing risk of extreme heat over the time horizon assessed. We will then review our Bladel and Somersby sites, both of which were identified as having an increasing risk of water scarcity in the medium to long term. We will now also start to focus on our strategic partners with a critical role in

Task Force on Climate-related Financial Disclosures

our value chain that are most exposed to climate-related hazards in our predictions, to understand their resilience to climate change and to work collaboratively across the animal health industry. This will include, but not be limited to, Contract Manufacturing Organisations (CMO's), Active Pharmaceutical Ingredient (API) producers, packaging suppliers and transport and distribution service providers.

Climate Change and Our Strategy for Transition Risks and Opportunities

The nature of the risks and opportunities we face is not solely driven by the physical aspects of climate change. Regulatory, technical, and commercial changes in the markets in which we operate, are already resulting in pressures to reduce the greenhouse gas (GHG) footprint of specific pharmaceutical products.

To respond to the identified climate risks and opportunities, we are taking action across the Group, and are committed to:

- achieving science-based net zero GHG emissions by maximising our energy efficiency, shifting to renewable energy sources, and investing in beyond value chain mitigation activities (such as our recent investment in AgCoTech) to support the global objective to halve emissions by 2030 and achieve science-based net zero by 2050; and
- building resilience by managing the physical and transitional risks and opportunities from climate change in the value chain, through adaptation and business continuity planning.

As part of our 'Making a Difference' sustainability plan we have submitted our near term targets for Scope 1, 2 and 3 emissions to the SBTi and are awaiting validation. We remain committed to a long term target to reach science-based net zero emissions across our full value chain by no later than 2050. We will continue to transition to a low carbon business and since 2021 we have also supported the UN-backed Race to Zero.

Near Term Targets

- Reduce Scope 1, 2 and 3 GHG emissions in line with climate science through the SBTi
- Eliminate the remaining 34% of suppliers who are non FSC approved by June 2024;
- Zero waste to landfill by 30 June 2025;
- Maximise our transition to electric vehicles in our road fleet by end of June 2027; and
- Complete the AUD\$6 million investment in AgCoTech by the end of June 2024, representing an investment in beyond value chain activities aiming to eliminate 100 million tonnes of CO₂ per annum by June 2032.

➡ Further information on our **Science Based Targets** can be found on page 78

Long Term Targets

- Become science-based net zero by 2050.

We recognise that cross-sector collaboration and supplier engagement are essential to decarbonise pharmaceutical supply chains. To reduce our Scope 3 emissions we will need to engage our suppliers across our entire value chain as well as continuing to bring more of our manufacturing in-house.

For further information please refer to our Sustainability Report.



Risk or Opportunity	Time Horizon	Potential impact	How it is managed		
			Short	Mid	Long
Key Physical Risks					
Increased frequency of extreme weather and climate-related natural disasters	● ● ●	<p>Detailed manufacturing site-level climate risk assessments have been completed. Outcomes indicate potential for:</p> <ul style="list-style-type: none"> 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, Skipton, Bladel and Australia; and Increased risk of storms that can damage site structures. This risk has the potential to impact our manufacturing site in Florida. <p>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.</p> <p>We do not foresee a material business impact arising from these short term events.</p>	<p>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.</p> <p>For example to improve business resilience we are continuing to invest at our sites to mitigate reliance on third party energy suppliers via increased on-site use of solar panels complemented by emergency generators. During the financial year, solar panels were installed at our Skipton facility and we already have a significant solar power capability at our site in Zagreb.</p> <p>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.</p> <p>We have a broad portfolio and therefore are not overly reliant on a small number of individual products. For those more important products, we look to dual source from CMOs or to manufacturer at two different in-house locations insofar as is possible.</p> <p>Metrics: Please refer to our Sustainability strategy update on page 68.</p>		

Key:

● Low Risk

● High Risk

● Medium Risk

● Opportunity

Time Horizons for Impact**Short term:**

1 to 2 years

Mid term:

2 to 5 years

Long term:

5 to 25 years

Task Force on Climate-related Financial Disclosures

Risk or Opportunity	Time Horizon	Potential impact	How it is managed		
			Short Mid Long		
Transition Risks and Opportunities					
Increased demand for low carbon products	● ● ●	<p>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.</p> <p>Future revenue from our generic portfolio could be at risk should substitution become widespread before we are able to transition.</p> <p>We have an opportunity to gain market share if we can transition in the short term.</p> <p>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.</p>	<p>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.</p> <p>All new products brought to market for the first time now include a sustainability review pre-launch. This review will focus on utilising sustainable ingredients and packaging.</p> <p>In 2023 we have continued the project to screen the carbon footprint of our existing product range utilising an IT system to review the GHG footprint to help assess and manage risks and target interventions to reduce the environmental footprint of our products (initiated in 2022).</p> <p>Metrics: Please refer to our Sustainability strategy update on page 68.</p>		
Carbon pricing and future environmental taxation	● ● ●	<p>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.</p> <p>Increased carbon pricing based on the International Energy Agency Net-Zero Emissions by 2050 scenario forecast which follows the 1.5°C warming pathway (\$140/tCO2 by 2030).</p> <p>We do not foresee a material impact.</p>	<p>Our Making a Difference plan and associated net zero commitment 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.</p> <p>In the 2023 financial year we incorporated an internal carbon price of \$100/Tco2 on emissions at all of our manufacturing facilities which will support our transition to net zero. In 2024 we will increase this to \$140/Tco2.</p> <p>Metrics: Please refer to our Sustainability strategy update on page 68.</p>		

Risk or Opportunity	Time Horizon	Potential impact	How it is managed		
			Short	Mid	Long
Transition Risks and Opportunities					
Supply-demand of renewable energy (power and heat)			Competition for renewable energy due to increased demand.	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:	
			Security of renewable energy supply due to impact of climate change.	<ul style="list-style-type: none"> Our management team at Zagreb holds the ISO 50001 accreditation, the international standard for Energy Management and have obtained planning permission to explore the potential viability of geothermal energy at the site as well as increasing the utilisation of solar energy. 	
			Access to clean heat alternatives to natural gas, such as biomethane, generally requires higher investment.	<ul style="list-style-type: none"> Our Brazilian team reduced refrigerant gas losses in 2022 by 91.0% through collaboration with our European engineering and maintenance team. 	
			Opportunity to adopt energy efficiency measures to reduce operating costs and exposure to future fossil fuel price/ carbon price increases.	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 and newly installed panels at our Skipton site.	
			We do not foresee a material impact.	Metrics: Please refer to our Sustainability strategy update on page 68.	
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.	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.	
			There could be a significant risk associated with increased costs for using high carbon transport modes.	Commencing engagement with upstream and downstream partners to recognise sustainable performance during contract renewal processes.	
			Use of lower emission sources of energy will reduce costs and will reduce exposure to fossil fuel and carbon price changes.	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.	
			Use of more efficient production and distribution processes will reduce operational and logistical costs.	Exploring positive recognition for sustainable ambition and performance within the procurement process.	
			We do not believe the net impact to be material as we envisage being able to pass on any increased costs to customers.	Metrics: Please refer to our Sustainability strategy update on page 68.	

Monitoring Our Progress

We report on our GHG emissions and progress towards near and long term targets in line with the World Resources Institute GHG Protocol guidance for defining and calculating our GHG footprint. Our Sustainability Report reflects how we plan to decarbonise the business and by that, reduce exposure to transition risks and unlock future opportunities for the Group. During 2023, we were recognised for our efforts by being included in Sustainalytics' 2023 Top-Rated ESG Companies List.

Task Force on Climate-related Financial Disclosures

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:

	Dechra's Current Status	Links to More Information on Key Developments
Governance		
Describe the Board's oversight of climate-related risks and opportunities.	Our Board and SET are supported by well established groups including a global cross-functional ESG Committee and associated sub committees to monitor the execution of our sustainability strategy.	<ul style="list-style-type: none">• TCFD statement• Page 109• Sustainability Report pages 21 to 28
Managing climate-related risks and opportunities.	Our Chief Financial Officer is responsible to the Board for the development and performance of our climate strategy and related risks and opportunities, as part of his overall responsibilities. The ESG committee coordinates management of physical and transitional risks and opportunities.	<ul style="list-style-type: none">• TCFD statement• Page 103• Sustainability Report pages 2 and 21
Strategy		
Describe the climate-related risks and opportunities which have been identified over the short, medium, and long term.	Physical risks from climate change are primarily disruption or delays to manufacturing or distribution and increased liability insurance premiums and reputational damage. Transition risks and opportunities are primarily regulatory and market changes, and/or pressure and ability to reduce product carbon footprints and decarbonise our value chain.	<ul style="list-style-type: none">• TCFD statement• Page 87• Sustainability Report page 21
Describe the impact of climate-related risks and opportunities on the businesses, strategy, and financial planning.	We are taking Group-wide action to reduce our GHG emissions from our global operations by 2030 (from a 2021 base year). We are committed to reducing Scope 1, 2 and 3 emissions in line with climate science through the SBTi to fully prepare for a low carbon economy. Near term targets have been submitted and are awaiting validation. We have disclosed our transition plan to science-based net zero.	<ul style="list-style-type: none">• TCFD statement• Page 78• Sustainability Report pages 18 and 21
Describe the resilience of the strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We are building resilience against a worse-case scenario (RCP 7.5) in our supply chain by investing in at risk sites, supply chain design and inventory levels to manage interruption risks. No material business impact from short term events is foreseen. Value chain decarbonisation, with net zero targets aligned to a 1.5°C scenario, will secure low carbon business resilience with the opportunity to continue to add scale.	<ul style="list-style-type: none">• TCFD statement• Sustainability Report page 21

		Dechra's Current Status	Links to More Information on Key Developments
Risk Management			
Describe the processes for identifying and assessing climate-related risks.	Climate assessments integrated into overall Group risk management inform the Group of specific risks and opportunities posed by climate change and/or the transition to a low carbon economy.	<ul style="list-style-type: none"> • TCFD statement • Page 80 • Sustainability Report page 21 	
Describe the processes for managing climate-related risks.	Identified risks are owned by the responsible SET member and addressed in local site continuity plans or by technical mitigation in site master plans. Short, mid and long term financial planning includes required investments.	<ul style="list-style-type: none"> • TCFD statement • Page 87 • Sustainability Report page 21 	
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management.	Our 'Making a Difference' plan includes initiatives aimed at reducing our GHG footprint, mitigating some physical and transition risks and making our business more resilient to climate change.	<ul style="list-style-type: none"> • TCFD statement • Page 80 • Sustainability Report page 21 	
Metrics and Targets			
Disclose the metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process.	Identified risks are managed locally and escalated to the SET member responsible and Board level if material.	<ul style="list-style-type: none"> • TCFD statement • Page 80 • Sustainability Report page 21 	
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our GHG footprint for the full value chain (Scopes 1, 2 and 3) for our base year (calendar year 2021) are disclosed in our Annual Report and Accounts and separately in our Sustainability Report. Scope 3 includes 15 categories, of which 11 categories are material to Dechra. Our Scope 2 emissions have been calculated on a market based approach.	<ul style="list-style-type: none"> • TCFD statement • Pages 76 to 78 • Sustainability Report pages 07, 17 and 21 	
Describe the targets used to manage climate-related risks and opportunities and performance against targets.	We have continued to disclose our GHG emissions relating to emissions arising from sources over which we have operational control as in previous financial years. In addition we have disclosed our expanded base year carbon footprint emissions which have been submitted to SBTi along with our targets for verification. The related risks can be found in this TCFD report and Understanding Our Key Risks.	<ul style="list-style-type: none"> • TCFD statement • Pages 76 to 78 • Sustainability Report pages 07, 17 and 21 	
	Relevant metrics and KPI's disclosed in our Annual Report and Accounts and separately in our Sustainability Report reflect the extent of decarbonisation and thereby reduced exposure to transition risks as well as showing future opportunities. We have also disclosed our proposed pathway to net zero.	<ul style="list-style-type: none"> • TCFD statement • Pages 68 and 78 • Sustainability Report pages 07, 18 and 21 	

Environment



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 disclosed in our Sustainability Report along with how we have performed during the 2023 financial year. This section of the Annual Report will focus mainly on the Companies Act requirements in relation to Greenhouse Gas (GHG) emissions. It will also provide some details in relation to our commitment to reduce Scope 1, 2 and 3 emissions in line with climate science through the SBTi.

Our Emissions

Group Greenhouse Gas Emissions

Our carbon emission software, in addition to energy usage, records 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.

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, purchased electricity (which are not included in Scope 2), water and waste.

The GHG emissions are in relation to our financial year (1 July to 30 June). For continuity of reporting with previous years, we have excluded flights in this data. However, we have recently improved our capture of flight data and will be included in future years' reporting.

	2023	% relates to UK	2022	% relates to UK	2021	% relates to UK
Scope 1 (tonnes)	5,927	9.0%	6,709	7.3%	7,027	6.0%
Scope 2 (tonnes)	5,067	11.0%	4,896	12.4%	5,261	10.1%
Scope 3 (tonnes)	2,982	9.5%	2,770	5.2%	1,934	7.4%
Total Carbon Footprint (tonnes of CO ₂ e)	13,975		14,375		14,222	
Intensity Ratio (tonnes of CO ₂ e per £m revenue)		18.4		21.1		23.4

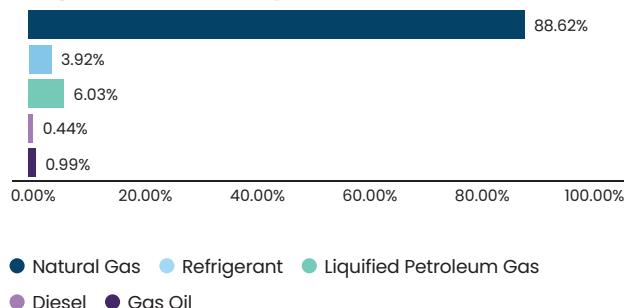
The decrease in Scope 1 emissions is due to a 10% decrease in natural gas used, and an improvement in refrigerant gas management in minimising losses.

The increase in Scope 2 emissions is a factor of increased electricity consumption of 13%; however, the total carbon associated with this reduced, due to a change in carbon conversion factors used for national grid electricity as countries adopt more renewable fuel sources in their national energy strategies. There was also a 113% (79.7 tCO₂e) increase in energy use from steam/heat, primarily driven by Uldum as the new Warehouse went into full use. This resulted in an overall 3% increase in Scope 2 emissions.

The main contributor to the increase in Scope 3 is increased business driving, as well the corresponding Scope 3 (transmission losses / impacts) related to higher use of electricity (Scope 2).

The predominate source of Scope 1 emissions is Natural Gas.

Scope 1 Emissions by Source



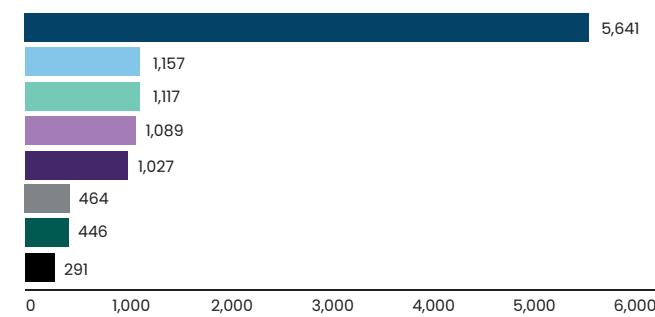
● Natural Gas ● Refrigerant ● Liquified Petroleum Gas

● Diesel ● Gas Oil

	2022	2023	Restated	Variance
Manufacturing	11,232	12,156	(7.6%)	
Offices	2,039	1,501	36.1%	
Warehousing	704	718	(2.0%)	
Total	13,975	14,375	(2.8%)	

¹ The 2022 financial year figures have been restated to include waste

tCO₂e by Manufacturing Site



● Zagreb, Croatia ● Pomona, US ● Skipton, UK

● Londrina, Brazil ● Bladel, Netherlands ● Fort Worth, US

● Somerby, Australia ● Melbourne, US

Our Manufacturing facilities are the main contributor to our carbon footprint representing 80.3% of our total carbon footprint. During the 2023 financial year carbon emissions decreased by 7.6% despite the acquisition and inclusion of new facilities during the period. As in previous years, our site in Croatia contributed the highest amount of carbon in the 2023 financial year which is linked to the production of the energy intensive product, Mepron. In the 2023 financial year, total Mepron volumes declined by 16%, reducing energy consumption and in combination with investment in energy conservation measures the site achieved a total reduction in carbon emissions of 21% versus the 2022 financial year. Projects included installation of local ground source heat pumps (to reduce heat loss in distribution) and the fitting of an economiser on one of the main production boilers to recover stack heat losses and pre heat boiler feed water. A further economiser will be fitted to the second site boiler in the 2024 financial year.

At our largest warehousing site, Uldum, a migration away from the use of natural gas to the use of steam district heating, decreased carbon emissions by 17 teCO₂e. Office teCO₂e increased due to the inclusion of new sites in South Korea and North Carolina, and also improved reporting at existing office sites.

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

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.

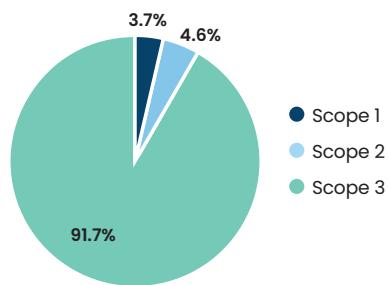
	2023	% relates to energy consumed in UK	2022	% relates to energy consumed in UK	2021	% relates to energy consumed in UK
Scope 1	32,207,280	8.3%	35,418,610	5.9%	31,522,041	6.3%
Scope 2	22,141,070	13.0%	19,229,812	15.1%	17,185,952	16.2%
Scope 3	11,801,497	8.5%	9,528,775	3.6%	6,610,981	0.9%
Total kWh	66,149,847	9.9%	64,177,197	8.3%	55,318,974	8.7%

The reasons for the increases and decreases in KWH are the same as for the GHG emissions, that is the reduction in Scope 1 kWh is linked to the reduction in natural gas usage, the increase in Scope 2 KWh is due to the increased electricity use, and the increase in Scope 3 KWh is linked to the increased business driving and improved reporting/collection of this data through the implementation of Concur.

Environment

Science Based Targets

During the 2023 financial year, we concluded the comprehensive data collection (Scopes 1, 2 and 3) for our carbon footprint base year, which is the 2021 calendar year. This work expands our Scope 3 emissions, which includes data from across our supply chain. Dechra's near term targets have been submitted to the SBTi and are awaiting validation, and we are committed to reaching net zero by 2050. Unlike our Greenhouse Gas Emissions disclosed on pages 76 and 77, the emissions below are shown for the calendar year:



The chart above shows that our footprint is dominated by Scope 3 (indirect value chain emission) with Scope 1 and 2 combined only accounting for 8.3% (13kt CO₂e) of the footprint. Natural gas combustion for manufacturing and warehousing is the major source for direct emissions (natural gas accounts for 74% of Scope 1 emissions, being 4% of the total footprint).

Scope 2 (Indirect emissions associated with generated electricity and purchased heat and steam) have been calculated on a market based approach and accounts for 4.5% of the total footprint. This differs to the GHG emissions reported on page 79, which have been calculated under the location-based approach and relate to the 2023 financial year as opposed to the 2021 calendar year shown above.

Going forward we will disclose our Scope 2 emissions using both market-based and locations methods. The market-based calculation uses both supplier-specific emission factors and factors from emission factor libraries. The location-based calculation method takes into consideration the national average mix of energy sources available in the countries we operate in.

Scope 3 includes 15 categories, of which 11 categories are material to Dechra. Due to the indirect nature of Scope 3 emissions and the variety of the emissions sources, our footprint calculations include both collected primary data and applied relevant data with verified emission factors. We will continue to improve the accuracy of our calculations as we proceed with our road map.

The main contributors to Scope 3 emissions are purchased goods and services, upstream and downstream distribution, acquisition of capital goods and business travel and employee commuting:

	%	ktCO ₂ e
Scope 1	3.7%	5.8
Scope 2	4.6%	7.2
Cat 1 - Purchased goods and services	65.2%	102.0
Cat 2 - Capital goods	7.3%	11.4
Cat 3 - Fuel and energy related activities	2.2%	3.5
Cat 4 - Upstream distribution	8.8%	13.7
Cat 5 - Waste in operations	0.3%	0.5
Cat 6 - Business Travel	3.6%	5.7
Cat 7 - Employee commuting	1.2%	1.8
Cat 9 - Downstream distribution	2.8%	4.8
Cat 11 - Use of sold products	<0.1%	0.001
Cat 12 - End of life of sold products	0.3%	0.5
Cat 15 - Investments	0%	0

Our Road Map

In order to be resource efficient, it is essential to increase energy efficiency and reduce the energy intensity of our processes. To reach our reduction targets for Scope 2, we will continue to focus on increasing the share of renewable energy in our operations by procuring renewable electricity alongside our implementations of solar panels. A key focus area will be to engage with our supply chain and improving visibility of our Scope 3 emissions across our supply chain and contracted manufacturing partners. To strengthen collaboration within our supply chain, we have included environmental questions in our new third party onboarding tool. This will enable us to collate environmental information on our third parties and tailor our communications accordingly. In the 2024 financial year we will develop our roadmap to reduce Scope 1, 2 and 3 emissions in line with climate science through the SBTi to achieve net zero by 2050 at the latest.

Furthermore, we will continue the effort to understand and disclose the risks posed by climate change as well as opportunities by transforming to a low carbon economy. Further information on climate impacts and how we propose to manage them can be found in the TCFD report and our proposed actions to address particular emission hotspots can be found in our Sustainability Report.

Submission of science based targets to the SBTi

As noted throughout this report, we have submitted our near term carbon reduction targets to the Science Based Targets initiative for validation. These targets will be used to help us manage climate risks and opportunities, and illustrate our commitment to decarbonising our business.

These near term targets:

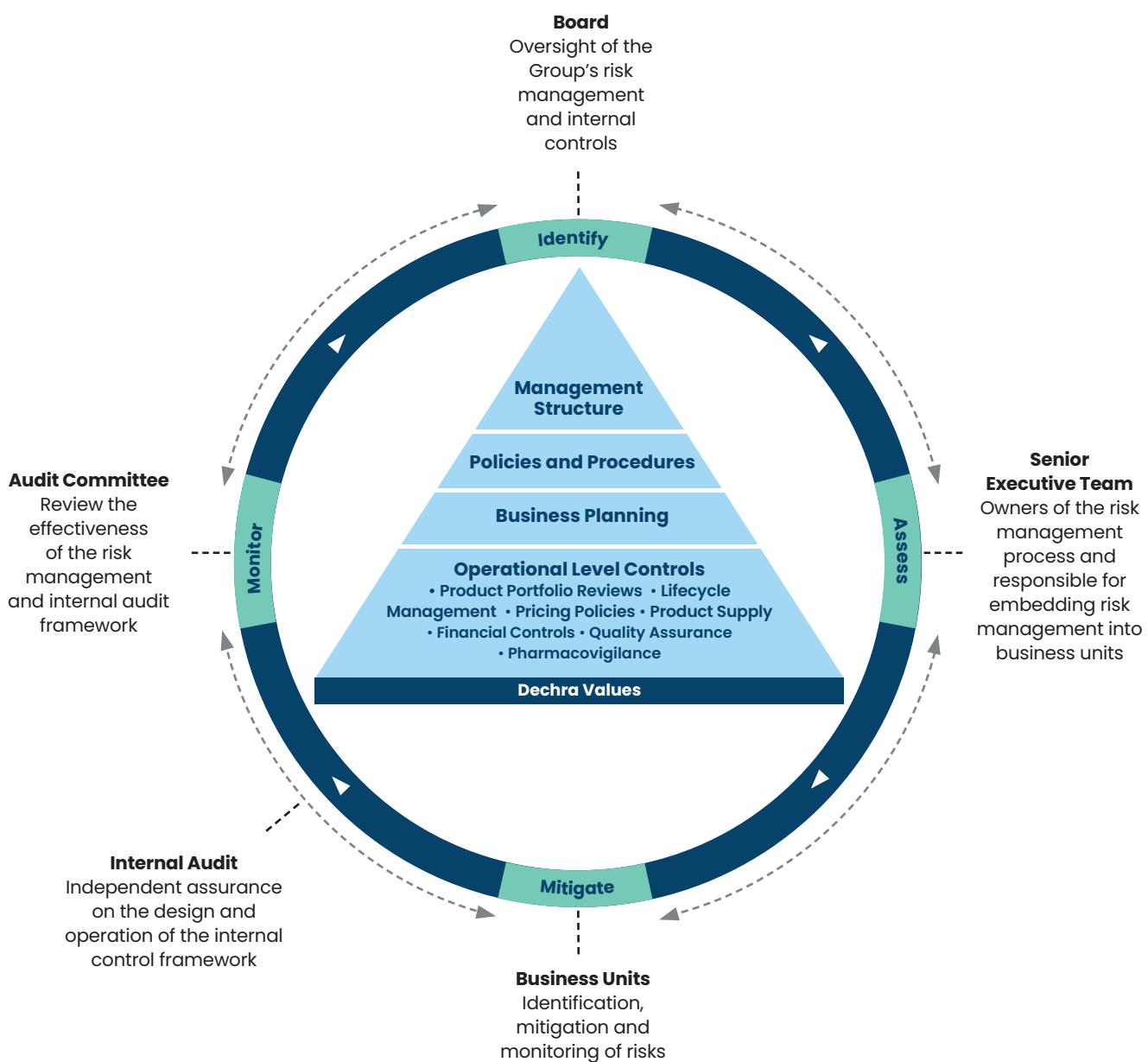
- Make reference to a base year of the 2021 calendar year;
- Have a 10 year time horizon to 2030;
- Represent an absolute reduction target for Scope 1 and 2 emissions; and
- Represent an intensity reduction target for the 11 categories of Scope 3 emissions that are material to us.

We are hopeful that the validation process will be complete by the end of the 2023 calendar year and therefore we expect to be able to disclose the targets in our 2024 Annual Report and Sustainability Report. In the meantime, we have already commenced work to engage the wider business on various initiatives that will help us achieve these targets.

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 Audit Committee 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. No material emerging risks were identified in the 2023 financial year.

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-Fraud;
- 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 83 to 87. 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 2023

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

- Recruitment of a Compliance Manager to support Dechra's compliance with key legislation including Data Protection, Anti-Competitive Practices, Anti-Money Laundering, Fraud and Fraud Awareness, Modern Slavery, Anti-Bribery and Anti-Corruption, and Sanctions.
- We have continued to make improvements to our manufacturing, quality and supply processes, with additional investments in people and production facilities.
- We completed the 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 requirements of the BEIS proposals.
- Our Environmental, Social and Governance (ESG) strategy has been further enhanced with the appointment of a Sustainability Project Manager. 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.
- We commenced the roll out of a Global Travel and Expense management and reporting system. This will help to ensure that travel and expenses costs deliver value for the company, and improve the efficiency and accuracy of reporting.
- We continued with our project to upgrade the Manufacturing ERP system to one consolidated cloud-based Oracle platform.

Plans for 2024

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 2024.

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

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 32 and 33 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. Progress against financial budgets, forecasts and key business objectives are 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 2023 and considered the Group's current position, its future prospects and reaffirmed the Group's stated strategy.

How the Business Manages Risk

Assessment of Viability and Time Period

The Board has determined that a three year period to 30 June 2026 is an appropriate period over which to provide 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 83 to 87 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

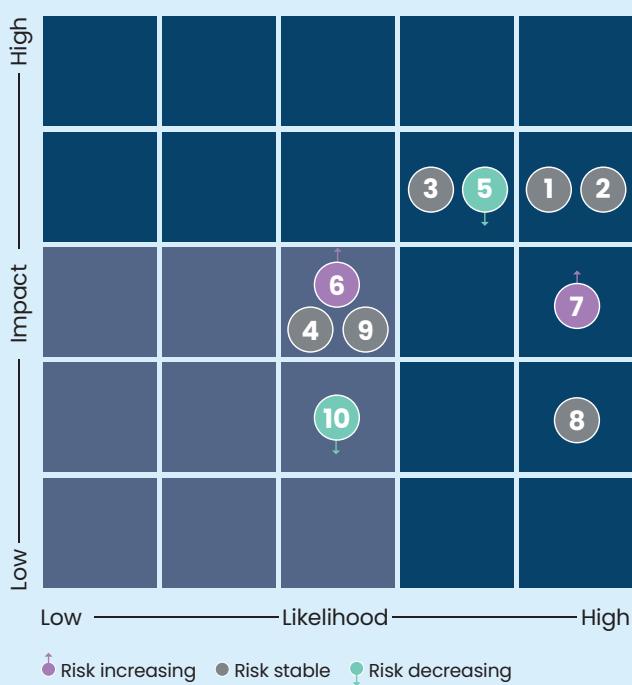
Based on the results of this analysis and the assumptions used in the Group's planning process, the Board has a reasonable expectation that the Group and Company will be able to continue in operational existence for the foreseeable future and meet its liabilities as they fall due over the three year period from 30 June 2023. On 2 June 2023, the Board reached an agreement with Freya Bidco Limited (Bidco) on the cash acquisition by Bidco of the entire issued ordinary share capital of Dechra (the Acquisition). The Acquisition is being implemented by means of a Court-sanctioned scheme of arrangement (the Scheme). On 20 July 2023 the Scheme and its implementation were approved by the Scheme Shareholders and Dechra Shareholders and the Acquisition is expected to complete after the date of approval of the Annual Report and Accounts. The going concern and viability assessments of the Group and Company are therefore subject to uncertainties relating to the potential change in ownership of the Group and the actual funding requirements and financing arrangements post completion. For this reason, the Board cannot reasonably predict the financial position of the Group and Company post-completion, including the details of any financing arrangements related to the transaction that could affect the Group and Company. This indicates the existence of a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern. The financial statements do however not include the adjustments that would result if the Group and Company were unable to continue as a going concern. Notwithstanding this uncertainty, based on the circumstances described above, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and is able to meet its liabilities as they fall due over the three year period from 30 June 2023.

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

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends	
1	<p>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.</p>	<p>The growth of corporate customers and buying groups represents an opportunity to increase sales volumes and revenue but may result in reduced margins.</p>	<p>We manage and monitor our 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.</p>		
2	<p>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 <i>Vetoryl</i> and <i>Zycortal</i> have built a market which continues to be attractive to competitors.</p>	<p>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.</p> <p>Costs may increase due to defensive marketing activity.</p>	<p>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.</p>		

Strategic Driver/Enabler Key:



Risk Trend

- Increased Risk
- Decreased Risk
- No Change

Understanding Our Key Risks

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends	
3 Product Development and Launch Risk:	<p>Failure to deliver major products either due to pipeline delays or newly launched products not meeting revenue expectations.</p> <p>The development of pharmaceutical products is a complex, risky and lengthy process involving significant financial, R&D and other resources.</p> <p>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.</p>	<p>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.</p> <p>Our market position in key therapeutic areas could be affected, resulting in reduced revenues and profits.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>Each development project is managed by project leaders who chair project team meetings.</p> <p>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.</p> <p>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.</p> <p>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.</p>		
4 Supply Chain Risk:	<p>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.</p> <p>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.</p>	<p>Raw material supply failures may cause:</p> <ul style="list-style-type: none"> • 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. <p>Shortages in manufactured products and third party supply failures on finished products may result in lost sales.</p> <p>Our robust response to recent global supply chain challenges, such as the impact of the Russian invasion of Ukraine, has seen the supply chain risk remain stable.</p>	<p>We monitor the performance of our key suppliers and act promptly to source from alternative suppliers where potential issues are identified.</p> <p>The Group's top products are regularly reviewed in order to identify the key suppliers of materials or finished products.</p> <p>A dedicated external network team exists to manage and support our CMOs to deliver quality products to our regulatory specifications.</p> <p>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.</p> <p>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.</p> <p>Business continuity plans are in place at our key manufacturing sites.</p> <p>A new procurement structure and performance measures have been put in place to improve supplier performance management and implement a second source strategy.</p>		

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends	
5	Regulatory Risk:	<p>Failure to meet regulatory requirements.</p> <p>We conduct our business in a highly regulated environment, which is designed to ensure the safety, efficacy, quality, and ethical promotion of pharmaceutical products.</p> <p>Failure to adhere to regulatory standards or to implement changes in those standards could affect our ability to register, manufacture or promote our products.</p> <p>Regulatory risk is high due to the increasing regulatory burden, including compliance with the European Medicines Agency's (EMA) Union Product Database (UPD). However, we have increased resource in our Regulatory Affairs team. Additionally, the proportion of our products manufactured by CMOs, which present higher regulatory compliance risks, has declined.</p>	<p>Delays in regulatory reviews and approvals could impact the timing of a product launch and have a material effect on sales and margins.</p> <p>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.</p> <p>Non-compliance with regulatory requirements may result in delays to production or lost sales.</p> <p>The Group strives to exceed regulatory requirements and ensure that its employees have detailed experience and knowledge of the regulations.</p> <p>Manufacturing and Regulatory teams have established quality systems and standard operating procedures in place.</p> <p>A dedicated External Network Quality Director supports our CMOs in complying with our regulatory specifications.</p> <p>Regular contact is maintained with all relevant regulatory bodies in order to build and strengthen relationships and facilitate good communication lines.</p> <p>The Regulatory and Quality teams update their knowledge of regulatory developments and implement changes in business procedures to comply with new requirements.</p> <p>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.</p> <p>External consultants are used to audit our manufacturing quality systems.</p> <p>Our Regulatory team operates a robust Pharmacovigilance (PV) process to report any adverse reactions and product complaints related to the use of our products.</p>		
6	Acquisition Risk:	<p>Identification of acquisition opportunities and their potential integration.</p> <p>Identification of suitable opportunities and securing a successful approach involves a high degree of uncertainty.</p> <p>Acquired products or businesses may fail to deliver expected returns due to overvaluation or integration challenges. The risk has increased due to the complexity of integrating Piedmont Animal Health, Inc and Med-Pharmex Holdings, Inc.</p>	<p>Failure to identify or secure suitable targets could slow the pace at which we can expand into new markets or grow our portfolio.</p> <p>Acquisitions could deliver lower profits than expected or result in intangible assets impairment.</p> <p>We have defined criteria for screening acquisition targets, and we conduct commercial, clinical, financial, environmental and legal due diligence.</p> <p>The Board reviews acquisition plans and progress regularly and approves all significant potential transactions.</p> <p>The SET manages post acquisition integration and monitors the delivery of benefits and returns through a defined process.</p>		

Understanding Our Key Risks

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends
7 People Risk: <p>Failure to resource the business to achieve our strategic ambitions, particularly on geographical expansion and acquisition.</p> <p>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.</p> <p>Our growth plans and future success are also dependent on retaining knowledgeable and experienced senior managers and key staff. Increased competition in the market, particularly in specialist roles, challenges the recruitment and retention of key talent and skills.</p>	<p>Failure to recruit, develop and retain quality people could result in:</p> <ul style="list-style-type: none"> • overstretched resources; • weakened succession planning; • capability gaps in new markets; or • challenges in integrating new acquisitions. <p>This could lead to erosion of our competitive advantage, and delay implementation of our strategy.</p> <p>Rising cost of living challenges and ongoing wage inflation have the potential to impact workforce stability.</p>	<p>The Chief People Officer 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.</p> <p>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.</p> <p>The Nomination Committee oversees succession planning for the Board and the SET.</p> <p>Succession plans are in place for the SET together with development plans for key senior managers.</p> <p>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.</p>	   	↑
8 Antimicrobials Regulatory Risk: <p>Continuing pressure on reducing antimicrobial use.</p> <p>The issue of the potential transfer of antibacterial resistance from animals to humans is subject to regulatory discussions globally.</p> <p>Whilst EU regulations (Regulation (EU) 2019/6) restricting antimicrobial use in animals became effective in 2022, the impact on our FAP antimicrobial portfolio is limited as our products are used for treatment rather than prevention. However, there remains continuing pressure on reducing antimicrobial risk. This is driven by market and cultural trends.</p>	<p>Reduction in sales of our antimicrobial product range.</p> <p>Our reputation could be adversely impacted if we do not respond appropriately to government regulations and recommendations.</p>	<p>Regular contact is maintained with relevant veterinary authorities to enable us to have a comprehensive understanding of regulatory changes.</p> <p>We strive to develop new products and minimise antimicrobial resistance concerns.</p> <p>We communicate appropriate antimicrobial use in line with best practice.</p>	 	→

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends
9	Climate:	<p>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.</p> <p>Damage to our facilities as a result of climate change could impact our ability 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.</p>	<p>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 United Nations Framework Convention on Climate Change Race to Zero.</p>	
10	Cybersecurity and IT Failure Risk	<p>Information security breach or significant disruption to our IT systems, resulting from a cyber-attack or failure of key IT software or infrastructure.</p> <p>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.</p> <p>Software or infrastructure failure could result in significant disruption to operations and management decision making.</p>	<p>Key systems, including email and ERP, are being migrated to cloud based hosting. Remaining on-premise systems are replicated across dual servers and backed-up.</p> <p>Disaster and data recovery plans are in place and tested regularly.</p> <p>Data encryption and multi-factor authentication are employed on mobile devices.</p> <p>Endpoint protection and intrusion prevention/detection are in place.</p> <p>Regular information security and data protection training for employees.</p> <p>Business interruption and cyber insurance are in place.</p>	

The Chief Executive Officer's Statement and the Strategic Report covering pages 03 to 07 and 24 to 87 respectively of the Annual Report and Accounts 2023, has been approved by the Board of Directors in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Melanie Hall
Company Secretary
12 October 2023

Governance

Contents

Letter from the Chair on Governance	90
Governance at a Glance	92
Board of Directors and Senior Executive Team	94
Board Leadership and Company Purpose	98
Division of Responsibilities	108
Composition, Succession and Evaluation	113
Audit, Risk and Internal Control	123
Directors' Remuneration Report	132
Directors' Report – Other Disclosures	166
Statement of Directors' Responsibilities	169



The Veterinary Perspective



Read more about us at:
www.dechra.com



Letter from the Chair on Governance



"The impact of our decisions on our key stakeholders is front of mind in our decision making."

Alison Platt
Non-Executive Chair

Dear Shareholder

On behalf of the Board, I am pleased to present Dechra's Governance report for the year ended 30 June 2023. This will be my last report on behalf of the Board, as the Non-Executive Directors and I will resign upon the acquisition of the Company by Freya Bidco Limited (a newly formed company to be indirectly owned by (i) EQT X EUR SCSp and EQT X USD SCSp, each acting through its manager (gérant) EQT Fund Management S.à r.l. (collectively referred to as EQT), and (ii) Luxinva S.A.) becoming effective, which is expected to occur in late 2023 or early 2024.

Board Appointments

There have been a number of Board changes in the 2023 financial year. In September 2022, Julian Heslop retired from the Board and in June 2023 Ishbel Macpherson also retired.

As communicated in the 2022 Annual Report, we had commenced the search for a new Non-Executive Director to succeed Ishbel as Remuneration Committee Chair. Cognisant of the Parker Review requirements and the new listing requirements regarding diversity targets, the Nomination Committee retained a recruitment consultant who specialised in diverse candidates to find our new Remuneration Committee Chair. We were very pleased to appoint Geeta Gopalan on 1 January 2023. She has a breadth of Non-Executive Director experience as well as chairing risk, audit and remuneration committees since 2017. Geeta was appointed Remuneration Committee Chair on 1 March 2023, allowing Ishbel Macpherson to step down from that role. Ishbel remained as a member of the Remuneration Committee to enable a smooth handover until she retired as a Non-Executive Director on 22 June 2023.

Purpose and Culture

Our Purpose is clearly defined and underpinned by our Culture and Values. Further details can be found on pages 08, 58 and 99. 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.

Our Values, Culture, people, and strategy have established Dechra as a global leader in therapeutic areas such as endocrinology and topical dermatology, as well as an innovator in specialisations such as the treatment of equine lameness and differentiated generics.

In June the Board attended a site visit of Skipton, UK, where it was great to see the increased engagement following the investment at the site and adoption of the revised shorter working week.

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 is mandatory for all employees. It is important to the Board that all employees are able to report any concerns they have and in particular in relation to violations of our Code. We have five reporting channels which include a third party confidential hotline, 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 58 to 66 and 101 to 105. The most important decision we have had to take as a Board was whether to recommend the offer by Freya Bidco Limited. The Dechra Board considers EQT, together with the Abu Dhabi Investment Authority (Luxinva), to be highly experienced investors with a strong sector understanding who will, we believe, prove to be responsible and supportive owners of Dechra, who can build on its legacy and further accelerate the Group's growth. Having been advised by Investec Bank plc it is our view that accepting this proposal represents the best interests of all stakeholders and in particular represents a compelling opportunity for shareholders to realise, in cash and with certainty, Dechra's potential for future value creation.

Sustainability

In March 2023, the Board was asked to consider a proposal for provision of finance in the form of a loan and minority investment in AgCo Tech Ltd, an Australian private limited company which provide practical help to livestock owners in developing countries (further details can be found on page 104 and in the Sustainability Report). This opportunity is rare as it meets all of the 'Beyond the Value Chain' requirements, is aligned to our strategy and also to the recent output from COP 27 which stated the need to reduce carbon and methane emissions simultaneously whilst also supporting those on the front lines of climate change. This investment is also strongly aligned with one of our key sustainability objectives (to donate £5 million to philanthropic actions by 30 June 2030). This initiative will accelerate our progress against this objective.

Compliance with the Code

The UK Corporate Governance Code 2018 (the Code) establishes the principles of good governance for companies; the Governance section of the 2023 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. The Board remains committed to maintaining high standards of corporate governance. The Code can be found at www.frc.org.uk.

Relations with Shareholders

A Court Meeting and General Meeting was held on 20 July 2023 to consider and approve the Scheme Document and the Resolution to approve the proposed cash offer for the Company by Freya Bidco Limited. The Shareholders voted in favour of the Scheme at the Court Meeting and the Resolution at the General Meeting.

The following reports make reference to an Annual General Meeting being scheduled for 13 December 2023; however this is subject to the Company remaining listed at the time.

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

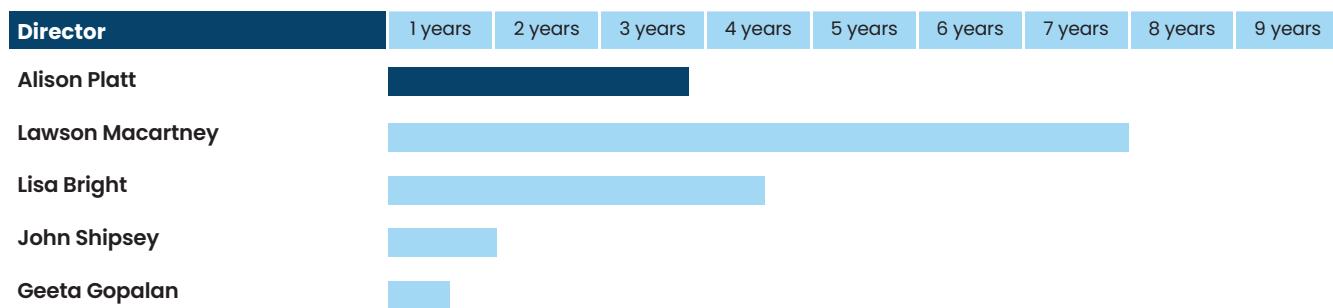
Non-Executive Chair
12 October 2023

Principle	Page
Board Leadership and Company Purpose	
A	Effective and Entrepreneurial Board 98
B	Purpose, Values, Strategy and Culture 98 to 100
C	Framework of Prudent and Effective Controls 98, 101
D	Stakeholder Engagement 101 to 105
E	Workforce Policies and Practices 107
Division of Responsibility	
F	Role of the Chair 110
G	Composition of the Board 108
H	Role of Non-Executive Directors 110
I	Policies, Processes, Information, Time and Resources 108 to 110
Composition, Succession and Evaluation	
J	Board Appointments 116
K	Board Composition 115
L	Board Evaluation 120 to 121
Audit, Risk and Internal Control	
M	Independence and effectiveness of Internal and External Audit 129 to 131
N	Fair Balanced and Understandable Assessment 128
O	Risk and Internal Control 128, 129
Remuneration	
P	Alignment to Purpose, Values and Strategy 138, 139
Q	Remuneration Policy Procedure 133, 135, 139
R	Independent Judgement and Discretion 134, 154

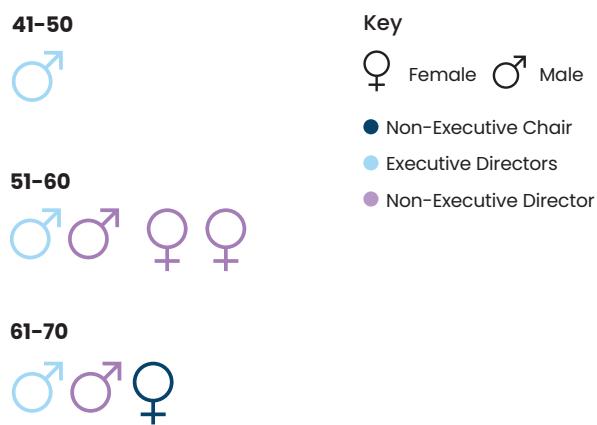
Governance at a Glance

Our Board

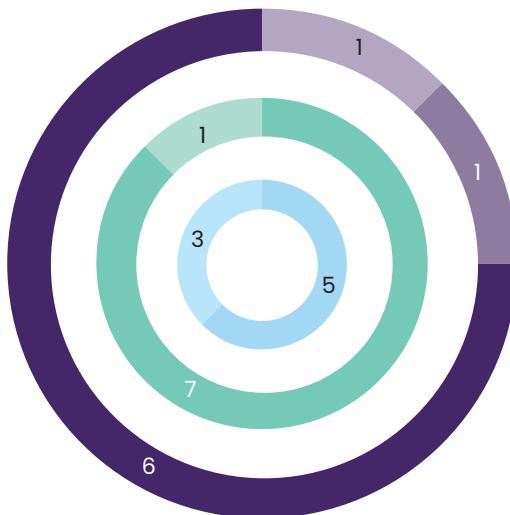
Non-Executive Directors' Tenure as at 30 June 2023



Board Age and Gender



Country of Residence, Ethnicity and Education



Rolling Three Year Female Representation %



Key

Country of Residence

USA	1
Netherlands	1
UK	6

Ethnicity

White (all backgrounds)	7
Asian (all backgrounds)	1

Education

University	5
Vocational	3

Board and Committee Attendance

The Board is scheduled to meet seven times per year. During the year, four additional meetings were held to discuss the 2023 financial year interim results, financing and proposed acquisition targets. The Remuneration Committee is scheduled to meet four times a year, the Audit Committee is scheduled to meet five times a year and the Nomination Committee three times a year. There were two additional meetings for the Remuneration Committee to discuss the Remuneration Policy and for the Nomination Committee to discuss and recommend the appointment of a Non-Executive Director.

Number of meetings attended:

	AGM	Board	Audit	Nomination	Remuneration
Alison Platt	1	11 11	N/A	5 5	6 6
Ian Page	1	11 11	N/A	N/A	N/A
Tony Griffin‡	1	10 11	N/A	N/A	N/A
Paul Sandland	1	11 11	N/A	N/A	N/A
Lisa Bright†	1	11 11	5 5	4 5	6 6
Julian Heslop†	N/A	3 3	1 1	1 1	1 1
Lawson Macartney	1	11 11	5 5	5 5	6 6
Ishbel Macpherson	1	11 11	5 5	5 5	6 6
John Shipsey	1	11 11	5 5	5 5	6 6
Geeta Gopalan*	N/A	6 6	2 3	2 2	3 3

Key to Attendance

- Number of meetings attended
- Number of meetings held

† Julian Heslop attended all meetings until his retirement.

‡ Tony Griffin did not attend an adhoc meeting to discuss the acquisition of Med-Pharmex due to a prior DVP EU meeting with Country Managers.

* Geeta Gopalan attended all meetings since her appointment apart from one Audit Committee meeting due to prior commitment arranged pre-appointment.

†† Lisa Bright did not attend a Nomination Committee meeting due to a medical emergency.

	Board	Remuneration
Alison Platt	8 9	1 1
Ian Page	3 9	N/A
Tony Griffin	7 9	N/A
Paul Sandland	8 9	N/A
Lisa Bright	8 9	1 1
Lawson Macartney	8 9	1 1
Ishbel Macpherson	7 9	1 1
John Shipsey	9 9	1 1
Geeta Gopalan	9 9	1 1

In addition, there were a further nine Board meetings held at short notice for the specific purpose of discussing the proposed cash offer for the Company and one Remuneration Committee meeting to discuss the treatment of the share schemes for the Cooperation Agreement. Due to the fact that these were held at very short notice, there were a number of meetings where not all of the Board could attend. The majority of these meetings were for the purposes of providing an update to the Non-Executive Directors. Ian Page met with the Chair prior to any meetings that he was unable to attend.

Board of Directors

Executive Directors



Ian Page

Chief Executive Officer

Tenure:

Twenty six years

Committee Membership:
Disclosure (Chairman).

Background:

Ian joined NVS, Dechra's former services business, at its formation in 1989, becoming its Managing Director in 1998. He joined the Board in 1997 and became Chief Executive Officer in 2001. Ian has played a key role in the development of the Group's growth strategy.

Skills and Experience which Supports the Long Term Success of the Company:

Ian has a detailed knowledge and experience through various positions he has held within the pharmaceutical and veterinary arena. He has extensive experience in M&A and in the successful delivery of strategic plans. Ian has a breadth of business development experience both in the UK and globally.

Key External Appointments

None.

Pets:



Paul Sandland

Chief Financial Officer

Tenure:

Four years

Committee Membership:
Disclosure.

Background:

Paul 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 as the Group Financial Controller. Paul was appointed as an Executive Director and Chief Financial Officer of the Company on 30 October 2019.

Skills and Experience which Supports the Long Term Success of the Company:

Paul is a Chartered Certified Accountant. Paul is the Board Director responsible for Health and Safety and ESG matters. Paul has strong technical, strategic and commercial skills and has demonstrated a practical understanding of all parts of the Group.

Key External Appointments

None.

Pets:



Tony Griffin

**Managing Director,
Dechra Veterinary
Products EU**

Tenure:

Eleven years

Committee Membership:
Not applicable.

Background:

Tony joined the AUV Group in 1993 as Director of Exports and was appointed as Chief Executive Officer in 2006. Having previously worked at Norbrook Laboratories and Moy Park, Tony was appointed Managing Director of DVP EU in May 2012 following the acquisition of Eurovet Animal Health BV.

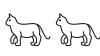
Skills and Experience which Supports the Long Term Success of the Company:

Tony has over 30 years' experience in the animal health business. He has broad experience of running an international animal health business with teams in different European countries.

Key External Appointments

None.

Pets:



Non-Executive Chair



Alison Platt

Non-Executive Chairman

Tenure:

Three years

Committee Membership:
Nomination (Chair) and Remuneration.

Background:

Alison served as the CEO of Countrywide between 2014 and 2018. Alison served as Non-Executive Chair of Legal & General Finance Advice until 2022 and previously held various positions at Bupa between 1993 and 2014. Alison was awarded a CMG for services to the Foreign Office in 2011 following six years on the FCO Board.

Skills and Experience which Supports the Long Term Success of the Company:

Alison has extensive international and leadership experience in customer driven organisations in healthcare, insurance and property sectors. She is an experienced senior leader in both private and listed companies.

Key External Appointments

Alison is a Non-Executive Director at Tesco PLC.

Pets:

Non-Executive Directors



Dr Lawson Macartney

Senior Independent Non-Executive Director

Tenure:

Seven years

Committee Membership: Audit, Nomination and Remuneration.

Background:

Lawson held various positions with GSK from 1999 to 2011 and served as Chief Executive Officer of Ambrx Inc. between 2013 and 2015. Lawson has a PhD in viral pathobiology and is a pathologist, holding Fellowship of the Royal College of Pathologists, as well as a Membership of the Royal College of Veterinary Surgeons.

Skills and Experience which Supports the Long Term Success of the Company:

Lawson has 30 years' experience in a range of senior roles in pharmaceutical R&D, sales and marketing. Lawson is a veterinarian, with several years' experience in veterinary practices.

Key External Appointments

Lawson is the Chair of Viking Therapeutics Inc.

Pets:



Geeta Gopalan

Non-Executive Director

Tenure:

Under one year

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

Background:

Geeta was previously a Non-Executive Director and Chair of the Remuneration Committee of Ultra Electronic Holdings Plc and a member of the Remuneration Committee of VocalLink. Geeta also served as a Non-Executive Director and Chair of the Risk Committee at Wizink Bank SA. She was formerly Executive Chair of Monitise Europe, and Vice Chair of the Big Lottery Fund England.

Skills and Experience which Supports the Long Term Success of the Company:

Geeta has a breadth of Non-Executive Director experience, as well as experience as Chair of risk, audit and remuneration committees. She has 25 years' experience of financial services and retail banking.

Key External Appointments

Geeta is a Non-Executive Director at Virgin Money UK plc and Clydesdale Bank plc. She is also a Senior Independent Director, Funding Circle Holdings.

Pets:



John Shipsey

Non-Executive Director

Tenure:

One year

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

Background:

John is the Chief Financial Officer of Featurespace Ltd. John held the position of Chief Financial Officer for Smiths Group plc until 2022, having previously served as Chief Financial Officer of Dyson for 12 years. Prior to this, John held a number of senior finance and strategy roles at Diageo plc.

Skills and Experience which Supports the Long Term Success of the Company:

John has extensive financial and commercial experience gained from senior financial roles held in multiple sectors over the last 20 years. He is experienced in leading innovative, high growth international companies.

Key External Appointments

John is the Chief Financial Officer of Featurespace Ltd.

Pets:



Lisa Bright

Designated Non-Executive Director for Employee Engagement

Tenure:

Four years

Committee Membership: Audit, Nomination and Remuneration.

Background:

Lisa has over 35 years' experience in the pharmaceutical and biotech industry. She sits on the Board of several companies, listed and private. Lisa served as President International, and Chief Commercial and Corporate Affairs Officer of Intercept Pharmaceuticals, Inc, a global biopharmaceutical company focused on the development and commercialisation of novel therapeutics until January 2021.

Skills and Experience which Supports the Long Term Success of the Company:

Lisa has strategic and operational leadership as well as Non-Executive Director and Chair experience in global market leading pharmaceutical and emerging biotech companies.

Key External Appointments

Lisa is a Non-Executive Director at Ascendis Pharma A/S.

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 a number of our key brands, including Vetaryl. 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 APAC 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.

Giles 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 25 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 North American commercial team to greater than 250 employees and \$400 million in revenue. Mike has also been involved in several commercial agreements and acquisitions for the Group including Pharmaderm, DermaPet, Putney, Ampharmco and Med-Pharmex. Mike has a BA and MBA in Business.

Mike is located in Overland Park, Kansas, USA.

Pets:



Katy Clough

Chief People Officer

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.

Katy is located at Head Office, Northwich, UK.

Pets:



**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, Compliance and Legal team.

Melanie is located at Head Office 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 sites in Europe and USA, and external manufacturing sites globally.

Milton is located at Head Office in Northwich, UK.

Pets:

None

**Patrick Meeus****Chief 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. He also brings substantial international experience having lived and worked in academia and industry on four different continents. 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 joined 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 Microbiologists-Parasitology.

Patrick is currently based in Basel, Switzerland.

Pets:**Jamie Adams*****Chief Information Officer****Background:**

Jamie joined Dechra in June 2022 as Chief Information Officer. Prior to joining, he held the same role for Scapa plc, a global healthcare and industrial products group and has gained over 25 years' experience in various IT leadership roles in large scale pharmaceutical & medical device organisations including Smith & Nephew and AstraZeneca.

Jamie leads the global IT team and is responsible for IT Strategy development and execution, including all IT change & innovation activity as well as core IT service provision. He has an MBA from Durham University and a BSc (Hons) degree in Business & IT from Northumbria University.

He is located at Head Office, Northwich, UK.

Pets:

* Appointed to the SET on 1 July 2023.

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 34 and 35 of the Strategic Report. Dechra has consistently delivered on its strategic objectives resulting in consistent growth and value creation ever since the IPO on 21 September 2000 as detailed on page 65. Our strong track record is also illustrated by our Total Shareholder Return performance on page 161.

Strategy

The Group's strategy remains unchanged and is set out on pages 32 and 33 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 efficient batch manufacturing;
- 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 52 and 53.

Strategy Day

The annual Strategy Day was held in December 2022 where the Chief Information Officer, Head of Investor Relations, the Group Financial Controller and the Sustainability Director joined the Board and the Senior Executive Team (SET). The SET had met the day before to discuss three key themes of People, Technology and Product Portfolio Analysis, which they presented at the first session of the Board Strategy Day.

The five strategy sessions covered:

- Strategic Enablers of People and Technology and the Strategic Driver Product Portfolio;
- Deep Dive into Dechra's Business;
- Update on the Five Year Plan;
- The strategic choices for the R&D Innovation Pipeline versus Competitors; and
- The current veterinary pharmaceuticals market and Dechra's place within it.

A guest speaker from Stonehaven provided the presentation for the last strategy session, which provided an insight into how Dechra was perceived in the veterinary market, enabling the Board to have a better understanding of the development opportunities for the Group.

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.

Following the meeting, the Chief Information Officer has taken the lead in a digital transformation project which was highlighted as an area of improvement for the business. In addition, a four and half day working week has been piloted in the UK.

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 Audit Committee 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 systems can be found in the Governance Report on pages 128 and 129 and the Strategic Report on pages 80 and 81.

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

Acquisitions

2

Lost Time Accidents

9

Employee 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

Employee Engagement with the Board via Designated Non-Executive Director

Provides an update on employee views and any concerns raised

Site Visits

Provides the Board with direct interaction with the Culture of the Company

Raise a Concern Reports (Whistleblowing)

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

Health and Safety Updates

Enables the Board to assess the effectiveness of our safe working practices and behaviours

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

Internal Audit Reports

Identifies any actions required in relation to deviations of Values and Culture

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

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

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

Skipton Site Visit

In June, we held the Board, Audit, Remuneration and Nomination Committee meetings in Skipton, UK. Skipton was chosen as the Board had approved in the 2021 financial year the refurbishment of Building 3 and the newly acquired adjacent building. This is the first phase of a three stage investment in the site. This phase includes the installation of new Quality Control laboratories, a pilot production room and stability room, and the relocation of the raw materials warehouse and dispensary room as well as providing improved offices and meeting rooms for employees.

Prior to the Committee meetings, the Board met representatives from the Works Council and long serving employees for lunch and had an opportunity to speak to them on an individual basis regarding the improved facilities, the shortened working week and the proposed offer for the Group by Freya Bidco, amongst other topics.

The Board noted the increased engagement of the employees following the investment in the site and the revised working week.

The following day, prior to the Board meeting, the Board were taken on a site tour of Skipton by the Site Director and the Manufacturing, Supply and Technical Lead.

The Board thought that it was incredibly inspiring to see the progress made at Skipton, both in terms of the site's development and the effectiveness and efficiency of the organisation at all levels. The Board commented that there had been a material shift in performance and ambition and the leadership team should take huge credit for the change they have led.

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 2022 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. The main change to the Schedule of Matters was to transfer the responsibility for the review of the principal and emerging risks, and related controls and mitigating actions from the Board to the Audit Committee.

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, having regard to all 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 56 to 66.

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:

- The Chair and Senior Independent Director are available to meet shareholders upon request, and all Directors normally are in attendance to meet shareholders at the Annual General Meeting
- The Chair met three institutional shareholders as part of a programme of meetings which was then halted due to the proposed cash offer for the Group
- Where material changes in respect of remuneration or governance are proposed, the Board seeks to consult with its major shareholders before implementing such changes. During the year, the Remuneration Chair consulted with our major shareholders with regards to the Remuneration Policy. This involved writing to our major shareholders (approximately 83% of our issued share capital) with regard to the proposed changes and she met with two institutional shareholders
- A rolling programme of meetings between institutional shareholders and the Chief Executive Officer, Chief Financial Officer and Head of Investor Relations has been running throughout the year (a summary of the main events is on page 65). These meetings seek to foster a mutual understanding of both the Company's and shareholders' objectives
- The Head of Investor Relations provided investor feedback throughout the year and maintained a latest view of analyst consensus on an ongoing basis
- Investec Bank plc attended the October meeting to update the Board on the impact of inflation on the equity market and general market conditions, including feedback from shareholders in particular in relation to genericisation. They also attended a number of meetings in 2023 to advise the Board on the proposed cash offer for the Group, which included a detailed paper outlining valuation considerations and an analysis of shareholder sentiment regarding the offer
- Board approval is required for significant announcements
- DLA Piper UK LLP provided training on Directors' responsibilities under the Takeover Code, and provided guidance on the Board's responsibilities in relation to the Scheme Document and announcements connected to the proposed acquisition

Influencing Decisions:

- Approval of Investor Relations strategy
- Advised by Investec as to the financial terms of the proposed acquisition, which resulted in the Board reaching an agreement with Freya Bidco on the terms and conditions of the recommended cash acquisition of the entire, issued ordinary share capital of the Company
- Approval of Med-Pharmex and Piedmont acquisitions and Recommended Cash Offer for the Company (refer to Principal Decisions case studies)

Board Leadership and Company Purpose

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:

- Site Visit to Skipton, UK (see case study on page 100)
- Dinners with Senior Executive Team (SET) in the UK and senior DPM&S leaders in Skipton
- Chair visited the offices at Northwich and the manufacturing site at Skipton
- Lisa Bright, the Non-Executive Director designated for employee engagement, attended a number of meetings with employees (see Employee Engagement Update) and provided reports to the Board
- Geeta Gopalan met a number of employees as part of her induction
- The Group HR Director provided an update to the Board in April 2023 on the flexible working pilot in the UK, Diversity, Equity and Inclusion, the THRIVE programme and the succession planning from a Group wide perspective
- 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 offered for the second year in September 2022 and included Brazil for the first time. The participation rate was 28.6%

Influencing Decisions:

- The continued commitment to pay the Real Living Wage (or its equivalent) on a global basis to support all employees with the challenges faced as a result of the cost of living crisis
- The UK pilot of four and half working day week
- Approval of the Global SAYE scheme grant and the inclusion of Brazil to increase employee ownership
- Recommended Cash Offer for the Company

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:

- 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 provided information on the corporate account strategy
- 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 impact of the wholesaler destocking in particular in the USA
- 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:

- Approval of Licensing agreement for a development project
- Approval of digital transformation project outline

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:

- The Board reviewed 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
- The Board discussed various manufacturing initiatives to enable more products to be manufactured in-house
- The Board has discussed the rising cost of raw materials and energy
- The Audit Committee discussed the Third Party Risk Management system implementation which will enable the Group to have a more effective system of assessing its suppliers

Influencing Decisions:

The Board approved the Modern Slavery Statement and Human Rights Policy

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:

- Executive Directors attend community days
- 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 on the progress of the Sustainability strategy including the Science Based Target initiative
- Update on Antimicrobials in animal agriculture

Influencing Decisions:

The Board approved the AgCo Tech proposal (refer to Principal Decisions case studies)

Regulatory Authorities

Principles:

To meet high standards of product safety and efficacy.

How the Board Engages:

- The Board receives two updates from the Group Quality Director per annum, as well as updates contained within the Group Manufacturing & Supply Directors Board reports. The Quality Director updates cover both internal site and CMOs, product recalls, and manufacturing facility inspections
- The Board receives updates on market authorisation applications

Influencing Decisions:

The Board approved the 2024 financial year budget which included capital expenditure in relation to continuing investments in Manufacturing (in terms of quality and systems)

Board Leadership and Company Purpose

Case Study



Background

Dechra had known Med-Pharmex for a number of years, and it had been a long term acquisition target. Med-Pharmex employed approximately 130 people, was founded in 1983 and served the CAP, FAP and equine markets. It manufactured its own products at its facilities in California, and had expertise in topical, oral and certain injectable products. In June 2022, the Board was asked to consider a non-binding offer for Med-Pharmex, which was in line with the Portfolio Focus and Pipeline Delivery strategic drivers and Manufacturing enabler.

Stakeholder Considerations

In considering section 172 duties the Board noted the acquisition would:

- provide six portfolio products which would increase the product scale to the US business, as well as adding future pipeline products;
- decrease reliance on Contract Manufacturers, by strengthening Dechra's manufacturing capabilities; and
- leverage the existing US infrastructure with minimal SG&A costs and provide attractive financial returns.

Outcome

The Board approved the non-binding offer and the subsequent acquisition. The acquisition of Med-Pharmex for \$264.6 million (£223.7 million) completed on 30 August 2022.



Case Study



Background

In March 2023, the Board was asked to consider a proposal for provision of finance in the form of a loan and minority investment in AgCo Tech Ltd, an Australian private limited company which provide practical help to livestock owners in developing countries (further details can be found in the Sustainability Report). Whilst the proposal was within the delegated authority of the Executive Directors, it was presented to the Board for their approval of the transaction, as the co-founders of AgoTech were connected to Medical Ethics Pty Ltd.

The proposed investment of AUD\$6.0 million (£3.3 million) will be paid in two equal tranches over the next 12 months to fund the building of the first manufacturing unit in Kenya as well as a second manufacturing unit in Laos. The investment will take the form of a loan which will be repayable, following a one year repayment holiday, over a six year period in the form of verified carbon credits (calculated at market value), which will be retired through our income statement upon receipt. The loan will also attract interest, and Dechra will also take a 5% minority interest holding in AgCo Tech in return for the investment.

Stakeholder Considerations

In considering section 172 duties the Board noted that the proposal was in line with the Group's purpose of sustainably improving animal health and welfare. It was further noted that:

- AgCo Tech provided practical help to livestock owners in developing countries to improve community wellbeing;
- the product reduced methane intensity and emissions as well as generating verified carbon offsets; and
- the offsets created provided a potential income stream for AgCo Tech which allowed them to deliver the product for free to farmers in need which generated social and environmental benefits.

Outcome

The Board approved the proposal and authorised the Chief Financial Officer to proceed with the proposal, which completed in July 2023. Due to the philanthropic nature of the investment we will not look to profit from this investment, with any income being reinvested in other climate stewardship projects.

Case Study



Background

The Board received a series of unsolicited proposals from EQT Fund Management S.à r.l. (EQT) to acquire Dechra. Following initial rejections and further discussion, the Dechra Board indicated to EQT on 3 April 2023 that it had made a proposal which the Dechra Board was minded to recommend and granted EQT access to undertake due diligence. The Board met a number of times to discuss the proposals and were advised by Investec Bank plc and DLA Piper UK LLP.

Stakeholder Considerations

In considering our S172 duties, the Board noted that the Proposed Acquisition:

- would allow the Group to continue with its commitment to:
 - higher levels of investment than it has incurred historically to support the delivery of the pipeline as planned. These longer term investments have, and will continue to have a negative impact on the Dechra Group's reported earnings and corresponding growth rates in the short term;
 - prioritise its existing product portfolio and pipeline over the pursuit of new potential opportunities; and
 - would not mean a reduction in employees, apart from potentially a very limited number of listed company related functions. Nor would there be any changes to the conditions of employment, employment rights and pensions or the balance of skills and functions of the employees and management;
- would not mean any changes to the locations of the manufacturing or research and development facilities subject to a strategic review; and
- was fair and reasonable.

Outcome

The Board reached an agreement with the terms and conditions of the Proposed Acquisition which was announced on 2 June 2023. It was their view that accepting this proposal represented the best interests of all stakeholders and in particular represents a compelling opportunity for shareholders to realise, in cash and with certainty, Dechra's potential for future value creation. The Shareholders voted in favour of the Scheme at the Court Meeting and the Resolution at the General Meeting. The Acquisition and Scheme is subject to certain other terms and conditions including the receipt of antitrust approvals or expiry of applicable waiting periods in the European Union, United States of America, Austria, Brazil and Germany and foreign direct investment approvals or deemed approvals in Australia and Spain, in each case to the extent required. To date, only Australia foreign direct investment approval and the European Union antitrust approval are outstanding.

The icons below highlight the Stakeholders considered and impacted by the proposals presented to the Board and demonstrate how the Board discharged their duties under Section 172 of the Companies Act. The Section 172 Statement can be found on pages 56 and 57.

Key:



Customers



People



Shareholders



Community



Environment



Suppliers



Regulatory Authorities

Board Leadership and Company Purpose



Employee Engagement Update

Lisa Bright

Areas of Focus

- Wellbeing
- Learning and Development
- Diversity, Equity and Inclusion

Meetings with Employees

- Remote attendance at a session in Skipton (UK)
- Future Facing Leaders face to face meeting
- Remote attendance at a THRIVE Champion meeting
- Monthly discussions with the Group HSE Director

Our Approach

At the beginning of the year, the Board agreed priority areas of focus for employee engagement. The Designated NED activities are reported into the Nomination Committee with a summary provided to the broader Board.

Key Themes and Highlights:

Wellbeing was identified as an area of focus following the last Group wide engagement survey results. I attended a virtual meeting with the Works Council in Skipton to review the impact of the change to working hours and introduction of shorter working week. I am pleased to report that the introduction of the shorter working week and increased flexibility received excellent feedback. In addition, this has enhanced the culture at the site resulting in a hugely positive impact on staff engagement and productivity. I also attended one of the THRIVE working group meetings and discussed the wellbeing priorities and interventions that were taking place at both global and local levels.

Diversity, Equity and Inclusion is one of the current strategic priorities for the Group HR function and I am pleased to note the progress in particular with regard to the number of women represented at all levels of management below the SET.

Learning and Development is an area of strategic focus and an area of improvement identified from the Great Place to Work (GPTW) survey. I attended the final Future Facing Leaders face to face programme in April 2023 where the current cohort presented their strategic recommendations to myself and some of the SET.

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, remain consistent with our Values and support the long term sustainable success of the Company.

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 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, with the launch of the line manager training which provides an overview of the THRIVE programme and outlines the manager's responsibility in relation to employee wellbeing. Further details can be found on page 61.

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.

There are 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 hotline. 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. There were 12 reports of which four were deemed to be HR Grievances and the remaining were eight against our Code of Conduct.

Constructive use of the Annual General Meeting

The 2022 Annual General Meeting (the 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 attended the Meeting and the Chairs of the Audit, Remuneration and Nomination Committees were available to answer shareholders' questions at the Meeting.

The Notice of the Meeting was dispatched to shareholders at least 20 working days before the Meeting. The information sent to shareholders included 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, with the exception of Ian Page who holds one directorship in a private limited company.

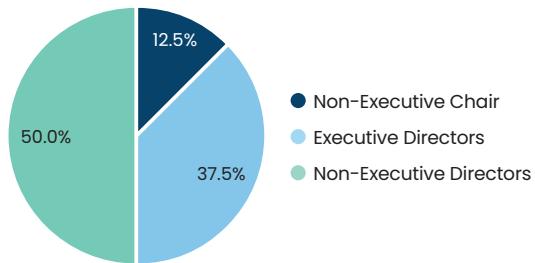
Alison Platt
Non-Executive Chair
12 October 2023

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 94 to 97.

Board Composition

Details of the Directors, together with details of their respective Committee membership, skills and experience, backgrounds and external appointments can be found on pages 94 and 95, and on the website. As detailed in the pie chart below, during the majority of the year and at year end, the Board consists of one Non-Executive Chair, four Non-Executive Directors and three Executive Directors. During the period 1 January 2023 to 22 June 2023, there were five Non-Executive Directors.



Julian Heslop and Ishbel Macpherson had exceeded the nine year tenure in January 2022 and February 2022 respectively. The Board concluded in January 2022 and August 2022 that they both remained independent for the reasons set out in the 2022 Annual Report. Julian retired on 5 September 2022 and Ishbel retired on 22 June 2023. 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.

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 Head of Investor Relations 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 ESG Committee, Strategic Portfolio Prioritisation Committee and Treasury Committee. During the year, the Data Protection Committee was replaced with a Data Protection Officer.

The SET is led by the Chief Executive Officer and is comprised of the three Executive Directors, the Company Secretary 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. They met six times this financial year. 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.

Board Meetings

The Board is scheduled to meet seven times per year. During the year, four additional meetings were held to discuss the 2023 financial year, the interim results, financing and proposed acquisition targets. Where Directors cannot attend a meeting, the Board papers are still provided in advance 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 94 to 97. Geeta Gopalan was unable to attend one Audit Committee meeting due to commitments arranged prior to her appointment. However, she provided the Board with her comments and questions on the subject matter under discussion.

In addition, there were a further nine meetings which were held for the specific purpose of discussing the proposed acquisition of the Group. A number of the meetings were held for the purpose of providing updates to the Non-Executive Directors or for advisers to provide updates to the Board. Due to the fact that these were held at very short notice, there were a number of meetings which not all the Board could attend.

The Non-Executive Directors meet informally before every meeting, and 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; and
- establishing an effective corporate governance framework.

The Board Activities Table details the actions in relation to the above on pages 111 and 112.

Details relating to the formal Schedule of Matters reserved for the Board can be found on page 101 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 123 to 131

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 113 to 122

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 132 to 165

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.

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

Key Responsibilities

- Leads the development and implementation of the business strategy
- Manages day-to-day operations of respective functions

Division of Responsibilities

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
- Arranges for shareholder views to be brought to the attention of the Board

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
- Executes strategy agreed by the Board

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
- Nominated Director for health, safety and environmental matters and Sustainability

Managing Director Dechra Veterinary Products (DVP) EU



- Management of the segment which contributes the largest proportion of Group revenue
- Development and execution of strategy in the EU

Designated Non-Executive Director for Employee Engagement



- Gathers and understands the views of the workforce
- Enables the voice of the workforce to be heard in the boardroom

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 Chair and Non-Executive Directors
- Responsible for compliance with relevant statutory and regulatory requirements

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
- evaluate strategy and risks

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
- Chairs the Nomination Committee when it is considering the succession of the Chair

Key to Responsibilities

- Dechra Board
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Disclosure Committee
- Treasury Committee
- ESG Committee
- Health Safety and Wellbeing Committee
- Senior Executive Team

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 2022/2023	Stakeholder	Strategic Driver/Enabler
Setting the strategy and overseeing its implementation	<ul style="list-style-type: none"> Full Strategy Review and approval of five year plan Bi-annual update on product pipeline and product development Incorporation of new subsidiary in South Africa Approval of AgCo Tech investment Consideration and recommendation of offer for the Group Approval of Med-Pharmex and Piedmont acquisitions 	          	
Monitoring the overall financial and operational performance of the Group	<ul style="list-style-type: none"> Approval of 2022 Full Year Results, final dividend recommendation, 2023 Half-Yearly Results, interim dividend and profit re-forecast Functional presentations from the SET, General Counsel, Business Quality Director and Chief Information Officer Approval of the 2023/2024 budget and capital expenditure projects Approval of Revolving Credit Facility Agreement 	       	
Establishing a framework of prudent and effective controls, which enable risk to be assessed and managed	<ul style="list-style-type: none"> Risk Assessment Review and Viability Statement review Presentations from the SET on their respective risks statement Review and approval of Schedule of Matters and Delegation of Authority Quality Updates and approval of DPM&S ERP system Update from Chief Information Officer 	       	

Division of Responsibilities

Stakeholder Key:



Strategic Driver/Enabler Key:



Key responsibility	Key activities, discussions and outcomes in 2022/2023	Stakeholder	Strategic Driver/Enabler
Establishing the Company's Purpose, Values and Culture, and promoting the desired behaviours	<ul style="list-style-type: none"> Review and approval of the people strategy and employee engagement Review of the bi-annual Health and Safety Report Review and approval of Modern Slavery Statement Review and approval of How To Raise Concern Procedure and Reports 	People Our People Suppliers	People Manufacturing & Supply Chain Technology
Establishing an effective corporate governance framework	<ul style="list-style-type: none"> Review of Disclosure Committee's Terms of Reference, Share Dealing Code and Inside Information Policy Review and approval of Group Policies, such as the Code of Conduct, Anti-Trust Policy and Group Health & Safety Policy Approval of appointments of Non-Executive Director, Committee membership and Committees' Terms of Reference Review of Task Force on Climate-related Financial Disclosures Review of 2023 Internal Board Evaluation 	Shareholders People Suppliers Regulatory Authorities	Shareholders Manufacturing & Supply Chain Technology Geographical Expansion Acquisition Our People ESG

Details relating to the formal Schedule of Matters reserved for the Board can be found on page 101 and on our website.

Alison Platt
Non-Executive Chair
12 October 2023

Composition, Succession and Evaluation



Alison Platt
Non-Executive 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 93

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 2023 financial year. Julian Heslop retired from the Board on 5 September 2022 and was replaced as Audit Chair by John Shipsey. Geeta Gopalan was appointed as a Non-Executive Director on 1 January 2023. She has a breadth of Non-Executive Director experience as well as chairing risk, audit and remuneration committees since 2017. Geeta was appointed Remuneration Committee Chair on 1 March 2023, allowing Ishbel Macpherson to step down from that role. Ishbel remained as a member of the Remuneration Committee to enable a smooth handover until she retired as a Non-Executive Director on 22 June 2023.

The Chief Information Officer Jamie Adams, joined the Senior Executive Team (SET) on 1 July 2023 having been with the business since June 2022.

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 Non-Executive Director as appropriate, the details of which can be found on page 121 of this report.

Composition, Succession and Evaluation

Diversity and Inclusion

We continue to see increasing representation of women across all role types within the Group, where the talent analytics data from the global talent review process provides information to the Committee on the diversity of talent below the Senior Executive team. Dechra's performance in closing the gender pay gap in the UK continues to improve year on year. Work has commenced with an external partner, Inclusive Employers, and will focus our inclusion agenda on areas where we can make the most impact in some of our key employment markets including UK, Europe and North America.

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

12 October 2023

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 on pages 93 to 95. Geeta joined the Committee on her appointment to the Board in January 2023, and Julian Heslop and Ishbel Macpherson resigned from the Committee on their retirements from the Board on 5 September 2022 and 22 June 2023 respectively.

All Committee members are Non-Executive Directors, and are deemed to be independent. Other attendees at the meetings include the Chief Executive Officer, the Chief People Officer 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 2023 Board and Committee internal evaluation (further details of which are provided on page 121). The findings of the internal evaluation were presented to the Committee for discussion at the June 2023 meeting. 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 focus on succession in particular in relation to Executive Directors and Senior Executive Team.

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 2023 financial year, this took place at the February meeting, and there were no material changes made to the terms of reference. It was noted that there was a technical non-compliance with the terms of reference as Ishbel Macpherson had exceeded the nine year tenure limit in February 2022. The Board concluded she remained independent due to the fact that her 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 109 and 113 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 114)	<ul style="list-style-type: none"> • Review of the Committee's terms of reference • Review of the effectiveness of the Committee
Composition (see pages 115 to 117)	<ul style="list-style-type: none"> • Review of Board skills, knowledge and experience • Recruitment of Non-Executive Director
Succession (see page 120)	<ul style="list-style-type: none"> • Consideration of Non-Executive Directors' tenure • Review of SET succession plans and leadership needs
Evaluation (see pages 120 and 121)	<ul style="list-style-type: none"> • Review of composition of the Board • Review of Director effectiveness
Diversity and Inclusion (see pages 118 and 119)	<ul style="list-style-type: none"> • Review and approval of the Diversity Policy • Review of the Dignity at Work Policy

Board Skills, Knowledge and Experience



Key

- Industry knowledge/expertise
- Skills/experience of the Board

Composition

The Board seeks to ensure that both the Board and the Committees have an appropriate composition to manage their duties and manage succession issues effectively. All appointments to the Board are subject to a formal, rigorous and transparent procedure. The Board 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. Both the Audit Committee and Remuneration Committee undertake an annual review of their composition, and any concerns would be reported to the Board.

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. The internal evaluation found that the Non-Executive Directors continue to provide an excellent range of relevant and complementary skills.

Composition, Succession and Evaluation

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.

Geeta Gopalan attended a remuneration refresher course with Deloitte which also covers remuneration matters specific to the Company. John Shipsey has undertaken training modules on Cyber Security, ABC and Risk. Alison Platt attended a day's training for Chairs and Non-Executive Directors with the FCA and Prudential Regulation Authority as well as two remuneration roundtables held by PwC and Deloitte. DLA provided the Board training on Director's responsibilities under the Takeover Code.

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.

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. In June, the Board visited the manufacturing facility in Skipton, UK. Prior to the Board meeting, all of the Board met a group of employees from this site which included members of the site's senior leadership team (further details can be found on page 100). During the visit the Board had a tour of the facility which included the recently refurbished Building 3, which the Board had approved in the 2021 financial year.

Board Appointments

The Board understands the importance of balance and refreshment in terms of its composition and keeps these matters under review.

As reported in the 2022 Annual Report 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 a Remuneration Committee Chair. As previously reported cognisant of the Parker Review requirements and the new listing requirements regarding diversity targets, the Chair and Chief People Officer interviewed two recruitment consultants who specialise in diverse recruitment, one of which was a non-profit organisation. The Committee retained an independent recruitment agency, Audeliss, in the 2022 financial year. Audeliss had no previous connections with the Company or individual Directors.

Audeliss 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.

The search produced four outstanding potential candidates who went through the full scrutiny process, before being short listed to two. We were pleased that Geeta Gopalan was appointed to the Board on 1 January 2023.

The Committee recommended the appointment of Geeta due to her breadth of Non-Executive Director experience as well as chairing risk, audit and remuneration committees since 2017.

Case Study

Geeta Gopalan's Introduction



On joining the Dechra Board in January, I was provided with a comprehensive induction programme. I spent two days at the head office meeting employees as well as a number of virtual meetings with senior executive team members. I met with the Remuneration Advisors who provided me with overview of the UK executive remuneration, current remuneration trends and executive remuneration at Dechra. I have enjoyed the time spent to get to know the team and leaders across the Dechra Group. I am sorry that my tenure as a Non-Executive Director has been cut short due to the proposed acquisition, but I wish the business well in its future endeavours.

Remuneration Committee Chair Appointment Process

1 Nomination Committee

One of the criteria was that the candidates should have relevant remuneration experience in an international company, as well as broad business experience and be a good fit with the culture of the Company.

2 Engage

Audeliss was appointed.

3 Meet

To assist Audeliss with the understanding of the requirements of the role, they met with the Chair and the Chief People Officer.

4 Consider

The Chair met with each of the candidates on the long list, which was then circulated to the Committee for comments before a short list of four 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 Remuneration Committee Chair, Chief People Officer and Company Secretary, followed by interview with the Senior Independent Director and Audit Committee Chair. The short list was then reduced to two candidates who were interviewed by the Chief Executive Officer, and the Chief Financial Officer, and then by the Chair and the Employee Engagement Designated Non-Executive Director.

Geeta's other appointments were considered to check there was no conflict of interest or time. References were taken.

7 Appoint

Geeta Gopalan was appointed to the Board on 1 January 2023.

Further details relating to her background and experience can be found on page 95.

8 Induct

Please refer to the induction process.

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 Geeta with members of the Senior Executive Team, the Head of Internal Audit, the Head of Investor Relations and the Business Development Director. In addition, Geeta met the Remuneration Committee advisers, Deloitte LLP, who provided an overview of Dechra's remuneration policy as well as the Lead Audit Engagement Partner. The induction process is 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).

Composition, Succession and Evaluation

Diversity and Inclusion

The Committee reviews the policy on diversity and its implementation every year and, during 2023 this review took place in June. There were no changes to the Diversity Policy, a copy of which can be found at www.dechra.com. The policy is Group-wide and includes the Board and its Committees.

The Group recognises that diversity of thinking and skills and an inclusive culture are 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. The Committee and the Board believe that diversity should be less around hitting targets but more around being seen as an inclusive employer.

We are working hard to ensure diversity is not solely a Board issue. Led by our Chief People Officer, we continue to focus on and invest 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. Work was commenced in April 2023 with an external partner focusing our inclusion agenda on areas where we can make the most impact. We are committed to providing an inclusive culture at Dechra and two core modules are included in all our Company management development programmes: Diversity, Equity, and Inclusion in Dechra and OneDechra; an exploration of our Company Culture and Values and what they mean to our people.

During the 2022 financial year we launched a new development programme called Future Facing Leaders (further details of which can be found in SET Succession Planning on page 120).

The chart on page 92 illustrates the diversity characteristics of our Board.

Progress on Diversity Policy

Policy	Progress
Dignity at Work	<p>We have planned a series of facilitated discussions to be rolled out in the next financial year supporting Dechra Culture and Behaviours, the Code of Conduct and inclusivity at Dechra. These will be hosted in local languages over the four quarters of the year.</p> <p>We have a Diversity and Inclusion module which also covers unconscious bias which is one of three core modules that are included in all Leadership and Management development programmes. We also have access to online training modules and incorporate inclusion training into off site meetings.</p> <p>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.</p> <p>We have launched the external hotline which provides all employees with access to an external and anonymous reporting process in all languages. This makes raising a concern easier and independent. We supported this launch with a communications campaign and all sites have visible signposts to the system.</p>
Board and Committees	<p>In the 2022 financial year, the Committee retained a recruitment consultant who specialise in diverse recruitment. Following a robust process, Geeta Gopalan was appointed to the Board and its Committees. Geeta Gopalan replaced Ishbel Macpherson who retired in June 2023.</p>
Fair Pay	<p>Despite the inflationary pressures experienced across the globe, we remain a Living Wage employer in the UK and equivalent in our other employing countries. In the UK, only one of our subsidiaries, Dechra Limited, is required to report under the Gender Pay Gap regulation. Dechra Limited employees sit within our UK manufacturing, product development and regulatory affairs businesses.</p> <p>We are pleased to report that as a result of our proactive management in relation to our gender pay gap, the gap has continued to reduce over time reducing from 17.7% in 2017 to 1.3% in 2022.</p>

As of 30 June 2023:

- 37.5% of the Board of Directors are women, which is lower than the required 40%. Prior to the retirement of a female Non-Executive Director on 22 June 2023, the Group exceeded this target;
- the Chair is female; and
- one individual on the Board of Directors is from a minority ethnic background.

The data was collated from Director Confirmations completed by both Executive and Non-Executive Directors.

Reporting on Gender Identity or Sex as at 30 June 2023

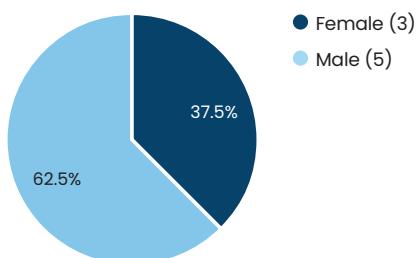
	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management*	Percentage of executive management
Men	5	62.5%	3	4	66.7%
Women	3	37.5%	1	2	33.3%
Not specified/prefer not to say	-	N/A	-	-	N/A

Reporting on Ethnic Background as at 30 June 2023

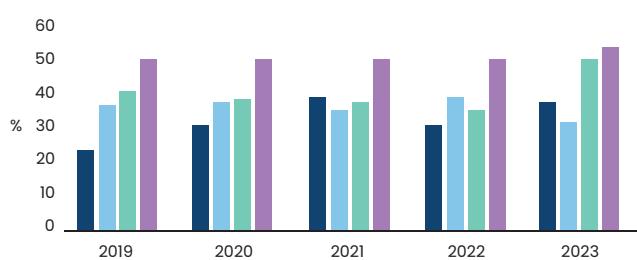
	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management*	Percentage of executive management
White British or other White (including minority-white groups)	7	87.5%	4	6	100.0%
Mixed/Multiple Ethnic Groups	-	N/A	-	-	N/A
Asian/Asian British	1	12.5%	-	-	N/A
Black/African/Caribbean/Black British	-	N/A	-	-	N/A
Other ethnic group, including Arab	-	N/A	-	-	N/A
Not specified/prefer not to say	-	N/A	-	-	N/A

*Senior Executive Team, excluding Executive Directors

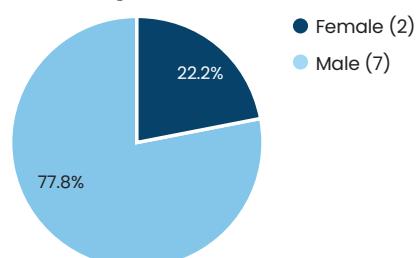
The Board as at 30 June 2023



Group Diversity



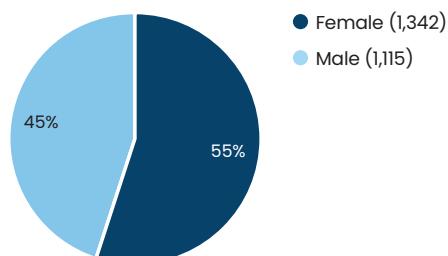
Senior Executive Team (including Executive Directors) as at 30 June 2023



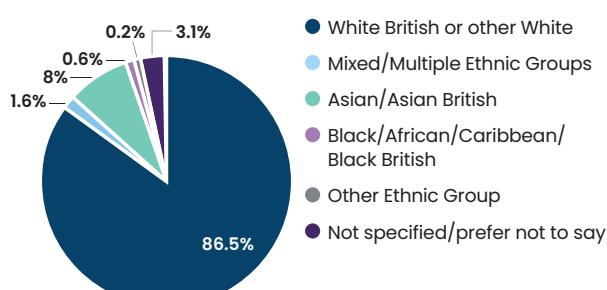
- % Females on Board
- % Females on SET (excluding Executive Directors)
- % Females on SET and Direct Reports
- % Females in Group

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.

Overall Workforce as at 30 June 2023



UK Employee Ethnicity as at 30 June 2023



Numbers in brackets represent the number of females and males.

Composition, Succession and Evaluation

Board Succession Planning

SET Succession Planning (including Executive Directors) and Leadership Needs of the Group

One of our key risks is people focused and this risk is the failure to resource adequately the business to meet strategic ambitions, including geographical expansion, and acquisitions.

To assist with this, the Chief People Officer 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.

The Committee have been reviewing the SET succession plan for a number of years and we acknowledge that we have succession gaps for a number of key senior roles and that whilst continuing to develop internal talent we may need to acquire external talent to fill some of these roles. Focus has continued on building stability and strength across the key functions in the business, and growth through acquisition also brings new talent to the Group that we have been able to exploit. The Group HR function has evolved the process for reviewing Talent and is investing more than ever in the ongoing development of our people. The Group HR Director in April provided a more detailed focus than previous years on the SET, their direct reports and then one level down which was enlightening, and the Board felt that it was a step in the right direction. 435 employees were reviewed for the talent pool, which represented at the time of the

review approximately 20% of global employees; 48 of those reviewed were already identified as successors, 24 of the employees had been enrolled in the pilot Future Facing Leaders programme and 82 emerging leaders were identified of which 15 were ready now and 20 are deemed to be ready in three to five years. The first cohort on the Future Facing Leaders programme completed the course in July 2023, and a number of them have been identified as potential successors to the SET.

The Committee has reviewed the emergency succession plan, 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.

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 121.

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 115.

The 2022 Internal Board Evaluation

Below is an update on the actions arising from the 2022 external evaluation:

Action	Progress
Bring the customer's voice into the Board discussions	DVP EU presentation included commentary on the consolidation of the EU market and the shift of focus to customer centricity.
Focus on future proofing Dechra in relation to people, product and pipeline delivery	Acquired Piedmont Animal Health Inc in July 2022 which specialises in developing novel and differentiated products for the companion animal market and has a strong development track record. It had eight novel products in the pipeline which significantly strengthens the pipeline and the team of 19 people added additional strength and expertise to the Company's existing product development team. Strategy day discussion on the strategic choices for our R&D innovation pipeline.
Better understanding of key trends in the financial markets and stakeholder views on issues such as ESG	Stonehaven attended a session at the Strategy Day which discussed the current veterinary pharmaceuticals market and Dechra's place within this. Investec attended the October 2022 meeting to discuss the impact of inflation/economic turmoil and the state of the market with the Board. Chair engaged directly with investors via invitation from Company Secretary.

The 2023 Internal Board Evaluation

Following the external evaluation in 2021, it was agreed to undertake an internal evaluation for the 2023 financial year, focusing on the following areas: (i) Strategy; (ii) Working Together; (iii) Management of the Board; (iv) Culture; (v) Engagement with stakeholders; (vi) Board Chair Evaluation; (vii) progress on 2022 Internal Board Evaluation; and (viii) 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 2024 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 Internal Board Evaluation as well as additional questions of the Chair's performance.

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 June 2023 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:

- Focus on succession planning, in particular for Non-Executive Directors and the Senior Executive Team; and
- Aligning strategy with five year plan.

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

Subject to the Company remaining listed progress made on these action points during the forthcoming year will be reported in next year's Annual Report, an external evaluation will be undertaken during the 2024 financial year and the results of the 2023 internal Board evaluation will be reported in next year's Annual Report.

Effectiveness of Directors

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 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.

The internal evaluation concluded that the Board remained fit for purpose. Any comments received related to evolving the Board's knowledge of the business and animal health industry rather than any underperformance or issues of cohesion. 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. All Directors are normally subject to annual election, or in the case of Geeta Gopalan; election. The specific reasons why their contribution is, and continues to be, important to the Company's long term sustainable success would normally be found in the Notice of the Annual General Meeting. A separate notice convening the Annual General Meeting will be sent to shareholders within the timeframes required by the Companies Act 2006 and the Listing Rules. As mentioned in the Governance letter the Annual General Meeting (the AGM) is subject to the Company remaining listed at the date of the AGM. On the acquisition of the Group by Freya Bidco Limited becoming effective, all of the Non-Executive Directors will resign.

Alison Platt

Nomination Committee Chair

12 October 2023

Audit, Risk and Internal Control



John Shipsey
Audit Committee Chair

5

Audit Committee Meetings Held

Areas of Focus This Year

- Appointment of new Audit Committee Chair
- Review and approval of the Anti-Fraud Policy
- Review of the Third Party Risk Management system
- Review of Business Combination accounting for Piedmont and Med-Pharmex acquisitions

Key Responsibilities

- To review and oversee the Group's financial and narrative reporting processes, to monitor the integrity of the financial statements and formal announcements relating to financial performance, and advise the Board on whether the Annual Report and Half-Yearly Statements, taken as a whole, are fair, balanced and understandable
- To review the adequacy and effectiveness of the Group's internal control systems (including the risk management system) and the work of the internal audit function
- To review the Group's procedures and internal control for reporting fraud
- 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 93

Dear Shareholder

On behalf of the Board, I am pleased to present the 2023 Audit Committee (the Committee) report, which is my first as Chair, having succeeded Julian Heslop following his retirement on 5 September 2022. It will also be my last report following shareholder approval of the recommended cash offer for the Company. This report is intended to provide shareholders with a clear understanding of how the Committee discharged the responsibilities delegated to it by the Board over the course of the year ending 30 June 2023 and the key topics it considered in doing so. During the year, in addition to our regular duties, we focused on the following matters:

Committee Membership

I am pleased to report that, following the completion of a recruitment process, Geeta Gopalan joined the Committee on her appointment to the Board in January 2023. Geeta has over 25 years of experience of financial services and retail banking, particularly payments and digital innovation. Geeta is a Chartered Accountant and has been chairing risk and audit committees since 2017. Ishbel Macpherson ceased to be a member of the Committee on her retirement from the Board on 22 June 2023. All members of the Audit Committee remain independent Non-Executive Directors.

Anti-Fraud Policy

The Committee reviewed and approved an Anti-Fraud Policy which formalised the existing procedures in place. The policy provides employees with guidance on preventing, identifying, reporting and investigating fraud and was designed to complement the existing Code of Conduct. Further details can be found on page 129.

Appointment of Data Protection Officer and Compliance Manager

In December the Committee approved a proposal to replace the Data Protection Committee with a Data Protection Officer. The role was initially covered by a data protection consultant but now forms part of the role of the Compliance Manager, who joined Dechra in April 2023. The Compliance Manager will report to the Committee on Dechra's compliance with Anti-Bribery and Anti-Corruption, Anti-Trust, Data Protection and Sanctions regulations.

Audit, Risk and Internal Control

Third Party Risk Management System

During the 2022 financial year, the Committee approved the implementation of a centralised software solution to replace the current manual third party due diligence processes. Following a tender process, a small cross-functional team has been working since January on the design, build and testing of the system. In July 2023 a phased launch of the platform commenced with our DVP International business whose customers have been classified as higher risk due to the territories in which they operate and the nature of the distribution activities. It is envisaged that the system will be rolled out across all divisions by the end of the calendar year.

Piedmont and Med-Pharmex Acquisitions

Following the acquisitions of Piedmont Animal Health Inc and Med-Pharmex Holdings Inc during the year, the Committee has reviewed the business combination accounting proposed by management and third party experts, which supports the assessment of the completeness and valuation of acquired assets and liabilities. Furthermore, the Committee considered management's impairment review of the Piedmont product pipeline and endorsed the conclusion that one of the near term In Process R&D assets was impaired. Finally, the Committee has reviewed the progress made by management on the integration of the acquired businesses, including the initial assessment of, and plans for improvement to, the control environment.

Preliminary Statement Date Change

In April and May 2023, the project team which works on the Annual Report and Accounts was re-directed to answer the due diligence requests in relation to the proposed cash offer for the Group by Freya Bidco Limited. This meant that the pre-year-end audit work scheduled for May and June was delayed. Following discussion with the external auditors and the project team, it was agreed to delay the announcement of the Preliminary Statement.

Annual Report 2023

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 2023 Annual Report was fair, balanced and understandable and concluded that it was. The basis supporting our conclusion is set out on page 128.

Should you have any questions in relation to this report or the Committee please contact me or the Company Secretary.

John Shipsey

Audit Committee Chair
12 October 2023

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 pages 93 to 95. John Shipsey succeeded Julian Heslop as Chair of the Committee on 5 September 2022, and Geeta Gopalan joined the Committee on her appointment to the Board on 1 January 2023. Ishbel Macpherson retired from the Committee on 22 June 2023. All Committee members are Independent 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, with the Chair and Geeta Gopalan being chartered accountants. John Shipsey has relevant financial experience as a result of his financial background and qualifications, and Ishbel Macpherson brought financial experience to the Committee following her career as an investment banker. Lawson Macartney and Lisa Bright provide experience of product development and commercialisation of pharmaceuticals, which support the Committee in meeting its objectives. Geeta Gopalan also brings recent and relevant financial experience to the Committee, with a breadth of experience chairing audit, risk and remuneration committees and over 25 years' experience in financial services and retail banking. 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
Head of Investor Relations	Review of Half Year and Full Year Accounts
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 and to enable these subjects to be discussed meaningfully at the meetings. The Committee meets with the external and internal auditors without management 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 which took place in April 2023 (further details of which can be found on page 121 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 2022 meeting. It was agreed to amend the terms of reference to include the assessment of principal and emerging risks and to review

regular reports from the Compliance Manager, on her appointment, and keep under review the adequacy and effectiveness of the compliance function. It was noted that there was a technical non-compliance with the terms of reference as Ishbel Macpherson had exceeded the nine-year limit in February 2022. The Board agreed in August 2022 that it 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 109 and 123 of the Governance Report.

Major Activities of the Committee During the Year

The Committee met five 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.

Month	Progress
August	<ul style="list-style-type: none"> • Review of preliminary results and announcement • Review of draft Annual Report and Accounts • 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 • Confirmation of covenants • Auditor reappointment
December	<ul style="list-style-type: none"> • Review of Committee Terms of Reference • Agree programme of business for 2024 • Review and approval of interim plan of external auditor • Review internal audit progress report
February	<ul style="list-style-type: none"> • Review of Half Year Results • Annual Review of dividend policy • Review of Interim dividend and distributable reserves • Review of Internal Controls • Status of statutory accounts and tax computations • Review and approval of Internal Audit Charter • Review of external auditors' interim review findings
April	<ul style="list-style-type: none"> • Approval of External Audit strategy, scope and fees • Review of Committee Effectiveness • Confirmation of Auditor Independence • Review of ABC, Code of Conduct and Data Protection Policies • Tax, Treasury and GDPR Compliance Update • Report on compliance with Data Protection Policy • Review of Risks and Controls • Borrowing Powers Confirmation • Approval of internal audit plan
June	<ul style="list-style-type: none"> • Assessment of principal and emerging risks and annual review of Risk Management Process Effectiveness

Audit, Risk and Internal Control

The table below shows the key areas of the Committee activities:

Purpose and Function (see pages 124 and 125)	<ul style="list-style-type: none"> Review of the Committee's terms of reference Review of the effectiveness of the Committee 	<ul style="list-style-type: none"> BEIS Requirements 'Restoring trust in audit and corporate governance'
Financial and Narrative Reporting (see pages 127 and 128)	<ul style="list-style-type: none"> 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 2023 	<ul style="list-style-type: none"> Consideration of the Audit Memorandum prepared by the external auditor, including: <ul style="list-style-type: none"> 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 pages 128 and 129)	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 pages 129 and 130)	<ul style="list-style-type: none"> Review of the Internal Audit Plan, completion of audit recommendations and effectiveness of Internal Audit 	<ul style="list-style-type: none"> Review and approval of Internal Audit Charter
External Audit (see pages 130 and 131)	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 will continue to consider any changes to Dechra's policies and processes in light of the BEIS 'Restoring Trust in Audit and Corporate Governance' requirements including:

- the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023 (Regulations) and associated explanatory memorandum published on 19 July 2023, which introduce reporting measures relating to an Audit & Assurance Policy, a statement on steps taken to prevent and detect material fraud, a Resilience Statement, and a statement on distributions and capital allocation; and
- any changes to the UK Corporate Governance Code that will affect the requirements around Audit, Risk and Internal Control.
- the FRC's 'Audit Committees and the External Audit: Minimum Standards' issued in May 2023

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 £922.4 million, which represents 58.8% of total Group assets.	The Committee reviewed management's process for reviewing and testing goodwill, In Process R&D (IPR&D) and other intangible assets for potential impairment. It then endorsed management's conclusion that no impairment of these assets had taken place other than one of the near term IPR&D assets (as noted above). 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 of the acquired intangible assets and goodwill acquired through business combinations in the year which totalled £409.7 million.	The Committee reviewed the calculations and assumptions provided by management and third party experts which support the valuation of those acquired assets and any related contingent consideration, and the valuations were assessed for completeness. The Committee reviewed the useful economic lives of the identifiable intangible assets and the future growth rate assumptions applied in the valuations.
Review of the corporate tax rate for the year being a credit of 22.8% (23.1% charge on underlying profit before tax).	The Committee discussed the key risks in respect of corporate tax and reviewed whether 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 rulings 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.	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.
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 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 51, 81 and 82 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. The Group had completed a refinancing and entered into a facilities agreement in March 2023 with a group of banks under which a facility of £340.0 million was made available and which is currently committed until March 2028. The Committee also considered the position, and statements made by the Directors, relating to the material uncertainty over going concern that arises due to the proposed acquisition of the Group by Freya Bidco Limited as set in the Strategic Report on page 82. The external auditor reviewed management's assessment and discussed their review with the Committee.

Task-force for Climate-related Financial Disclosures (TCFD)

The Committee discussed the assurance processes underpinning the provision of the TCFD report and concluded that the impact of climate change does not give rise to a material financial statement impact. The Board statement on TCFD can be found on page 69. The external auditor did not identify risks related to climate change as a key audit matter.

Fair, Balanced and Understandable Assessment of the Annual Report

At the request of the Board, the Committee considered whether the 2023 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance (pages 44 to 51), business model (pages 28 to 31) and strategy (pages 32 to 35).

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 2023 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 172 to 181.

This assessment was carried out by the Committee on 5 October 2023, following which the Committee reported to the Board that it was satisfied that, taken as a whole, the 2023 Annual Report is fair, balanced and understandable.

Financial Reporting Council (FRC) Review Letter

During the year, the Company received a letter from the Financial Reporting Council (FRC) in relation to its review of the Company's Annual Report and Accounts for the year ended 30 June 2022. Based on their review, there were no questions or queries that they wished to raise. They did note a number of matters where they believe that the users of the accounts would potentially benefit from improvements to existing disclosures and these have been considered and incorporated in the preparation of the 2023 Annual Report and Accounts.

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 principal and emerging risks and effectiveness of the Group's risk management and internal financial controls to the Committee.

The Group's risk management and internal control processes include:

- a review of the SET's assessment of their strategic risks and internal controls;
- a review of the Group's principal and emerging risks, and related controls and mitigating actions;
- a review of the procedures in place to identify emerging risks;
- a review of the risk statements for recommendation to the Board;
- 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 2023 financial year, a new Financial Control Framework (FCF) has been implemented. This framework extends the scope of the baseline controls standards to an

increased number of controls and work has continued to monitor adherence to the FCF and to identify any gaps or deficiencies requiring mitigating controls or remediation.

The Committee confirms that it has not been advised of, nor has it 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, and 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 79 to 82 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 98 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 Data Protection Policy, the Sanctions Policy, the Anti-Bribery and Anti-Corruption (ABC) Policy and the Third Party Code of Conduct. The Committee is also provided with updates on relevant due diligence processes, updates to procedures and any non-compliance in relation to these policies.

The Committee in the previous financial year approved the implementation of a centralised software solution to replace the current manual onboarding due diligence processes. The project was initiated to deal with the challenges faced by a manual refresh of due diligence for medium to higher risk customers and suppliers. However, the early stage scoping exercise and consultation with stakeholders from each division across the Group highlighted the potential gaps in the Group's wider due diligence of areas such as modern slavery, tax, health and safety and ESG. The consultation recognised that the current systems are resource intensive, it being time consuming to gather information and liaise with internal stakeholders through a variety of de-centralised and manual processes.

Four suppliers were invited to tender, with two selected for a Proof of Concept. Work commenced with the preferred supplier in January 2023, with the design of a three stage risk assessment process. The assessment process has been engineered to capture basic information for the purposes of entity creation, followed by an internal profiling and tiering exercise to gather more detailed risk-based information, which will in turn generate assessments to be completed by the third party. The system will also generate automated reminders for the business to refresh the due diligence on an annual or triennial basis, subject to the risk level associated with the vendor.

Following completion of the build and testing phase, a phased launch of the platform commenced in July 2023. The first division selected for a pilot launch was DVP International, the rationale being that this division has higher risk customers due to their territories and the nature of their distribution

activities. Completion of the roll out to the whole of the Dechra Group is scheduled by the end of the calendar year.

During the 2023 financial year the Committee approved a Group Anti-Fraud Policy, which provides employees with guidance regarding the definition of fraud, standards required, measures to prevent and identify fraud, procedures for reporting concerns, procedures for investigating allegations of fraud, and actions which may follow a breach of the policy. The policy has been designed to complement Dechra's existing Code of Conduct.

Following approval of the Group Anti-Fraud Policy, the Internal Audit team has supported its initial implementation, before handing responsibility for the Policy over to the Compliance Manager. During the year, the Internal Audit team reported two cases of fraud to the Committee, both of which resulted in mitigating controls being implemented; neither fraud was material and both were perpetrated by third parties.

Internal Audit

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 was recruited in the 2023 financial year. This brings the team to four permanent employees, one of whom is based in the Kansas City office.

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 2024 was approved by the Committee in April 2023, 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 key risks and core operational and financial processes to provide cyclical assurance to the Committee and the Board.

The 2023 Internal Audit Plan comprised 30 audits covering financial, operational, IT, and compliance risks across Dechra's global operations.

The key areas addressed in this year's audit plan have been:

- Financial: Financial Controls Framework, Payment Controls, Treasury, and TCFD;
- IT: Cyber Security and SAP;

Audit, Risk and Internal Control

- Operational: Pricing, Rebates and Discounting, Product Registration Management, and HR & Payroll, and Fraud Investigations; and
- Compliance: Gifts and Hospitality, and PDRA Governance.

The audit plan also included advisory work such as a Modern Slavery Risk Assessment review, Financial Controls Framework support, and ongoing assurance to support the Group's project to upgrade the Manufacturing ERP system to one consolidated cloud-based Oracle platform. Support of the Oracle implementation consists of a set of regular risk-based assessments of the project to assess the status of key items which will be critical to the effective and successful delivery of the platform. Internal audit recommendations and control improvements are agreed with process owners and communicated to the relevant business leaders via internal audit reports. Details of all 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 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 addition of new resource) and access to technical experience to act as an effective third line of defence. 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 and the FRC's 'Audit Committees and the External Audit: Minimum Standard' (issued in May 2023).

Audit Plan

PwC agreed their audit plan with the Committee which included audit scope, key audit risk areas and materiality. The Committee discussed the audit plan with PwC and approved it, together with the fees proposed. The key audit matters, and how the audit addressed them, can be found on page 127. The Committee did not ask the external auditors to look at specific areas.

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 21.2% (2022: 6.0%) 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 5 October 2023.

Based on the review set out above, the Committee is satisfied with the external auditor's independence, effectiveness and objectivity.

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 took into account the Competition and Markets Authority (CMA) Order on mandatory audit tendering.

Dechra will be required, if the Company remains listed, to retender its audit no later than for the 2026 financial year. If required, the Committee will complete this process well before the start of the year preceding the 2026 financial year, to maximise the number of firms able to tender and to permit the firm selected to have sufficient time to meet the required independence regulations.

Audit Tender Process

At the February meeting the Committee endorsed the proposal for the tender of the external audit services and the proposed timetable to select and appoint the successful firm for the financial year to 30 June 2026. It was proposed that invitations to tender would commence in October 2023 with a view to a decision and recommendation for approval by April 2024 in advance of the 2024 shareholders' annual meeting. In light of the EU Audit Reforms which require that the tender process does not in any way preclude the participation in the selection procedure of non-Big 4 firms, we commenced discussion with a challenger firm. However, this firm felt that, due to the fact that the Group is a global pharmaceutical company, they were unable to deliver an audit of the quality that would meet their, the Group's and the FRC's expectations.

The Committee considered whether the Group should continue with the audit tender process at the October 2023 meeting. It was agreed to postpone the tender process as post delisting the Group would not meet the definition of a Public Interest Entity under the Companies Act and would therefore not be required to retender the audit services.

External Audit Engagement Partner Rotation

1. 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 must not impair the auditor's 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 2023 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 21.2% (2022: 6.0%) of the annual audit fee. The non-audit fees are higher than in previous years, and this is due to the PwC providing the services of reporting accountant with respect to the profit reforecast in the Scheme Document in relation to the proposed acquisition of the company by Freya Bidco Limited. The Board fully considered this engagement, noting that the work would be completed by another team within PwC. It did not consider that the performance of this non-audit work impacted upon or impaired the external auditor's independence or the integrity of their work. The 2023 non-audit fees also include the engagement of PwC (as statutory auditor) to provide an annual attestation to NOMA (the regulator in Norway), to perform an interim review in accordance with ISRE2410 and as such the services were permitted under the non-audit fee policy.

	2023 PwC	2022 PwC	2021 PwC	2020 PwC	2019 PwC
Audit fees including related assurance services (£m)	2.5	1.8	1.4	1.1	0.89
Non-audit fees (£m):					
Review of Half-Yearly Report	0.1	0.1	0.1	0.06	0.04
Other work	0.4*	0.002	0.006	0.002	0.002
Ratio of non-audit fees to audit fees	21.2%	6.0%	7.6%	5.5%	6.7%

* The reasons for the engagement of PwC are set out above.

John Shipsey

Audit Committee Chair

12 October 2023

Directors' Remuneration Report



Geeta Gopalan
Remuneration Committee Chair

7

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 93

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2023. Having joined the Board on 1 January 2023, I was appointed as Chair of the Committee with effect from 1 March 2023 succeeding Ishbel Macpherson, who I would like to thank for her considerable contribution as Chair of the Committee.

There have, of course, been two key considerations for the Committee during the 2023 financial year: the renewal of our Directors' Remuneration Policy and the proposed acquisition of the Company by Freya Bidco Limited (a newly formed company to be indirectly owned by (i) EQT X EUR SCSp and EQT X USD SCSp, each acting through its manager (*gérant*) EQT Fund Management S.à r.l., and (ii) Luxinva S.A.) (the Proposed Acquisition).

- In line with the usual position, our Directors' Remuneration Policy which was approved by shareholders at the 2020 Annual General Meeting is due for renewal at the 2023 Annual General Meeting. As we reported last year, during the course of the 2023 financial year we reviewed the policy approved in 2020 to ensure that it continues to support our strategic priorities. We consulted with shareholders during the year in relation to our proposals. I have set out below further information in relation to our approach to the new Directors' Remuneration Policy.
- The other key development in the 2023 financial year is the Proposed Acquisition. This impacts our approach to remuneration in respect of the 2024 financial year, and I comment further on that below. Assuming the acquisition completes during the 2024 financial year, "in-flight" incentive awards held by Executive Directors (including the deferred bonus awards granted in respect of bonuses for the 2023 financial year) and other colleagues will be treated in accordance with the applicable incentive plan rules, the Cooperation Agreement entered into in respect of the potential acquisition and, where relevant, the applicable Directors' Remuneration policy.

Following this letter we have set out the following additional information:

- Our Pay Principles, which we adopted in 2020, and our approach to wider workforce remuneration.
- Remuneration Philosophy: The link between our Directors' Remuneration Policy and our Strategy.
- Governance: The alignment of the Policy with the requirements of the UK Corporate Governance Code.
- Remuneration at a Glance: Summary of Executive Directors' Total Remuneration for the 2022 and 2023 financial years.

There then follow the two principal sections of the Remuneration Report: the Directors' Remuneration Policy (the Policy) for which approval is proposed to be sought at the 2023 Annual General Meeting subject to the Company remaining listed at the time of the proposed Annual General Meeting and the Annual Report on Remuneration. The Annual Report on Remuneration provides details of the amounts earned in respect of the 2023 financial year and subject to the impact of the Proposed Acquisition how the Policy will be implemented in the 2024 financial year.

The Directors' Remuneration Report (excluding the Policy) will be subject to an advisory vote at the 2023 Annual General Meeting. The Policy will be subject to a binding vote at the 2023 Annual General Meeting to the extent that the same will be held.

Our Proposed New 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. During the 2023 financial year, we reviewed that policy to ensure that it continues to support our strategic priorities. We were satisfied that its overall structure remained appropriate and continues to support the delivery of our strategy. We consulted with shareholders in relation to our proposed new Policy. Although the Proposed Acquisition will, if it completes, impact the implementation of the new Policy in the 2024 financial year, we have set out in this report the full new Policy in the usual way. I have summarised below the principal differences between the proposed new Policy and the policy approved at the 2020 Annual General Meeting; other changes have been made to reflect the appropriate amendments referred to below and to take account of the practical operation of the Policy.

- Annual bonus and Long Term Incentive Plan headroom: The current policy provides for an overall incentive opportunity of 350% of salary, consisting of an annual bonus of up to 150% of salary and an LTIP of up to 200% of salary.

The 150% of salary bonus opportunity was introduced when the current policy was approved at the 2020 Annual General Meeting, in substitution for the previous 100% maximum. However, none of that additional headroom was utilised in the 2021 financial year; only part of it was utilised in the 2022 financial year (when the opportunity was increased to 125% of salary); and the full headroom has only been utilised in the 2023 financial year (for which Ian Page and Paul Sandland have bonus opportunities of 150% of salary, with Tony Griffin's bonus opportunity remaining at 125% of salary).

The 200% of salary LTIP opportunity has been in place since our first binding directors' remuneration policy was approved in 2014. Our current practice is to grant at 200% of salary for Ian Page, 150% of salary for Paul Sandland and 100% of salary for Tony Griffin.

The new Policy increases the overall incentive pay opportunity from 350% of salary to 400% of salary. Within this overall limit, further limits are set such that the annual bonus cannot exceed 175% of salary and the LTIP cannot exceed 250% of salary, or 300% of salary in exceptional circumstances. The inclusion of this additional headroom is to ensure there is appropriate flexibility in the Policy to take account of increases in the size and complexity of the business over its potential three year life. This additional headroom will also be balanced with the inclusion of the changes to the new Policy set out below.

- None of the additional headroom will be utilised in respect of the 2024 financial year. Annual bonus opportunities for that year will remain 150% of salary for Ian Page and Paul Sandland and 125% of salary for Tony Griffin. As noted below, no LTIPs are currently intended to be granted in respect of the 2024 financial year; if that were to change, the grants would remain at the level of 200% of salary for Ian Page, 150% of salary for Paul Sandland and 100% of salary for Tony Griffin.
- Stretch in performance conditions: If relevant for any future year, the Committee would review the stretch in the performance targets (also taking into account market conditions at the time) to ensure that any increase in quantum is commensurate with an appropriate level of stretch in the performance targets.
- Increase in the percentage of bonus deferred: If relevant for any future year, were we to increase the annual bonus opportunity in line with the additional headroom in the new Policy the level of deferral would increase to 50% of the bonus earned if the bonus opportunity increased to the maximum of 175% of salary.
- In-service shareholding guideline: Under the current policy, this is set at 200% of salary. In the new Policy, the in-service requirement is set as the higher of the Executive Director's usual annual LTIP award or 200% of salary.
- Post-employment shareholding requirement: The current policy applies a post-employment shareholding guideline on a tapered basis; 100% of the in-service requirement must be retained for the first year after employment, and 50% for the second year. In the new Policy, we have removed this tapering approach for any newly appointed Executive Director, for whom the 100% of the in-service requirement will apply for the full two year period.
- Enhanced malus and clawback provisions: The recovery (malus and clawback) provisions in the current policy already reflect best practice. However, a change has been made in the new Policy to further enhance them, including an explicit reference to their application being possible in the event of a material failure of risk management.
- LTIP performance measures: Our current policy requires that financial performance measures be used for the LTIP. Recognising the importance of ESG, which is integrated into the way we work at Dechra, the new Policy permits the utilisation of non-financial measures, but with a requirement that financial measures account for at least 70% of the LTIP award.

Directors' Remuneration Report

Remuneration Committee Decisions in 2023

We delivered a robust performance in the first half of the 2023 financial year; however the second half of the year proved more challenging. 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 2023 financial year.

Element	Implementation
Salary	<p>In line with our usual practice, salaries were reviewed with effect from 1 January 2023. We adopted a tiered approach with the lower paid members of the workforce receiving higher increases which were weighted taking into account specific country inflation. The average increase across the Group was 6.6%. In the UK, all employees earning a base salary of less than £45,000 received a minimum increase of 7%. Against this background, the Executive Directors' salaries were increased by 3% with effect from 1 January 2023 (a level of increase which also applied to the Senior Executive Team) as follows:</p> <ul style="list-style-type: none">• Ian Page salary with effect from 1 January 2023: £630,360• Paul Sandland salary with effect from 1 January 2023: £417,150• Tony Griffin salary with effect from 1 January 2023: €396,594
Retirement Benefit	<p>Our Executive Directors' retirement benefit provision is aligned with the wider workforce provision in the relevant country, as set out on page 137.</p>
Annual Bonus	<p>Maximum opportunity for the 2023 financial year of 150% of base salary for Ian Page and Paul Sandland and 125% of base salary for Tony Griffin. The increase (compared to the bonus for the 2022 financial year) for Ian Page and Paul Sandland took into account the competitive positioning of their remuneration packages, as disclosed in last year's Directors' Remuneration Report.</p> <p>The bonus for the 2023 financial year was based on underlying profit before tax (as regards up to 130% of salary in the case of Ian Page and Paul Sandland and 105% of salary in the case of Tony Griffin), personal objectives (up to 10% of salary) and ESG measures (up to 10% of salary).</p> <p>Information in relation to the outturns is disclosed on page 153.</p> <p>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 153 to 155, bonuses for the year equal to 20% of salary have been earned by Ian Page, Paul Sandland and Tony Griffin.</p> <p>The Committee considers the level of payout is reflective of the overall performance of the Group in the year and is appropriate.</p> <p>The bonus is subject to a bonus deferral, requiring that 33% of the bonus earned by Ian Page and Paul Sandland and 20% of the bonus earned by Tony Griffin is deferred into Dechra shares for two years. The annual bonus is subject to malus and clawback provisions.</p>
Long Term Incentive Plan	<p>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 2020. All of these awards are subject to a two year post vesting holding period.</p> <p>The awards are scheduled to vest in October 2023:</p> <ul style="list-style-type: none">• as to 50.4% of the TSR element (one third of the total award) reflecting performance between median and upper quartile; and• as to none of the underlying diluted EPS element (two thirds of the total award) reflecting that the compound annual growth in the underlying diluted EPS at 3.6%, was below the threshold of 8% (with the assessment of underlying EPS taking into account the Akston licensing agreement, as referred to on page 156). <p>In aggregate, taking into account the ROCE underpin (reflecting that the ROCE at 15.3% had not fallen below 10.0%), the LTIP awards will vest as to 16.8%. 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 2023 and is appropriate.</p> <p>See page 156 for further details.</p> <p>Awards made under the LTIP are subject to malus and clawback provisions.</p>

Chair's Fee and Non-Executive Directors' Fees

The Committee considered the Chair's fee at the same time as the Executive Directors' salaries in line with the usual wider workforce salary review timetable. At that time, the Board reviewed the Non-Executive Directors' base fee. The Chair's fee and Non-Executive Directors' base fees were increased by 3% with effect from 1 January 2023. No change was made to the supplementary fees for Non-Executive Directors' additional duties. Details of the fees with effect from 1 January 2023 are set out on page 158.

Forward Looking: Implementation of Policy for 2024 Financial Year

As noted above, the Proposed Acquisition impacts our approach to remuneration in respect of the 2024 financial year. However, I have summarised below our proposed approach assuming the 2023 Annual General Meeting is held and the Policy is approved at that meeting and taking into account, where relevant, the proposed acquisition (more information is given on pages 141 to 151):

- **Salary:** In line with our usual practice, it is currently intended that Executive Directors' salaries will continue to be reviewed in January 2024, along with those of the wider workforce.
- **Pension:** The employer pension contribution for Ian Page and Paul Sandland will be 8% of salary. The employer contribution for Tony Griffin will be 7.7% of salary, in line with the wider Dutch workforce. Executive Directors may continue to take a cash payment in lieu of employer pension contributions.
- **Bonus:** As noted above, notwithstanding the increased headroom in the new Policy, the annual bonus opportunity for 2024 will remain at 150% of salary for Ian Page and Paul Sandland (with a 33% deferral) and 125% of salary for Tony Griffin (with a 20% deferral). Bonuses will be based on a mix of stretching underlying profit before tax targets (in respect of a bonus of up to 130% of salary for Ian Page and Paul Sandland and 105% of salary for Tony Griffin), 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).
- **LTIP:** Due to the Proposed Acquisition the Committee will not be granting any awards for the 2024 financial year. Should the acquisition not complete then the Committee will consider whether to grant awards later in the year, with information on performance conditions and targets disclosed at the time of grant.

Chair and Non-Executive Directors

It is currently intended that a review of the Chair and Non-Executive Directors' base and additional fees will also be undertaken in January 2024 (if Dechra remains a listed company at that point) 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. Our approach to salaries with effect from 1 January 2023 is summarised above.

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. During the 2023 financial year we enhanced our UK employee offering with the introduction of:

- an online GP service to support the health and well-being of the workforce;
- a cash plan for medical benefits; and
- a reduction in the working week by 1.5 hours for our UK manufacturing employees via reduced working week or a nine day fortnight, whilst maintaining pay and benefits at current levels.

In addition, in July 2022, we increased the employers contribution to the UK Company Pension Scheme to 8% of base pay and introduced flexibility as to the permitted level of employee contribution to address cost-of-living pressures.

Further details on our pay principles and workforce remuneration are set out on page 137.

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 106, workforce engagement activities during the 2023 financial year included meeting the Future Facing Leaders, the THRIVE champions and employees at Skipton. 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 to adopt a more flexible approach to the working week in the UK. The Committee provided an update on the Remuneration Review, including the Executive Directors' remuneration increases, to the wider workforce via the OneDechra intranet. The Remuneration Review update compares the various elements of remuneration of the Executive Directors, Senior Executive Team and the wider workforce to enable the wider workforce to ascertain how the executive remuneration aligns with the wider Company pay policy.

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 (which employs 68.0% of our UK employees), the gap has reduced from 17.7% in 2017 to 1.3% in 2022.

Directors' Remuneration Report

Looking Ahead: Key Focus Areas for the Committee for 2024

Our approach in the 2024 financial year will depend upon the outcome of the Proposed Acquisition. I have set out our intended approach in this letter and the later sections of this Directors' Remuneration Report. If Dechra remains a listed company at the end of the 2024 financial year, we will provide further information in the Directors' Remuneration Report for that year as to the approach we adopted.

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 directors' remuneration policy operated as intended and consider that the remuneration received by the Executive Directors in respect of the 2023 financial year was appropriate, taking into account Group performance, personal performance and the experience of shareholders and employees.

Should you have any queries in relation to this report, please contact me or the Company Secretary.

Geeta Gopalan

Remuneration Committee Chair
12 October 2023

Additional Remuneration 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.		We are accredited as a Living Wage Employer in the UK and have implemented the equivalent elsewhere in the world.
Pension	<p>Ian Page and Paul Sandland: 8% of base salary in line with the employer pension contribution rate for the UK wider workforce.</p> <p>Tony Griffin: 7.7% of base salary pension contribution in line with the employer pension contribution for the wider Dutch workforce.</p>	Between 8% and 12% of base salary dependent on length of service.	We increased our minimum employer pension contribution from 6% to 8% with effect from 1 July 2022 in the UK*.
Bonus	<p>150% of base salary for the 2023 financial year for Ian Page and Paul Sandland and 125% for Tony Griffin.</p> <p>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).</p> <p>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).</p>	75% of salary for 2023 financial year. Targets: for 2023 financial year, financial, ESG and personal.	All senior managers and professionals. Maximum 40% of base salary. Targets: financial and personal.
Long Term Incentive Plan	<p>Maximum 200% of base salary.</p> <p>Currently 200% of base salary for Ian Page, 150% of base salary for Paul Sandland and 100% of base salary for Tony Griffin.</p> <p>Three year performance period, two year holding period.</p> <p>Target: TSR (one third), underlying diluted EPS (two thirds) and ROCE underpin.</p>	Maximum 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, Brazil, 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

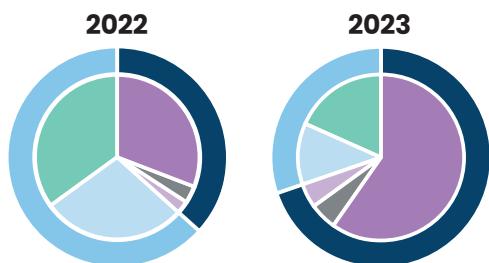
In determining the Policy, the Committee took into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture, as set out in the Code.

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.	<ul style="list-style-type: none"> 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 on page 147 and 148, 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

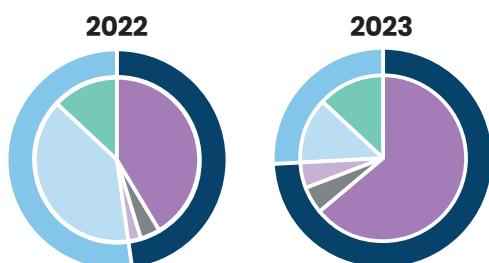
Executive Director Total Remuneration

Ian Page



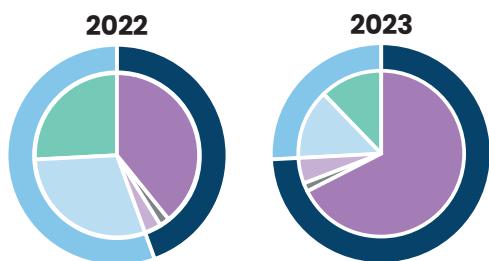
	2022	2023
Fixed	30.9%	59.9%
Salary	3.4%	5.1%
Benefits	2.5%	4.8%
Pension	28.4%	12.0%
Performance-linked (Variable)	34.8%	18.2%

Paul Sandland



	2022	2023
Fixed	42.2%	64.0%
Salary	3.7%	5.2%
Benefits	2.5%	5.2%
Pension	38.7%	12.8%
Performance-linked (Variable)	12.9%	12.8%

Tony Griffin



	2022	2023
Fixed	39.8%	67.5%
Salary	1.0%	1.8%
Benefits	3.1%	5.1%
Pension	30.2%	13.5%
Performance-linked (Variable)	25.9%	12.1%

Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out Dechra's Directors' Remuneration Policy which, subject to shareholder approval at the 2023 Annual General Meeting (to the extent the same is being held), shall take binding effect from the close of that meeting. The Policy has been determined by the Committee.

Policy Table for Executive Directors:

Element: Base Salary	
Purpose and Link to Strategy:	
Operation	Performance Measure
<p>Core element of fixed remuneration reflecting the individual's role and experience.</p> <p>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:</p> <ul style="list-style-type: none"> • Pay increases within the Group more generally; and • Group organisation, profitability and prevailing market conditions. 	
Maximum Opportunity	
<p>Whilst there is no maximum salary, increases will normally be within or below 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:</p> <ul style="list-style-type: none"> • 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. <p>Such increases may be implemented over such time period as the Committee deems appropriate.</p>	

Directors' Remuneration Report

Element: Retirement Benefits

Purpose and Link to Strategy:

Provide a competitive means of saving to deliver appropriate income in retirement.

Operation	Performance Measure
<p>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 some or all of the contributions to a pension scheme.</p> <p>Executive Directors outside the UK may also participate in non-UK pension arrangements.</p>	Not applicable.

Maximum Opportunity

The Company contribution will not exceed the contribution available to the majority of the Group's UK workforce (currently 8% of salary), subject to any increase to take account of any higher rate which applies to the majority of the workforce in any other country or countries relevant to a particular Executive Director.

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
<p>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.</p> <p>Other benefits may be provided based on individual circumstances, which may include relocation costs and expatriate allowances.</p>	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
<p>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.</p> <p>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.</p> <p>If a bonus opportunity of 100% of salary is awarded, no deferral will apply. If a bonus opportunity in excess of 100% of salary is awarded, a proportion of any bonus earned will be deferred into shares for a period of two years.</p> <ul style="list-style-type: none"> • If a bonus opportunity of 125% of salary is awarded, 20% of any bonus earned will be deferred. • If a bonus opportunity of 150% of salary is awarded, 33% of any bonus earned will be deferred. • If a bonus opportunity of 175% of salary is awarded, 50% of any bonus earned will be deferred. <p>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.</p> <p>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 such basis as the Committee determines).</p> <p>Recovery provisions apply, as referred to on page 145.</p>	<p>Operational targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Group's strategy.</p> <p>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.</p> <p>At least 50% of the bonus opportunity is based on financial measures (which may include profit before tax).</p> <p>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.</p> <p>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.</p>

Maximum Opportunity

The maximum bonus opportunity for Executive Directors is 175% of salary.

As referred to in the Remuneration Committee Chair's statement on page 135, annual bonus opportunities for the financial year ending 30 June 2024 will be 150% of salary for Ian Page and Paul Sandland and 125% of salary for Tony Griffin.

The maximum combined annual bonus and Long Term Incentive Plan opportunity for any year is 400% of 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

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 outcome if it considers that the outcome 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 such basis as the Committee determines).

Recovery provisions apply, as referred to on page 145.

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.

The provisions of this Policy will apply to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

Performance Measure

Performance measures under the LTIP will include financial metrics and may also include non-financial metrics.

At least 70% of an award will be subject to one or more performance measures based on financial metrics (which may include, but are not limited to, earnings per share growth, relative total shareholder return, return on capital employed and free cash flow). Any balance of an award will be subject to one or more performance measures based on non-financial metrics determined to reflect the Group's strategy (which may include ESG measures).

Subject to the Committee's discretion to override formulaic outcomes, 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 250% of salary (or, 300% of salary in exceptional circumstances). As referred to in the Remuneration Committee Chair's statement on page 135, the Committee does not currently intend to grant LTIP awards for the financial year ending 30 June 2024.

The maximum combined LTIP and annual bonus opportunities for any year is 400% 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, material failure of risk management, 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.

Operation of Share Plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of Dechra's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans. Awards may be settled, in whole or in part, in cash, although the Committee would only settle an Executive Directors' award in cash in appropriate circumstances, such as where there is a regulatory restriction on the delivery of shares or in respect of the tax liability arising in connection with an award.

Explanation of Performance Metrics

Performance measures for the LTIP and annual bonus are selected to reflect the Group's strategy. Stretching performance targets are set each year by the Committee taking into account a number of different factors.

Annual Bonus

The Committee considers that the underlying profit before tax is closely aligned to the Group's key performance metrics; together with annual personal objectives linked to the achievement of strategic milestones, we consider that this encourages sustainable growth year by year.

LTIP

The application of EPS and TSR targets to the LTIP aligns management's objectives with those of shareholders for the longer term. The elements of the LTIP awards based on financial metrics are subject to an underpin based on Return on Capital Employed. This ROCE underpin focuses executives on using capital efficiently and appropriately to allow the business to capitalise on growth opportunities whilst maintaining returns.

Directors' Remuneration Report

Variation or Substitution of Performance Measures

The Committee may vary or substitute any performance measure applying to the annual bonus or LTIP if an event occurs which causes it to determine that it would be appropriate to do so (which may include an acquisition), provided that any such variation or substitution is fair and reasonable and (in the opinion of the Committee) the change would not make the measure materially less demanding. If the Committee were to make such a variation, an explanation would be given in the next Directors' Remuneration Report.

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 the higher of:

- 200% of salary; and
- the value at grant (as a percentage of salary) of the Executive Director's usual annual LTIP award.

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.

Following employment, an Executive Director appointed on or after 1 July 2023 must retain for two years, such of their shares which are subject to the post-employment requirement as have a value for these purposes equal to 100% of the shareholding guideline that applies during employment, or if fewer, all of those shares.

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. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.	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, holding the role of Senior Independent Director, and holding the role of Employee Engagement Designated Non-Executive Director. Additional fees may also 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.

Policy for the Remuneration of Employees More Generally

The Group aims to provide a remuneration package that is competitive in an employee's country of employment, which is appropriate to promote the long term success of the Group and which is determined having regard to the Dechra Pay Principles which are summarised on page 136. The Company intends to apply this policy fairly and consistently and does not intend to pay more than is necessary to attract and motivate staff. In respect of the Executive Directors, a greater proportion of the remuneration package is 'at risk' and determined by reference to performance conditions. The Company's SAYE scheme and ESPP encourage share ownership by qualifying employees and enable them to share in value created for shareholders.

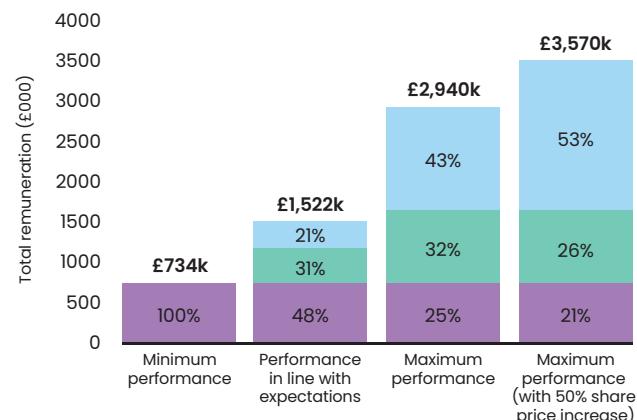
The following charts provide an illustration, for each of the Executive Directors, of the application of the Policy for the 2024 financial year. The charts show the split of remuneration between fixed pay (that is base salary, benefits and employer pension contributions/salary supplement), annual bonus and long term incentive pay on the basis of minimum remuneration, remuneration receivable for performance in line with Dechra's expectations, maximum remuneration, and maximum remuneration also assuming a 50% increase in the Company's share price for the purposes of the LTIP element. As referred to in the Remuneration Committee Chair's statement on page 135, the Committee does not currently intend to grant LTIP awards for the financial year ending 30 June 2024. However, in the interests of transparency and for consistency with prior years we have assumed LTIP grants for the purposes of the following chart.

	Annual Bonus	LTIP	Fixed Pay
Minimum performance	No bonus.	No LTIP vesting.	<ul style="list-style-type: none"> Base salary (being the latest known salary as at 1 July 2023).
Performance in line with expectations	Bonus equal to 50% of maximum opportunity is earned. <ul style="list-style-type: none"> 75% of salary in the case of Ian Page and Paul Sandland. 62.5% of salary in the case of Tony Griffin. 	LTIP vests as to 25% of the maximum award. <ul style="list-style-type: none"> 50% of salary for Ian Page. 37.5% of salary for Paul Sandland. 25% of salary for Tony Griffin. 	<ul style="list-style-type: none"> Employer pension contributions at an assumed rate of 8% (in the case of Ian Page and Paul Sandland) and 7.7% of salary (in the case of Tony Griffin) on the latest known salary. Benefits as disclosed in the single figure table on page 152 for the 2023 financial year.
Maximum performance	Bonus equal to 100% of maximum opportunity is earned. <ul style="list-style-type: none"> 150% of salary in the case of Ian Page and Paul Sandland. 125% of salary in the case of Tony Griffin. 	LTIP vests in full. <ul style="list-style-type: none"> 200% of salary for Ian Page. 150% of salary for Paul Sandland. 100% of salary for Tony Griffin. 	
Maximum performance plus share price increase		LTIP vests in full as above, plus an assumed 50% increase in the share price.	

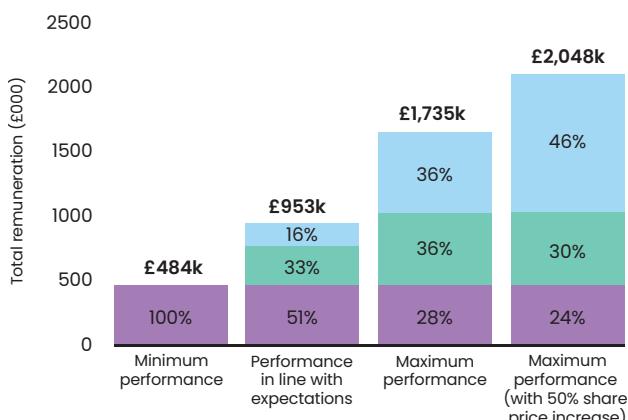
Directors' Remuneration Report

In illustrating the potential reward, the following assumptions have been made:

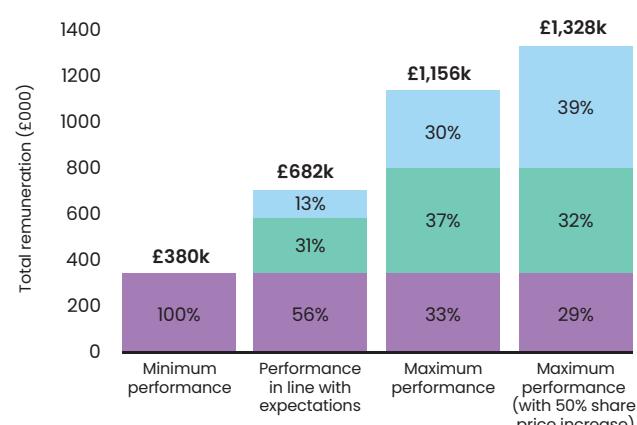
Ian Page



Paul Sandland



Tony Griffin



- Base salary, benefits and pension
- Annual bonus
- LTIP

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 400% 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.

Policy on Service Contracts

Details of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment are set out below:

Name	Commencement date	Notice Period	
		Director	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
Lawson Macartney	1 December 2016	3 months	3 months
John Shipsey	1 June 2022	3 months	3 months
Geeta Gopalan	1 January 2023	3 months	3 months

Whilst the Committee's policy is for the service contract of any newly appointed Executive Director to have a notice period of not more than 12 months, the Committee retains discretion to set an initial notice period of up to 24 months, reducing to 12 months over the initial 12 months of employment.

Directors' Remuneration Report

Policy on Payment for Loss of Office

Eligibility for the various elements of compensation is set out below:

Provision	Treatment upon loss of office
Payments in Lieu of Notice	The Company has discretion to make a payment in lieu of notice at any time after notice has been given by either the Company or the Director. Such a payment would consist of basic salary for the unexpired period of notice and may also include benefits (including pension contributions or applicable salary supplement) for that period.
Annual Bonus	This will be reviewed on an individual basis and the decision whether or not to award a bonus in full or in part will be dependent upon a number of factors including the circumstances of their departure and their contribution to the business during the bonus period in question, such that a bonus will be paid only in circumstances that the Committee considers are "good leaver" circumstances. Any bonus payment would typically be pro-rated for time in service to termination and paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances, and may pay the full bonus in cash in compassionate circumstances).
Deferred Bonus Awards	Awards lapse on the date of termination in the event of dismissal for gross misconduct. In other circumstances, awards will ordinarily continue and be released on the ordinary release date, although the Committee retains discretion to release any such award on the date of termination in appropriate circumstances (such as in the event of cessation due to death or ill-health). In either case, the award will vest in full.
LTIP	If an Executive Director ceases employment with the Group before an award under the LTIP vests as a result of ill-health, injury, death, transfer of their employing entity out of the Group or any other reason, at the discretion of the Committee, the award will usually be released on the normal release date, although the Committee has discretion to permit the award to be released on cessation or at some other time (such as following the end of the performance period). In either case, the award will vest to the extent determined by reference to the relevant performance conditions and as reduced to take account of the period of time from the start of the performance period to the date of cessation as a proportion of the performance period. If an Executive Director ceases employment for any reason after the vesting date of an award under the LTIP but before it is released (that is if they cease employment during the holding period), that award will continue to subsist in accordance with the rules of the LTIP (unless the cessation is due to summary dismissal, in which case the award will lapse) and will ordinarily be released at the normal release date, although the Remuneration Committee has discretion to release the award at the date of cessation. The award will be released to the extent it vested by reference to the performance conditions. If an Executive Director ceases employment for any reason after the release date of an award under the LTIP, that award will continue to subsist in accordance with the rules of the LTIP (unless the cessation is due to summary dismissal, in which case the award will lapse).
Other Payments	In appropriate circumstances, payments may also be made in respect of accrued holiday pay, and outplacement and legal fees. Options under the Company's SAYE scheme, ESPP and any other all employee share plans will vest on cessation in accordance with the plan rules, which do not allow for discretionary treatment.
Change of Control	In the event of a change of control: <ul style="list-style-type: none">• unvested awards under the LTIP will be released to the extent determined by the Committee taking into account the relevant performance conditions and, unless the Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the relevant performance period that has elapsed;• awards under the LTIP which are in a holding period will be released to the extent vested by reference to the performance conditions;• deferred bonus awards will be released in full; and• options under the SAYE scheme, ESPP and any other all employee share plan will vest on a change of control. <p>In appropriate circumstances, share plan participants may be invited (or required) to exchange their awards over Dechra shares for equivalent awards over shares in the acquiring company.</p>

Where appropriate, the Committee will have regard to the departing Executive Director's duty to mitigate loss, except in the event of dismissal following a change of control of the Company. Other than as described above, there are no express provisions within the Directors' service contracts for the payment of compensation or liquidated damages on termination of employment.

Where a 'buyout' or other award is made, the leaver provisions would be determined at the time of the award.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

The Non-Executive Directors are entitled to compensation on termination of their appointment confined to three months' remuneration.

Consideration of Employment Conditions Elsewhere in the Group

The Committee does not formally consult with employees as part of its process when determining Executive Director pay. However, as noted in the Policy table on page 137, the level of salary increases of employees within the wider Group is considered when setting base salary for Executive Directors. In line with the Corporate Governance Code the Committee reviews workforce remuneration and related policies and the alignment of incentives and reward with culture, taking these into account when setting the Policy for Executive Director remuneration, and sets the remuneration of the Senior Executive Team. The Non-Executive Director designated under the Corporate Governance Code for employee engagement engages directly with employees on a range of topics of interest to them, providing an upward channel to the Committee for views, comments and debate. The Committee is also kept informed of general decisions made in relation to employee pay and related issues.

Consideration of Shareholders' Views

The Committee believes that ongoing dialogue with major shareholders is of key importance. During the 2023 financial year, the Committee consulted with shareholders in relation to the new Policy.

Legacy Remuneration Arrangements

The Committee reserves the right to make remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of payments were agreed:

- before the Policy came into effect (provided that, in the case of any payments agreed on or after 24 October 2014 they are in line with any applicable shareholder approved directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders); or
- at a time when the relevant individual was not a Director of the Company (or other person to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company (or other such person).

For these purposes, 'payments' includes the satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted.

Geeta Gopalan

Remuneration Committee Chair
12 October 2023

Directors' Remuneration Report

2023 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. This section also includes information on how the Policy to be proposed to the shareholders at the 2023 Annual General Meeting (to the extent the same is being held), is intended to be applied in the 2024 financial year, although as noted in the letter from the Remuneration Committee Chair, the application of that Policy will depend upon the proposed acquisition of the Company by Freya Bidco Limited (the Proposed Acquisition). The sections of the 2023 Annual Report on Remuneration that are audited by PricewaterhouseCoopers LLP (PwC) are indicated on pages 152 to 161.

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 2023. The table shows the remuneration for each such person in respect of the year ended 30 June 2023 and in respect of the year ended 30 June 2022:

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	2023	621	53	124	189	50	1,037	724	313
	2022	597	65	549	672	48	1,931	710	1,221
Paul Sandland	2023	411	33	82	82	33	641	477	164
	2022	383	33	351	117	23	907	439	468
Tony Griffin	2023	340	9	68	61	26	504	375	129
	2022	322	9	245	210	25	811	356	455
Total 2023	2023	1,372	95	274	332	109	2,182	1,576	606
Total 2022	2022	1,302	107	1,145	999	96	3,649	1,505	2,144

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.
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: £51,176), medical cover and life assurance.
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.
6. The 2022 value assigned to the long term incentives was shown in last year's Annual Report as an estimate, with the value determined by reference to a share price of £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). This has been restated to show the actual value determined by reference to a price of £29.22 (being the market value of a share on 20 September 2022, 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 1.1807 for 2022 and 1.1504 for 2023. His salary was €396,594 from 1 January 2023 and €385,043 from 1 January 2022.

Additional Disclosures in Respect of the Single Figure Table (Audited)

Salaries and Fees

Our approach to Executive Directors' salaries in the financial year is explained in the Committee Chair's letter on pages 134. The Executive Directors' salaries applying with effect from 1 January 2023 are as follows.

Executive Director	Salary with effect from 1 January 2023	Previous Salary	% increase
Ian Page	£630,360	£612,000	3.0%
Paul Sandland	£417,150	£405,000	3.0%
Tony Griffin	€396,594	€385,043	3.0%

The Committee's approach to Executive Directors' salaries for the year ending 30 June 2024 is summarised in the Committee Chair's letter on page 135.

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 2023 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 2023 against targets for the 2023 financial year is set out below. Bonuses for the year equal to 20% of salary have been earned by Ian Page, Paul Sandland and Tony Griffin. In line with the Directors' Remuneration Policy, 33% of any bonus earned will be deferred into Dechra shares for two years for Ian Page and Paul Sandland and 20% for Tony Griffin. Deferred bonus awards are not subject to any further performance conditions but remain subject to the leaver provision in the Deferred Bonus Plan and Policy. 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) £168.1 million	Target (65% of salary) £177.0 million	Maximum (130% of salary) £194.7 million
		Actual (at budgeted rates) £131.1 million
		0%
		0%

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 £168.1 million	Threshold (5% of salary) £168.1 million	Target (26.25% of salary) £177.0 million
		Maximum (52.5% of salary) £194.7 million
		Actual (at budgeted rates) £131.1 million
		0%
Dechra Veterinary Products EU underlying operating profit	Threshold (5% of salary) €138.8 million	Target (26.25% of salary) €146.1 million
		Maximum (52.5% of salary) €160.7 million
		Actual (at budgeted rates) €127.7 million
		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 10% of salary by reference to the achievement of ESG measures aligned with their area of responsibility (see table below)	10%	10%	10%

Directors' Remuneration Report

The personal objectives of each Executive Director for the year ended 30 June 2023 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.

The Committee considered achievements against each of the objectives in the round in determining the overall outturn. Notwithstanding the challenges faced by the business over the 2023 financial year including embedding the acquisitions made, the Committee considered the pivotal role played by the Executive Directors in supporting the Proposed Acquisition that crystallised value for shareholders. In doing so, the Committee judged that a full payout against personal objectives was warranted.

Personal Objectives

Director	Strategic Enabler	Objective	Performance
Ian Page	Acquisition	Bring in a balance of strategic acquisitions (novel versus generic) which future proof Dechra alongside those which strengthen us operationally and are immediately profit accretive. Navigate the use of financing appropriately to, in combination, enable growth, innovation and continued low leverage over the next three to five years	Piedmont acquisition integrated into the pipeline and Med-Pharmex acquisition completed and integration plan underway
	Pipeline Delivery	Embed the new Chief Scientific Officer and the restructured PDRA teams enabling greater value from the pipeline and better utilising resource (people) to strengthen both Business Development and Regulatory capability	The Chief Scientific Officer onboarded and with support from the Chief Executive Officer have developed clear plan and outcomes for pipeline of products contributing to the five and ten year plan horizons. Some restructuring has taken place and investments made into resources
	Succession Planning	To assess the strengths and gaps for the Senior Executive Team succession plan	The first cohort on the Future Facing Leaders programme (sponsored by the Chief Executive Officer) completed the course in July 2023, and a number of them have been identified as potential successors to the SET.

Director	Strategic Enabler	Objective	Performance
Paul Sandland	Shareholder	Improve effective engagement with shareholders	New Head of Investor Relations role successfully recruited and onboarded, Investor Relations plan implemented with sustained improvement to guidance and consensus tracking
	IT	Develop, support and strengthen the IT function, whilst driving efficiencies through implementation of technology solutions	Chief Information Officer role recruited and onboarded, review of major projects undertaken and seeing on time implementation and progress of significant IT projects (Travelpool/Concur, Oracle, Veeva and eQMS)
	Internal Controls	Strengthen our internal control environment through sponsoring transition to Internal Controls Over Financial Reporting (ICOFR)	Successfully transitioned to Financial Control Framework during this timeframe
	Finance	Lead re-financing of the business	Private placement and equity raise successfully completed
Tony Griffin	Commercial	To define the next phase of the European change programme Iceberg 2028 to ensure the organisation is ready for the future	Strategy defined, communicated and relevant change management programmes to support transition have been developed and rolled out across European team
	Commercial	Roll out the Vetaryl defence plan and ensure the organisation is prepared for the launch of the first generic in 2023	Pet owner portal and engagement plan implemented
	People	Support the One Dechra organisation working closely with the SET in building a strong cohesive team	Significant work undertaken with DPM&S leadership team and management levels below to drive improved supply levels across all countries

ESG Measure

Director	Objective	Performance
Ian Page	Embed the Sustainability agenda within the organisational culture through the provision of resources and setting of clear, accountable and challenging measures	Continued to lead Executive sponsorship of the sustainability agenda and provide direction and resources to all parts of the Group. Holding functional Directors accountable for delivering measures
Paul Sandland	Act as Executive sponsor and execute the agreed Sustainability strategy	Established and submitted the carbon reduction targets in accordance with science based targets. Have continued to meet the TCFD reporting requirements
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 2023 financial year	All countries have local sustainability plans in place. Focus on the logistics centre in Uldum to reduce the number of shipments within EU

Directors' Remuneration Report

Long Term Incentive Plan

The LTIP awards granted on 22 September 2020 are due to vest on 12 October 2023. 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:

Diluted EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 16%	Pro rata vesting between 25% and 100%
>16% 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 32.4% compared with a 16.1% TSR for the median company and 62.7% TSR for the upper quartile company in the comparator group (FTSE 250 Index (excluding investment trusts)). Therefore, 50.4% of the TSR element will vest. As we explained in previous Directors' Remuneration Reports, 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 the base year (financial year 2020) and for financial year 2023 to take into account the actual Akston R&D costs recognising that these are lumpy and uncertain as to timing between financial years. For the purpose of this LTIP grant, this adjustment changes the 2020 underlying diluted EPS from 92.19 pence to 93.83 pence and the 2023 underlying diluted EPS from 94.57 pence to 104.17 pence resulting in CAGR of 3.5% such that 0% of the EPS element will vest. Overall, taking into account that ROCE performance for 2023 was 15.3%, the LTIP awards will vest as to 16.8% 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 152, 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 £34.9997 (being the average market value of a share over the last quarter of the Company's financial year ended on 30 June 2023).

The September 2020 awards were granted when the value of a share was £32.37 (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 £34.9997 (being the average market value of a share over the last quarter of the Company's financial year ended on 30 June 2023).

Executive Director	Number of shares in respect of which the Award was granted	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	32,128	5,397	£174,700.89	£14,192.49	£188,893.38
Paul Sandland	13,901	2,335	£75,583.95	£6,140.35	£81,724.30
Tony Griffin	10,303	1,730	£56,000.10	£4,549.38	£60,549.48

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 and both Ian Page and Paul Sandland received a contribution of 8% of base salary. 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.

Tony Griffin received an employer's contribution of 7.7% of salary into the Netherlands pension scheme in line with the wider Dutch workforce.

Non-Executive Directors' Remuneration**Single Total Figure of Remuneration (Audited)**

The table below sets out the total remuneration for each person who has served as a Non-Executive Director in the year ended 30 June 2023. 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 2023 and, where relevant, the year ended 30 June 2022:

	Additional responsibilities	Base fee £000		Additional fee £000		Benefits [‡] £000		Total £000	
		2023	2022	2023	2022	2023	2022	2023	2022
Alison Platt	Chair and Nomination Committee Chair (from 1 January 2022)	203	129	—	—	4	3	207	132
Ishbel Macpherson[†]	Senior Independent Director (to 28 February 2022) and Remuneration Committee Chair (to 1 March 2023)	58	58	10	22	1	3	69	83
Julian Heslop[¶]	Audit Committee Chair until 5 September 2022 (apart from between the period 22 October to 1 December 2021)	10	58	3	14	2	2	15	74
Lawson Macartney	Senior Independent Director (from 1 March 2022)	60	58	10	3	37	17	107	78
Lisa Bright	Employee Engagement Designated Non-Executive Director	60	58	10	10	2	4	72	72
John Shipsey	Audit Committee Chair from 5 September 2022	60	5	12	—	1	—	73	5
Geeta Gopalan[*]	Remuneration Committee Chair from 1 March 2023	30	—	5	—	1	—	36	—
Total		481	366	50	49	48	29	579	444

[¶] Julian Heslop retired on 5 September 2022.

[†] Ishbel Macpherson retired on 22 June 2023.

^{*} Geeta Gopalan was appointed on 1 January 2023.

[‡] Benefits relate to PAYE Settlement Agreement amounts on travel and expenses reimbursed from attending Board Meetings. Lawson Macartney benefits includes his flights to and from the USA and UK. He attended more meetings face to face in the 2023 financial year compared to the 2022 financial year.

The Non-Executives are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes.

Directors' Remuneration Report

The Committee's approach to the Chair's fee in the financial year is explained in the Committee Chair's letter on pages 132 to 136. 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 2023 are as follows:

Office	Fee with effect from 1 January 2023	Previous fee
Chair	206	200
Non-Executive Director	60	58
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 Committee's approach to the Chair's and Non-Executive Directors' fees for the year ending 30 June 2024 is summarised in the Committee Chair's letter on page 135.

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 9 September 2022, 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	38,261	£1,223,969	25%	1 July 2022 – 30 June 2025
Paul Sandland† Nil cost option under the LTIP	150% of salary	18,990	£607,490	25%	1 July 2022 – 30 June 2025
Tony Griffin Conditional award under the LTIP	100% of salary	10,429	£333,624	25%	1 July 2022 – 30 June 2025

* Based on a share price of £31.99 being the three day average middle market quotation preceding the grant.

† Paul Sandland has also been granted a tax qualifying option over 431 shares at an exercise price of £31.99 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.

Deferred Bonus Plan Awards (Audited)

Awards were made under the Dechra 2021 Deferred Bonus Plan on 20 September 2022 in respect of bonuses earned for the year ended 30 June 2022 as set out in the table below.

Type of award	Basis of award	Number of shares	Face value at grant*	Deferral period
Ian Page	Nil cost option under the DBP	20% of the bonus earned	3,580	£109,870 Two years
Paul Sandland	Nil cost option under the DBP	20% of the bonus earned	2,293	£70,372 Two years
Tony Griffin	Conditional awards under the DBP	20% of the bonus earned	1,655	£50,792 Two years

* Based on a share price of £30.69, being the three day average middle market quotation preceding the grant

SAYE (Audited)

No SAYE options were granted to Executive Directors during the year ended 30 June 2023.

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 2023 is as follows:

Executive Share Plans	All Share Plans
Limit: 5%	Limit: 10%
Usage: 2.0%	Usage: 2.58%

Shareholdings (Audited)

Executive Directors

In respect of the financial year ended 30 June 2023, 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 2023 are as follows:

Name	Appointment date	Ordinary shares Number	Ordinary shares £000*	% of salary
Ian Page	13 June 1997	404,535	14,911	2,365
Paul Sandland	30 October 2019	11,714	432	104
Tony Griffin	1 November 2012	37,049	1,366	402

* Calculated using the share price as at 30 June 2023 and the base salaries as at 30 June 2023.

Shareholding Requirement After Employment

The post-employment shareholding requirement that is proposed to be included in the new Directors' Remuneration Policy for which approval is proposed to be sought at the 2023 Annual General Meeting (to the extent the same is being held) is set out in that Policy.

Directors' Remuneration Report

Executive Directors' Total Interest under Shares Schemes (Audited)

Awards held under the Long Term Incentive Plan for each person who was a Director during the year ended 30 June 2023 are as follows:

	Award date	Type of award	Option price for market value options (£)	Number of shares as at 1 July 2022	Number as at 30 June 2023			Status	Performance Period
					Granted	Lapsed	Exercised		
Ian Page	06-Sep-19	LTIP	N/A	35,087	–	12,106	22,981	–	Vested and exercised in the year
	22-Sep-20	LTIP	N/A	32,128	–	–	–	32,128	Unvested ¹²
	19-Sep-21	LTIP	N/A	23,727	–	–	–	23,727	Unvested
	09-Sep-22	LTIP	N/A	–	38,261	–	–	38,261	Unvested
Tony Griffin	06-Sep-19	LTIP	N/A	10,984	–	3,790	7,194	–	Vested and exercised in the year
	22-Sep-20	LTIP	N/A	10,303	–	–	–	10,303	Unvested ¹
	19-Sep-21	LTIP	N/A	6,508	–	–	–	6,508	Unvested
	09-Sep-22	LTIP	N/A	–	10,429	–	–	10,429	Unvested
Paul Sandland	06-Sep-19	LTIP	N/A	6,106	–	3,999	2,107	–	Vested and exercised in the year
	22-Sep-20	LTIP	N/A	13,901	–	–	–	13,901	Unvested ¹
	19-Sep-21	LTIP	N/A	11,000	–	–	–	11,000	Unvested ³
	09-Sep-22	LTIP	N/A	–	18,990	–	–	18,990	Unvested ⁴

¹ Will vest on 12 October 2023 as to 16.8%.

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 was granted a tax qualifying option over 431 shares at an exercise price of £31.99 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.

The aggregate gain made by the Executive Directors on share options and LTIP awards exercised during 2023 was £950,311 (2022: £2,491,641).

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 2023 are as follows:

Name	Appointment date	Ordinary shares number	Ordinary shares £000*	% of base fee
Alison Platt	1 March 2020	3,709	137	66
Ishbel Macpherson†	1 February 2013	6,722	248	410
Julian Heslop‡	1 January 2013	6,000	221	367
Lawson Macartney	1 December 2016	5,880	217	358
Lisa Bright	1 February 2019	1,373	51	84
John Shipsey	1 June 2022	600	22	37
Geeta Gopalan	1 January 2023	-	-	-

* Calculated using the share price as at 30 June 2023 and the fees as at 30 June 2023.

† Retired on 22 June 2023.

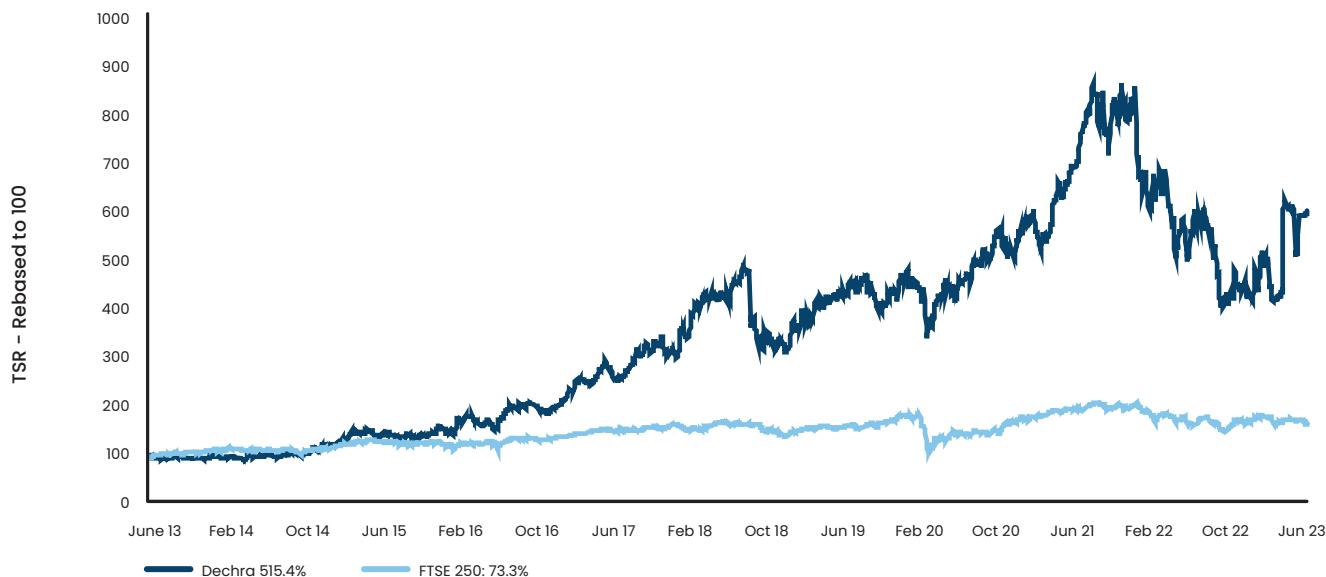
‡ Retired on 5 September 2022.

There have been no changes in the holdings of the Company's Directors between 30 June and 12 October 2023.

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. For the majority of the period, the Company was a constituent of the FTSE 250 and for this reason it is considered that the TSR performance of the FTSE 250 Index is the appropriate comparator for this report.



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 2023	1,037	13.3	16.8
30 June 2022	1,931	73.6	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

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 2022 and the year ended 30 June 2023, 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. Julian Heslop retired from the Board during the year ended 30 June 2023 and Geeta Gopalan was appointed during that year. Accordingly, each has been excluded from the table below. Information in relation to the changes between 2022 and 2023 is noted below the table. Information in relation to the changes between other years is included in the relevant Directors' Remuneration Reports.

	Average employee	Ian Page	Paul Sandland	Tony Griffin	Alison Platt ²	Ishbel Macpherson ³	Lawson Macartney	Lisa Bright	John Shipsey	
Salary/ fees	2022– 2023	7.3%	4.0%	7.3%	3.0%	57.4%	(12.9%)	14.8%	2.9%	2.9%
	2021– 2022	6.4%	8.3%	16.1%	3.0%	138.9%	8.1%	13.0%	9.7%	N/A
	2020– 2021	32.8%	6.6%	10.0%	(0.9%)	3.8%	10.4%	3.8%	8.8%	N/A
	2019– 2020	(11.8%)	4.0%	N/A	6.8%	N/A	6.3%	4.0%	14.0%	N/A
Taxable benefits¹	2022– 2023	(14.3%)	(18.5%)	0%	1.3%	33.3%	(66.7%)	117.6%	(50.0%)	100%
	2021– 2022	(2.1%)	(4.4%)	6.5%	1.2%	100%	100%	100%	100%	N/A
	2020– 2021	(7.3%)	6.3%	20.8%	2.3%	N/A	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	N/A
Annual bonus³	2022– 2023	(79.7%)	(77.4%)	(76.6%)	(72.2%)	N/A	N/A	N/A	N/A	N/A
	2021– 2022	(4.8%)	(0.4%)	6.4%	(9.6%)	N/A	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	N/A
	2019– 2020	(47.4%)	(59.7%)	N/A	(58.7%)	N/A	N/A	N/A	N/A	N/A

¹ Excludes SAYE options granted during any relevant year.

² Alison Platt was appointed Chair in January 2022. The increase shown is the increase between her fee as Chair with effect from 1 January 2022 and her fee as Chair with effect from 1 January 2023.

³ Ishbel Macpherson retired from the board with effect from 22 June 2023. Her remuneration for 2023 is annualised for the purposes of calculating the percentage change between 2022 and 2023. Her fee was reduced in March 2023 when she stepped down as Remuneration Committee Chair and in March 2022 when she stepped down as Senior Independent Director.

⁴ No benefits were provided to Non-Executive Directors prior to 2022. Therefore, the change in benefits between 2022 and 2021 is not considered a meaningful disclosure.

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 years since 2019 using the Single Total Figure as disclosed on page 163 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
2023	Option A ¹	35:1	25:1	13:1
2022	Option A ¹	73:1	54:1	28:1
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.

	2023 ¹ Total pay and benefits (salary) £000	2022 Total pay and benefits (salary) £000
Chief Executive Officer	1,037 (621)	1,931 (597)
25th percentile employee	30 (28)	26 (25)
Median employee	41 (38)	36 (34)
75th percentile employee	80 (53)	69 (47)

1. The 2023 figure includes share options and awards, which have been valued by reference to £34.9997 (being the average market value of a share over the last quarter of the Company's financial year ended 30 June 2023). SAYE options granted in 2022 and 2023 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 2023, there were a total of 572 UK employees (2022: 556 UK employees), 186 of whom have been excluded for the above stated reasons (2022: 239), leaving 386 employees within the 'full pay relevant' data set (2022: 317) 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 increase in the employers contribution to the UK Company Pension Scheme to 8% of base pay for all UK employees who are members of the pension scheme. Furthermore, we adopted a tiered approach to base salary increases with the lower paid members of the workforce receiving higher increases which were weighted taking into account specific country inflation. The average increase across the Group was 6.6%. In the UK, all employees earning a base salary of less than £45,000 received a minimum increase of 7%. Against this background, the Chief Executive Officer's salary was increased by 3% with effect from 1 January 2023. In addition, the Chief Executive Officer's annual bonus at 20% of base salary was lower than that in 2022 (92%) as was the value and percentage vesting of his LTIP in the year at 16.8% as opposed to 65.5% in 2022.

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 2022 and the year ended 30 June 2023.

	Year ended 30 June 2023 £000	Year ended 30 June 2022 £000	% change
Distributions to shareholders by way of dividend and share buyback	51,700	44,800	15.4%
Overall expenditure on pay	163,800	131,600	24.4%

Directors' Remuneration Report

Implementation of the Directors' Remuneration Policy in the Year Ending 30 June 2024

As noted in the letter from the Remuneration Committee Chair, the Proposed Acquisition impacts our approach to remuneration in respect of the 2024 financial year. Subject to the completion of the transaction and to the approval at the 2023 Annual General Meeting (to the extent it is being held), the Directors' Remuneration Policy outlined on pages 141 to 151 will be implemented in the year ending 30 June 2024, as set out below.

Salary and Fees

The approach to Executive Directors' salaries and to the fees for the Chair and Non-Executive Directors is described in the letter from the Remuneration Committee Chair.

Annual Bonus

As noted in the letter from the Remuneration Committee Chair, notwithstanding the additional flexibility in the new Policy, bonuses for the 2024 financial year will continue for:

- the Chief Executive Officer and Chief Financial Officer at 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; and
- Tony Griffin at 125% of salary with a bonus deferral of 20%.

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.

LTIP

Due to the Proposed Acquisition the Committee will not be granting any awards for the year ending 30 June 2024. Should the acquisition not complete then the Committee will consider whether to grant awards for the year ending 30 June 2024 later in the year, with information on performance conditions and targets disclosed at the time of grant.

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 Senior Executive Team and of agreeing the Chair's fee level has been delegated to the Committee. The Committee exercises independent judgement and discretion when authorising remuneration outcomes.

Membership, Meetings and Attendance

The Committee comprises of the Non-Executive Directors. Geeta Gopalan was appointed as Committee Chair on 1 March 2023, succeeding Ishbel Macpherson. Geeta had previously served as a Chair of a Remuneration Committee for over 12 months prior to her appointment. Details of each member's attendance at the Committee's meetings is detailed on pages 93 to 95. 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 2023 Board and Committee Internal Evaluation (further details of which can be found on page 121 of the 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 2023 financial year, this review took place at the June 2023 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 109 and 132.

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 £38,200 for the year ended 30 June 2023. 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 20 October 2022 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	79,297,256	95.31	3,901,808	4.69	3,933
To approve Remuneration Policy	74,112,644	90.81	7,501,119	9.19	6,768

Geeta Gopalan

Remuneration Committee Chair

12 October 2023

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 2023. 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	103 to 107
Strategy	Strategic Report	32 to 37
Business Model	Strategic Report	28 to 31
Details of acquisitions and disposals during the year	Strategic Report	4 and 51
Going concern, viability statements and risk management	Strategic Report	81 and 82
	Governance Report	128
Section 172 statement and Stakeholder Engagement	Strategic Report	56 to 66
	Governance Report	101 to 105
Diversity	Stakeholder Engagement	59 and 60
	Governance Report	118 and 119
Approach to employees with disabilities	Stakeholder Engagement	59
Company Employees	Stakeholder Engagement	58 to 61
Environmental matters including Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting	Environment	76 to 78
	Task Force on Climate-related Financial Disclosures	69 to 75
Social, community and human rights issues	Stakeholder Engagement	63 and 64
Corporate Governance Statement	Governance Report	91
Board of Directors details	Governance Report	94 and 95
Financial risk management (including the exposure to price, credit and liquidity risk)	Financial Statements	217 to 223
Post-balance sheet events	Financial Statements	234

Disclosures Pursuant to Listing Rule 9.8.4:

Listing Rule	Topic	Location within Annual Report
9.8.4 (4)	Details of long term incentive plans	See Directors' Remuneration Report, starting on page 160
9.8.4 (12)	Shareholder waivers of dividends	Page 167
9.8.4 (13)	Shareholder waivers of future dividends	Page 167

Other information requirements set out in LR 9.8.4R are not applicable to the Company.

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 51, the Group has bank facilities with a group of banks comprising, BNP Paribas, HSBC UK Bank plc, Crédit Industriel et Commercial SA (CIC Bank), Santander UK plc, CaixaBank SA, Handelsbanken plc, PNC Bank and the Bank of Ireland. 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 names and biographical details of the Directors as at the date of this report are set out on pages 94 and 95 and are incorporated by reference into this report. With regard to the appointment of Directors, the Company adheres to the Code and is governed by the Articles of Association. 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 (to the extent it is being held).

Overseas Branches

The Company, through its subsidiary Genera d.d., has an established branch in Bosnia-Herzegovina. The Serbian branch of Genera d.d. closed on 12 May 2023.

Political Donations and Expenditure

No political donations were made during the year ended 30 June 2023 (2022: 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 38 to 41. The underlying expense on this activity for the year ended 30 June 2023 was £57.5 million (2022: £32.4 million) and a further £1.6 million (2022: £1.7 million) was capitalised as development costs.

Results and Dividends

The results for the year and financial position at 30 June 2023 are shown in the Consolidated Income Statement on page 182 and Consolidated Statement of Financial Position on page 184. An interim dividend of 12.50 pence per share was paid on 13 April 2023. The ongoing acquisition of the Company by Freya Bidco Limited remains conditional upon the receipt of antitrust approval in the European Union and foreign direct investment approval in Australia, in each case to the extent required, as well as the sanction of the Scheme by the Court at the Sanction Hearing (each as defined in the scheme document dated 26 June 2023) and is expected to occur in late 2023 or early 2024. If prior to the acquisition becoming effective, any dividend is announced, declared, made or paid or becomes payable in respect of the ordinary share capital of the Company (Dechra Shares), Freya Bidco reserves the right to reduce the consideration payable under the terms of the acquisition for the Dechra Shares by an amount up to the aggregate amount of such dividend. Therefore the Directors are not recommending the payment of a final dividend.

Share Capital

The issued share capital of the Company for the year is set out in note 25 to the Consolidated Financial Statements. As at the end of the financial year, 113,888,190 fully paid ordinary shares were in issue, which included 130,770 ordinary shares issued during the year in connection with the exercise of options under the Company's share option schemes.

In July 2022, 5,247,813 new ordinary shares were offered by way of a placing and 116,870 new ordinary shares were offered via a retail offer, both at an issue price of 3430 pence per share, raising gross proceeds of £184.0 million. The placing price of 3430 pence per share was a 8% discount to the closing middle market share price on 20 July, being the date of the placing announcement. These new ordinary shares were issued on 25 July 2022, fully paid and rank pari passu in all respects with the existing ordinary shares.

The holders of shares are entitled to receive dividends when declared, to receive the Company's Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of shares in the Company, nor are there any requirements to obtain prior approval in respect of any transfer of shares. The Directors are not aware of any agreements which limit the transfer of shares or curtail voting rights attached to those shares. The only exception to this is the Trustees of the Dechra Employee Benefit Trust, who hold 7,528 shares and have waived their rights to dividends and they abstain from voting at General Meetings.

Directors' Report – Other Disclosures

At the Annual General Meeting of the Company held on 20 October 2022, the Company was authorised to purchase up to 11,376,439 of its ordinary shares, representing 10% of the issued share capital of the Company as at 9 September 2022. 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 2022 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2023 Annual General Meeting (to the extent that it is being held).

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 any notice of the Annual General Meeting, to the extent that the Proposed Acquisition does not become effective before the time that the Annual General Meeting notice is required to be sent to Shareholders in accordance with applicable laws.

	30 June 2023		5 October 2023	
	Aggregate voting rights	Percentage	Aggregate voting rights	Percentage
UBS Group AG	7,801,526	6.85	1,344,007	1.18
Société Générale	7,080,863	6.22	3,755,755	3.30
BlackRock Inc	6,068,466	5.33	5,261,853	4.62
The Vanguard Group, Inc	5,151,816	4.52	4,935,610	4.33
The Goldman Sachs Group, Inc	4,908,934	4.31	5,447,055	4.78
BPCE	4,681,050	4.11	5,475,549	4.81
JPMorgan Chase & Co	4,483,591	3.94	2,795,675	2.45
abrdn plc	3,877,889	3.41	443,808	0.39
Government of Norway	3,651,699	3.21	3,908,560	3.43

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 (to the extent it is being held).

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
12 October 2023

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and Accounts 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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

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
12 October 2023

Financial Statements

Contents

Independent Auditors' Report	172
Consolidated Income Statement	182
Consolidated Statement of Comprehensive Income	183
Consolidated Statement of Financial Position	184
Consolidated Statement of Changes in Shareholders' Equity	185
Consolidated Statement of Cash Flows	186
Notes to the Consolidated Financial Statements	187
Company Statement of Financial Position	235
Company Statement of Changes in Shareholders' Equity	236
Notes to the Company Financial Statements	237
Financial History	247

The Veterinary Perspective



Read more about us at:
www.dechra.com





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 2023 and of the Group's loss 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 as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2023; 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 the Audit, Risk and Internal Control Report, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1(b) to the financial statements concerning the Group's and the Company's ability to continue as a going concern. On 20 July 2023 Dechra Shareholders approved the recommended cash acquisition by Freya Bidco Limited of the entire issued, and to be issued, ordinary share capital of Dechra. The acquisition is expected to complete in late 2023, after the date of approval of the Annual Report and Accounts. The going concern assessment of the Company and Group is therefore subject to uncertainties relating to the potential change in ownership of the Group and the actual funding requirements and financing arrangements post completion. For this reason, the Directors cannot reasonably predict the financial position of the Group post-completion, including the details of any financing arrangements related to the transaction that could affect the Group. These conditions, along with the other matters explained in note 1(b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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.

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 the performance against debt covenants under both the base case and downside scenarios.
- Assessing the adequacy of disclosures in the going concern statement on page 187 and statement in note 1(b) of the financial statements.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainty identified in note 1(b) to the financial statements, 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, or in respect of the directors' identification in the financial statements of any other material uncertainties to the Group's and the 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 16 reporting units.
- As well as auditing the Company, 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 were performed accounted for 83% of Group revenue, 80% of Group underlying operating profit and 85% of Group loss before tax. In addition, two component teams were instructed to perform specified procedures over two reporting units, and a further component team was instructed to perform specified procedures over elements of the opening balance sheet for one component acquired during the year.
- 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, the Group engagement team visited two overseas locations. The Group engagement team also audited all of the UK components that were in scope for the Group audit.

Key audit matters

- Material uncertainty related to going concern
- Licensing agreements and associated contingent considerations (Group and Company)
- Impairment of in-process research and development (IPR&D) (Group)
- Business combinations – valuation of intangible assets (Group)
- Carrying value of the Company's investments (Company)

Materiality

- Overall Group materiality: £4.95 million (2022: £5.22 million) based on 3% of underlying operating profit.
- Overall Company materiality: £4.1 million (2022: £3.2 million) based on 0.5% of net assets.
- Performance materiality: £3.7 million (2022: £3.9 million) (Group) and £3.1 million (2022: £2.4 million) (Company).

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

The valuation of intangible assets acquired through business combinations is a new key audit matter this year. 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, note 1(b) to the consolidated financial statements (Key sources of estimation uncertainty) and note 30 (Contingent Consideration Liabilities).	In respect of the remeasurement of contingent consideration: We obtained management's model and reperformed the calculation of the contingent consideration;
During the year, liabilities in respect of all existing licensing agreements, the largest being Laverdia and 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 represent an area of estimation uncertainty.	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;
The accounting for contingent consideration involves estimation uncertainty over the timing and quantum of future cash flows and the discount rate to be used.	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 licensing agreements and associated contingent consideration, and the related disclosures, to be consistent with the audit evidence obtained.

Key audit matter**How our audit addressed the key audit matter****Impairment of in-process research and development (IPR&D) (Group)**

Refer to the Audit, Risk and Internal Control Report, note 1(b) to the consolidated financial statements (Key sources of estimation uncertainty) and note 14 (Impairment Reviews).

The Group recognised £173.4m of IPR&D on acquisition of Piedmont Animal Health Inc. IAS 36 requires entities to annually test for impairment any intangible assets not yet available for use.

As such, management have reviewed each of the Piedmont products acquired for impairment.

This has resulted in management recognising an impairment of £69.1m in relation to one product, driven by a reduction of the estimated probability of success of the product.

There is significant complexity and estimation uncertainty associated with the assumptions made in the impairment review of IPR&D assets.

In respect of the IPR&D impairment assessment:

- We considered management's determination of the cash generating units for assessing impairment, being the individual product level;
- We audited management's model and reperformed the calculations within the discounted cash flow forecasts;
- We corroborated key assumptions back to those tested as part of our audit of acquisition accounting, and challenged management on assumptions that had, or had not, changed;
- We reviewed correspondence from the FDA;
- We held discussions with Dechra's internal experts including the Chief Scientific Officer;
- We used our valuation experts to evaluate the discount rate assumptions;
- We performed sensitivity analysis on management's model in order to identify key assumptions by assessing whether reasonable changes could result in a material error; and
- We audited the disclosures associated with the impairment review

Overall, we found the assessment of the carrying value of IPR&D and associated disclosures to be consistent with the evidence obtained.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

Key audit matter	How our audit addressed the key audit matter
Business combinations - valuation of intangible assets (Group) Refer to the Audit, Risk and Internal Control Report, note 1(b) to the consolidated financial statements (Key sources of estimation uncertainty) and note 29 (Acquisitions). During the year the Group undertook two corporate acquisitions, Med-Pharmex Holdings Inc, and Piedmont Animal Health Inc. As a result of meeting the definition of a business combination the Group are required to apply the principles of IFRS 3 and to identify and value the identifiable assets and assumed liabilities. The Group recognised £173.4m of intangible assets on the acquisition of Piedmont Animal Health Inc, relating entirely to IPR&D. The Group recognised £137.6m of intangible assets on the acquisition of Med-Pharmex Holdings Inc, relating largely (£134.9m) to six developed products. There is significant complexity and estimation uncertainty associated with the assumptions made in the fair value measurement exercise for intangible assets.	<p>In respect of Med-Pharmex Holdings Inc.:</p> <ul style="list-style-type: none">• We audited management's model and reperformed the calculations within the discounted cash flow forecasts;• We performed sensitivity analysis on management's model in order to identify key assumptions by assessing whether reasonable changes could result in a material error;• We obtained evidence to evaluate the key assumptions underpinning management's cash flow forecasts, including considering the existence of contradictory evidence;• We held discussions with Dechra's internal commercial and veterinary experts to understand the planned strategy for the products and expected impact on assumptions taken in the cash flow forecasts;• Our valuation experts assessed the appropriateness of the methodology used in the models and also certain economically driven assumptions such as discount rates and long-term growth rates; and• We audited the disclosures relating to business combinations to ensure these were consistent with the requirements of the applicable standards. <p>In respect of Piedmont Animal Health Inc:</p> <ul style="list-style-type: none">• We audited management's model and reperformed the calculations within the discounted cash flow forecasts;• We performed sensitivity analysis on management's model in order to identify key assumptions by assessing whether reasonable changes could result in a material error;• We obtained evidence to evaluate the key assumptions underpinning management's cash flow forecasts, including considering the existence of contradictory evidence;• We reviewed regulatory correspondence and held discussions with the Product Development and Regulatory Affairs department, to assess whether the information used by management was complete and accurate;• Our valuation experts assessed the appropriateness of the methodology used in the models and also certain economically driven assumptions such as discount rates and long-term growth rates; and• We audited the disclosures relating to business combinations to ensure these were consistent with the requirements of the applicable standards. <p>Overall, we found the accounting for intangible assets acquired through business combinations, and the related disclosures, to be consistent with the audit evidence obtained.</p>

Key audit matter**How our audit addressed the key audit matter****Carrying value of the Company's investments (Company)**

Refer to note (i) to the Company financial statements and note (iv) (Investments).

Investments in subsidiaries of £920.1 million (2022: £735.7 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.

In March 2023, Dechra Finance Sterling Limited distributed its 14% stake in Dechra Finance Limited to the Company, taking the Company's total shareholding in Dechra Finance Limited to 100%. Following the distribution, the Company's investment in Dechra Finance Sterling Limited was considered for impairment and no impairment was identified.

In March 2023, Dechra Finance Limited reduced its share capital and paid a dividend equivalent to the amount of the capital reduction to the Company. In addition, as a result of the unwinding of an internal Group financing arrangement, certain loan receivables and payables of an equal amount were settled and going forward Dechra Finance Limited's future net interest cash inflow will be less.

As a consequence, the Company's investment in the entity was tested for impairment. Management's assessment identified an impairment of £18.9 million.

We audited the distribution of the 14% stake in Dechra Finance Limited from Dechra Finance Sterling Limited to the Company.

We audited the share capital reduction in Dechra Finance Limited and the dividend payment to the Company.

We evaluated management's determination of whether there were any other indicators of impairment. Our procedures, in addition to the above, included:

- We compared the carrying value of investments with the market capitalisation of the Group at 30 June 2023;
- We compared the carrying value of investment with the carrying amount of investees' net assets;
- We audited management's calculation of the recoverable amount of the investments in Dechra Finance Limited and Dechra Finance Sterling Limited; 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.

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 and made up of a number of individual reporting units.

The Group financial statements are a consolidation of 50 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 16 of the Group's 50 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 83% of Group revenue, 80% of underlying operating profit and 85% of loss before tax. Of these reporting units, one was considered to be a significant components due to its financial significance. In addition, we instructed two component audit teams to perform specified procedures on two reporting units.

The Group consolidation, financial statements disclosures and a number of centralised functions were audited by the Group engagement team at the head office. These areas of the audit 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.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

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 two overseas locations.

The impact of climate risk on our audit

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 science-based net-zero greenhouse gas emissions ('GHG') for Scopes 1, 2 and 3 by no later than 2050. The Group has also submitted near term targets for Scopes 1, 2 and 3 to the Science Based Targets initiative (SBTi) for validation, using 2021 as a base year.

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 to reduce CO₂ 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.

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	£4.95 million (2022: £5.22 million).	£4.1 million (2022: £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 £0.6 million and £4.5 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% (2022: 75%) of overall materiality, amounting to £3.7 million (2022: £3.9 million) for the Group financial statements and £3.1 million (2022: £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) (2022: £0.25 million) and £0.20 million (Company audit) (2022: £0.16 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 – 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 2023 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, except for the matters reported in the section headed 'Material uncertainty related to going concern', 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.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

Our review of the directors' statement regarding the longer-term viability of the Group and Company 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 regulations specific to the industries in which the Group operates (including those set by the Veterinary Medicines Directorate, European Medicines Agency and U.S. Food and 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. 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 and U.S. Food and Drug Administration;
- Enquiries with component auditors;

- Identifying and testing unusual journal entries which increase revenue or reduce expenditure to manipulate the financial performance of the business; 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.

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 eight years, covering the years ended 30 June 2016 to 30 June 2023.

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

12 October 2023

Consolidated Income Statement

For the year ended 30 June 2023

	Note	2023			2022		
		Underlying £m	Non- underlying* (notes 3, 4 & 5) £m	Total £m	Underlying £m	Non- underlying* (notes 3, 4 & 5) £m	Total £m
Revenue	2	761.5	–	761.5	681.8	–	681.8
Cost of sales		(331.9)	(3.3)	(335.2)	(296.5)	(0.5)	(297.0)
Gross profit		429.6	(3.3)	426.3	385.3	(0.5)	384.8
Selling, general and administrative expenses		(207.0)	(152.2)	(359.2)	(178.6)	(74.6)	(253.2)
Research and development expenses		(57.5)	(3.3)	(60.8)	(32.4)	(3.7)	(36.1)
Operating profit/(loss)	2	165.1	(158.8)	6.3	174.3	(78.8)	95.5
Finance income	3	0.8	3.7	4.5	5.7	–	5.7
Finance expense	4	(24.6)	(21.4)	(46.0)	(8.8)	(13.5)	(22.3)
Share of (loss)/profit of investments accounted for using the equity method	6	(1.0)	0.1	(0.9)	(1.2)	(0.1)	(1.3)
Profit/(loss) before taxation	7	140.3	(176.4)	(36.1)	170.0	(92.4)	77.6
Income taxes	9	(32.4)	40.6	8.2	(38.3)	18.9	(19.4)
Profit/(loss) for the year		107.9	(135.8)	(27.9)	131.7	(73.5)	58.2
Earnings per share							
Basic	11			(24.59)p			53.72p
Diluted	11			(24.59)p			53.40p
Dividend per share	10			12.50p			44.89p

* 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 2023

	Note	2023 £m	2022 £m
(Loss)/profit for the year		(27.9)	58.2
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency cash flow hedges			-
– fair value movements		(2.0)	
Foreign currency translation differences for foreign operations		(15.0)	15.7
Income tax relating to components of other comprehensive expense	9	(1.1)	(0.4)
		(18.1)	15.3
Total comprehensive (expense)/income for the year		(46.0)	73.5

Consolidated Statement of Financial Position

As 30 June 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	12	922.4	730.5
Property, plant and equipment	13	159.3	100.3
Investments	6	14.9	15.8
Deferred tax assets	15	4.9	2.3
Total non-current assets		1,101.5	848.9
Current assets			
Inventories	16	217.3	175.7
Corporation tax receivable	20	14.3	11.0
Trade and other receivables	17	161.9	136.8
Cash and cash equivalents	18	74.4	120.9
Total current assets		467.9	444.4
Total assets		1,569.4	1,293.3
Liabilities			
Current liabilities			
Borrowings and lease liabilities	21	(3.9)	(3.3)
Trade and other payables	19	(144.5)	(136.8)
Contingent consideration	30	(4.1)	(6.4)
Corporation tax payable	20	(11.5)	(12.2)
Total current liabilities		(164.0)	(158.7)
Non-current liabilities			
Borrowings and lease liabilities	21	(500.6)	(325.8)
Contingent consideration	30	(71.6)	(104.0)
Provisions	22	(1.7)	(2.2)
Deferred tax liabilities	15	(76.3)	(35.8)
Total non-current liabilities		(650.2)	(467.8)
Total liabilities		(814.2)	(626.5)
Net assets		755.2	666.8
Equity			
Issued share capital	25	1.1	1.1
Share premium account		596.0	413.9
Own shares		(0.2)	–
Hedging reserve		–	–
Foreign currency translation reserve		(12.7)	3.4
Merger reserve		84.4	84.4
Retained earnings		86.6	164.0
Total equity		755.2	666.8

The financial statements on pages 182 to 247 were approved by the Board of Directors on 12 October 2023 and were signed on its behalf by:

Ian Page
Chief Executive Officer
12 October 2023

Paul Sandland
Chief Financial Officer
12 October 2023

Company number: 3369634

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 30 June 2023

	Issued share capital £m	Share premium account £m	Own Shares £m	Hedging Reserve £m	Foreign currency translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Year ended 30 June 2022								
At 1 July 2021	1.1	411.6	–	–	(11.9)	84.4	147.7	632.9
Profit for the year	–	–	–	–	–	–	58.2	58.2
Foreign currency translation differences for foreign operations	–	–	–	–	15.7	–	–	15.7
Income tax expense 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
Year ended 30 June 2023								
At 1 July 2022	1.1	413.9	–	–	3.4	84.4	164.0	666.8
Loss for the year	–	–	–	–	–	–	(27.9)	(27.9)
Foreign currency cash flow hedge – fair value movements	–	–	–	(2.0)	–	–	–	(2.0)
Foreign currency translation differences for foreign operations	–	–	–	–	(15.0)	–	–	(15.0)
Income tax expense relating to components of other comprehensive income	–	–	–	–	(1.1)	–	–	(1.1)
Total comprehensive expense	–	–	–	(2.0)	(16.1)	–	(27.9)	(46.0)
Reclassified to cost of acquired intangibles	–	–	–	2.0	–	–	–	2.0
Transactions with owners:								
Dividends paid	–	–	–	–	–	–	(51.7)	(51.7)
Share-based payments	–	–	–	–	–	–	2.2	2.2
Shares issued	–	182.1	–	–	–	–	–	182.1
Own share purchases	–	–	(0.2)	–	–	–	–	(0.2)
Total contributions by and distributions to owners	–	182.1	(0.2)	–	–	–	(49.5)	132.4
At 30 June 2023	1.1	596.0	(0.2)	–	(12.7)	84.4	86.6	755.2

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.

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 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Operating profit		6.3	95.5
Non-underlying items	5	158.8	78.8
Underlying operating profit		165.1	174.3
Adjustments for:			
Depreciation	13	13.7	11.1
Amortisation and impairment	2	4.9	5.2
Release of government grant		(0.1)	(0.7)
Loss on disposal of leased assets	7	0.1	0.7
Equity settled share-based payment (income)/expense	26	(0.8)	3.3
Underlying operating cash flow before changes in working capital		182.9	193.9
Increase in inventories		(31.1)	(19.3)
Increase in trade and other receivables		(21.5)	(23.4)
(Decrease)/increase in trade and other payables		(7.6)	14.9
Cash generated from operating activities before interest, taxation & non-underlying items		122.7	166.1
Cash outflows in respect of non-underlying items	5	(13.4)	(2.8)
Cash generated from operating activities before interest and taxation		109.3	163.3
Interest paid		(17.8)	(7.0)
Interest on lease liabilities		(0.5)	(0.5)
Income taxes paid		(27.4)	(32.9)
Net cash generated from operating activities		63.6	122.9
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		0.2	–
Interest received		0.8	0.1
Acquisition of subsidiaries (net of cash acquired)		(396.9)	(0.8)
Purchase of property, plant and equipment		(22.8)	(20.3)
Capitalised development expenditure		(2.0)	(1.2)
Purchase of acquired intangible non-current assets		(3.9)	(54.4)
Purchase of other intangible non-current assets		(1.6)	(1.7)
Net cash used in investing activities		(426.2)	(78.3)
Cash flows from financing activities			
Proceeds from the issue of share capital		181.9	2.3
New borrowings		357.4	–
Repayment of borrowings		(166.8)	–
Principal elements of lease payments		(4.3)	(3.6)
Dividends paid	10	(51.7)	(44.8)
Net cash generated from/(used in) financing activities		316.5	(46.1)
Net decrease in cash and cash equivalents		(46.1)	(1.5)
Cash and cash equivalents at start of the year	18	120.9	118.4
Exchange differences on cash and cash equivalents		(0.4)	4.0
Cash and cash equivalents at end of the year	18	74.4	120.9
Reconciliation of net cash flow to movement in net borrowings			
Net decrease in cash and cash equivalents		(46.1)	(1.5)
New borrowings and lease liabilities		(367.2)	(3.8)
Expenses of raising new borrowings		4.1	–
Repayment of borrowings and lease liabilities		171.6	4.1
Exchange differences on cash and cash equivalents		(0.4)	4.0
Retranslation of foreign borrowings		18.2	(11.2)
Other non-cash changes		(2.1)	0.4
Movement in net borrowings in the year		(221.9)	(8.0)
Net borrowings at start of the year		(208.2)	(200.2)
Net borrowings at end of the year	27	(430.1)	(208.2)

Underlying 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 and 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 235 to 246.

(b) Basis of Preparation

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 accordance 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.

Going Concern

The Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and will continue to be able to meet its liabilities as they fall due, within 12 months of the date of approval of these financial statements. 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 future growth and operating performance including the principal risks and uncertainties, and an assessment of a number of severe but plausible stress tests on these areas (as set out on pages 79 to 82);
- The current and projected future financial position of the Group, its cash flows, available cash resources and committed debt facilities and compliance with the financial covenants associated with the Group's borrowings, which are described in the financial statements;
- Subsequent events (see note 34 and below).

On 2 June 2023, the boards of directors of Dechra and Freya Bidco Limited ("Bidco") announced that they had reached agreement on the terms and conditions of a recommended cash acquisition by Bidco of the entire issued, and to be issued, ordinary share capital of Dechra (the "Acquisition"). The Acquisition is being implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the Scheme) and is subject to the terms and conditions set out in the circular in relation to the Scheme sent to Dechra Shareholders dated 26 June 2023 (the Scheme Document). As announced by Dechra on 20 July 2023, the Scheme and its implementation were approved by the requisite majority of Scheme Shareholders and Dechra Shareholders (as applicable) on 20 July 2023 and the Acquisition is expected to complete later in the calendar year, after the date of approval of the Annual Report and Accounts. The going concern assessment of the Group and Company is therefore subject to uncertainties relating to the potential change in ownership of the Group and Company and the actual funding requirements and financing arrangements post completion. For this reason, the Directors cannot reasonably predict the financial position of the Group and Company post-completion, including the details of any financing arrangements related to the transaction that could affect the Group and Company. This indicates the existence of a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern. As noted above, the financial statements do not however include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Notwithstanding this uncertainty, based on the circumstances described above, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and the accounts are prepared on the assumption that the Group and Company is a going concern.

Notes to the Consolidated Financial Statements

1. Accounting Policies continued

(b) Basis of Preparation (continued)

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)
Valuation of acquired intangibles as part of a business combination	Timing, likelihood and quantum of future cash flows, and the determination of an appropriate discount rate	29	1(g)
Valuation of In-Process Research and Development intangibles	Timing, likelihood and quantum of future cash flows, and the determination of an appropriate discount rate	14	1(j)

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; loss on extinguishment of debt; and the revaluation of deferred tax balances following substantial tax legislation changes. Management utilises non-underlying items 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 2022. The Group has applied the amendments to IAS1, Practice Statement 2, IAS8 and IAS12 (deferred tax related to assets and liabilities arising from a single transaction and International tax reform pillar 2 model rules). None of these amendments had any impact on the Group's accounting policies or required retrospective adjustments.

(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. 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.

1. Accounting Policies continued

(c) Basis of Consolidation (continued)

Associates (continued)

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.

(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 year 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 year 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 year in which they arise.

Notes to the Consolidated Financial Statements

1. Accounting Policies continued

(e) Accounting for Financial Assets and Liabilities, Derivative Financial Instruments and Hedging Activities (continued)

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.

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 year 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.

1. Accounting Policies continued

(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 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.

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 asset, with any excess over the carrying value of the intangible asset recognised in the income statement. Any upwards remeasurement is recognised as an increase to the intangible asset. Refer to note 1 (p).

Other Intangible Assets

Other intangible assets (which primarily include software and marketing rights) are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and other intangible assets 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 as 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.

Notes to the Consolidated Financial Statements

1. Accounting Policies continued

(g) Intangible Assets (continued)

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.

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 acquired intangible assets 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 intangible assets, management considers a number of factors: the different market conditions which surround the intangible assets; 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.

1. Accounting Policies continued

(j) Impairment of Non-current Assets (continued)

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 year 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.

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.

Notes to the Consolidated Financial Statements

1. Accounting Policies continued

(m) Revenue Recognition

Revenue from the sale of goods is measured at the transaction price that the entity is entitled to. 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.

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.

(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 year.

1. Accounting Policies continued

(n) Leases (continued)

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.

(o) Net Financing Costs

Net financing costs comprise interest payable on borrowings, unwinding of discount on provisions and cost of debt on contingent considerations measured, 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's accounting for contingent consideration in respect of the acquisition of intangible assets in the form of licensing agreements where the product has not been registered and launched in all key markets is consistent with the principles of IFRS 3 and IFRIC 1. The contingent consideration is initially and subsequently measured at fair value. Subsequent fair value movements in remeasuring the contingent consideration related to changes in the cost of debt and foreign exchange are recognised as finance expenses in the income statement. All other movements are considered related to the utility of the asset and therefore are adjusted against the cost of the asset.

For licensing agreements where the product has been registered and launched in all key markets, 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 an expense in cost of sales as the sales are made.

(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.

Notes to the Consolidated Financial Statements

1. Accounting Policies continued

(r) Basis of Charge for Taxation (continued)

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.

(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 year. 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 45. A breakdown of the non-underlying items is given in notes 3, 4 and 5.

2. Operating Segments

As discussed below, the Group has four reportable segments which are based on information provided to the Board of Directors, deemed to be the Group's chief operating decision maker. In previous periods the International Pharmaceuticals operating segment had been aggregated into the European Pharmaceuticals segment on the basis of similar products, production processes, customers and overall regulatory environments. Given the significance of this operating segment to the Group, International Pharmaceuticals is disclosed as a separate reporting segment, and the prior year figures have been restated to align with this disclosure.

The European Pharmaceuticals Segment comprises Dechra Veterinary Products EU and includes our manufacturing units based in Bladel (The Netherlands), Skipton (UK) and Zagreb (Croatia). This Segment operates in Europe 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 North American Pharmaceuticals Segment consists of Dechra Veterinary Products (DVP) US, DVP Canada, and DVP Mexico, which sells CAP, Equine and FAP in those territories. The Segment also includes our manufacturing units based in Pomona (California), Melbourne (Florida) and Fort Worth (Texas), and includes third party manufacturing and other revenues from non-core activities.

The International Pharmaceuticals Segment consists of Dechra Veterinary Products (DVP) ANZ, DVP Brazil, DVP Korea, and DVP Export. This Segment operates internationally and manufactures and markets CAP, Equine, FAP and Nutrition.

2. Operating Segments continued

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:

	2023 £m	2022 £m
Revenue by segment		
European Pharmaceuticals	343.5	323.2
NA Pharmaceuticals	330.9	275.1
International Pharmaceuticals	87.1	83.5
	761.5	681.8
Underlying operating profit/(loss) by segment		
European Pharmaceuticals	107.7	103.4
NA Pharmaceuticals	96.2	87.7
International Pharmaceuticals	25.5	28.1
Pharmaceuticals Research and Development	(57.5)	(32.4)
Underlying segment operating profit	171.9	186.8
Corporate and other unallocated costs	(6.8)	(12.5)
Underlying operating profit	165.1	174.3
Amortisation of acquired intangibles	(71.1)	(72.8)
Cloud computing arrangement costs	(8.5)	(2.8)
Impairment of assets	(69.6)	(2.9)
Unwind of fair value uplift of acquisition inventory	(3.3)	–
Remeasurement of contingent consideration	1.2	–
Expenses relating to acquisitions and subsequent integration activities	(7.5)	(0.3)
Total operating profit	6.3	95.5
Finance income	4.5	5.7
Finance expense	(46.0)	(22.3)
Share of loss of investments accounted for using the equity method	(0.9)	(1.3)
(Loss)/profit before taxation	(36.1)	77.6
Total liabilities by segment		
European Pharmaceuticals	(122.3)	(132.9)
NA Pharmaceuticals	(82.0)	(110.6)
International Pharmaceuticals	(12.0)	(8.4)
Pharmaceuticals Research and Development	(7.4)	(4.7)
Segment liabilities	(223.7)	(256.6)
Corporate loans and revolving credit facility	(487.6)	(313.7)
Corporate accruals and other payables	(15.1)	(8.2)
Current and deferred tax liabilities	(87.8)	(48.0)
	(814.2)	(626.5)

Notes to the Consolidated Financial Statements

2. Operating Segments continued

	2023 £m	2022 £m
Revenue by product category		
CAP	562.6	508.4
Equine	65.2	49.5
FAP	89.0	78.8
Nutrition	38.5	35.0
Other	6.2	10.1
	761.5	681.8
Additions to intangible non-current assets by segment (including through business combinations)		
European Pharmaceuticals	2.3	16.1
NA Pharmaceuticals	411.0	75.1
International Pharmaceuticals	0.9	7.4
Pharmaceuticals Research and Development	0.2	0.3
Corporate and central costs	0.4	–
	414.8	98.9
Additions to Property, Plant and Equipment by segment (including through business combinations)		
European Pharmaceuticals	17.4	18.0
NA Pharmaceuticals	52.6	2.4
International Pharmaceuticals	3.9	2.5
Pharmaceuticals Research and Development	2.3	0.5
Corporate and central costs	0.7	0.8
	76.9	24.2
Depreciation, impairment and amortisation by segment		
European Pharmaceuticals	42.2	54.6
NA Pharmaceuticals	106.0	26.1
International Pharmaceuticals	9.3	8.8
Pharmaceuticals Research and Development	0.6	0.5
Corporate and central costs	0.7	0.8
	158.8	90.8
The total depreciation, impairment and amortisation charge is made up of the following:		
Non-underlying		
Amortisation and impairment – selling, general and administrative expenses	136.9	70.8
Amortisation – research and development expenditure	3.3	3.7
	140.2	74.5
Underlying		
Amortisation and impairment	4.9	5.2
Depreciation	13.7	11.1
	18.6	16.3

2. Operating Segments continued

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:

	2023	2023	2022	2022
	Revenue £m	Non- current assets £m	Revenue £m	Non- current assets £m
UK	60.7	38.4	58.2	31.8
Germany	68.7	2.7	62.3	2.9
Rest of Europe	224.3	348.0	212.9	378.8
USA	310.1	583.5	258.3	278.3
Rest of World	97.7	128.9	90.1	157.1
	761.5	1,101.5	681.8	848.9

3. Finance Income

Underlying	2023 £m	2022 £m
Finance income arising from:		
– Cash and cash equivalents	0.8	0.1
– Foreign exchange gains	–	5.6
Underlying finance income	0.8	5.7
Non-underlying	2023 £m	2022 £m
Finance income arising from:		
– Foreign exchange gains on contingent consideration	3.7	–
Non-underlying finance income	3.7	–
Total finance income	4.5	5.7

4. Finance Expense

Underlying	2023 £m	2022 £m
Finance expense arising from:		
– Financial liabilities at amortised cost	22.6	8.3
– Lease liability interest	0.5	0.5
– Foreign exchange losses	1.5	–
Underlying finance expense	24.6	8.8
Non-underlying	2023 £m	2022 £m
Finance expense arising from:		
– Foreign exchange losses on contingent consideration	–	10.1
– Unwind of discount associated with contingent consideration	20.8	3.4
– Loss on extinguishment of debt	0.6	–
Non-underlying finance expense	21.4	13.5
Total finance expense	46.0	22.3

Notes to the Consolidated Financial Statements

5. Non-underlying Items

Non-underlying items charged/(credited) comprise:

	2023 £m	2022 £m
Amortisation of acquired intangibles		
– classified within selling, general and administrative expenses	67.8	69.1
– classified within research and development expenses	3.3	3.7
Cloud computing arrangement costs	8.5	2.8
Impairment of assets	69.6	2.9
Expenses relating to acquisitions and subsequent integration activities	7.5	0.3
Unwind of fair value uplift of inventory on acquisitions	3.3	–
Remeasurement of contingent consideration	(1.2)	–
Non-underlying operating loss	158.8	78.8
Amortisation of notional acquired intangibles from equity accounting for associates	0.8	0.7
Share of realised non-underlying profit of investments accounted for using the equity method	(0.9)	(0.6)
Loss on extinguishment of debt	0.6	–
Foreign exchange (gains)/losses on contingent consideration	(3.7)	10.1
Unwind of discount associated with contingent consideration	20.8	3.4
Non-underlying loss before tax	176.4	92.4
Tax on non-underlying loss before tax item	(40.6)	(21.1)
Revaluation of deferred tax balances following the change in the US, Dutch and UK tax rates	–	2.2
Non-underlying loss after tax	135.8	73.5

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 £8.5 million relate to the costs of the programme to implement the Manufacturing and Supply function's new ERP and Electronic Quality Management systems, the total future cost of which is expected to be £23.9 million over the next four years. Included within underlying administrative expenses is £0.7 million of other cloud computing arrangement costs which predominantly relate to the integration of the Group HR systems with the Group's global payroll platform. The £8.5 million of non-underlying expenses have been settled in the year.

Impairment of assets of £69.6 million relate to an acquired intangible asset (£69.1 million) for one of the near term products in the Piedmont product pipeline, and the associated inventory write off of £0.5 million. The prior year charge predominantly related 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 B.V. and Le Vet Beheer B.V. (£1.7 million).

Expenses relating to acquisitions and subsequent integration activities represent costs incurred during the acquisition of Piedmont Animal Health, Inc. (£0.2 million) and the Med-Pharmex Holdings, Inc. group of companies (£2.8 million). No further significant expenditure is expected in relation to these acquisitions. On the acquisition of Ampharmco, LLC, the Group established a fair value provision of £0.5 million for dilapidations of a warehouse property. This has been fully released in the year. Acquisition expenses also include costs associated with the pending acquisition of the Company by Freya Bidco Limited (£5.0 million), which includes £3.5 million relating to accelerated charges on equity and cash settled share based transactions. Further expenses of £26.0 million are expected in the 2024 financial year, of which £25.0 million are contingent on the completion of the acquisition. Acquisition and integration expenses of £4.4 million have been settled in the year.

The fair value uplift of inventory acquired through business combinations is recognised in accordance with IFRS 3 'Business Combinations' to record the inventory acquired at fair value and its subsequent release into the income statement.

The remeasurement of the contingent consideration balance relates to the net credit of £1.2 million to the income statement on the reassessment of future milestone and royalty payments on a licensing agreement.

6. Investments in Associate

(a) Profit/(loss) of 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.

	2023 £m	2022 £m
Revenue	2.1	15.1
Pre-tax (loss)/profit from continuing operations	(3.5)	9.1
Post-tax (loss)/profit from continuing operations	(2.9)	6.2

	2023 £m	2022 £m
Non-current assets	0.2	2.9
Current assets	6.9	11.4
	7.1	14.3
Non-current liabilities	–	–
Current liabilities	(0.5)	(2.5)
	(0.5)	(2.5)
Net assets of associate	6.6	11.8

(b) Interest in Associate

	2023 £m	2022 £m
1 July 2022 and 2021	15.8	17.1
Share of underlying loss after tax	(1.0)	(1.2)
Non-underlying realised profit from continuing operations	0.9	0.6
Share of amortisation of notional intangible asset identified on acquisition (net of tax)	(0.8)	(0.7)
30 June 2023 and 2022	14.9	15.8

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 Pty Ltd 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 AUD1.5 million that was paid to Animal Ethics Pty Ltd in the year relating to the licensing agreement for the global marketing authorisations of Tri-Solfen (excluding 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.

Notes to the Consolidated Financial Statements

6. Interests in Associate continued

(c) Reconciliation of Summarised Financial Information Presented to the Carrying Value of Investment in Associate

	2023 £m	2022 £m
Opening interest in associate	3.9	5.2
Share of underlying loss after tax	(1.0)	(1.2)
Non-underlying realised profit from continuing operations	0.9	0.6
Share of amortisation of notional intangible asset identified on acquisition (net of tax)	(0.8)	(0.7)
Interest in associate	3.0	3.9
Goodwill	11.9	11.9
Carrying value of investment in associate	14.9	15.8

7. Profit Before Taxation

The following items have been included in arriving at profit before taxation of continuing operations:

	2023 £m	2022 £m
Cost of inventories recognised as an expense	256.6	236.3
Impairment of inventories included in above figure	12.5	7.3
Depreciation of property, plant and equipment		
– owned assets	9.1	7.2
– right-of-use assets	4.6	3.9
Amortisation of intangible assets	76.0	77.3
Impairment of intangible assets	69.1	2.4
Loss on disposal of leased assets	–	0.7
Loss on disposal of intangible assets	0.1	–
Impairment of receivables	0.3	0.8
Underlying research and development expenditure as incurred	57.5	32.4
Auditors' remuneration	3.0	1.9
Analysis of total fees paid to the Auditors:		
Audit of these financial statements	1.3	0.9
Audit of financial statements of subsidiaries pursuant to legislation	1.2	0.9
Other assurance services – audit related assurance services*	0.5	0.1
Total fees paid to Auditors	3.0	1.9

* This includes £0.1 million (2022: £0.1 million) in relation to the review of the Half-Yearly Report and £0.4 million (2022: £nil) in relation to assurance services in respect of a listing rule requirement arising as a result of the proposed acquisition of the company by Freya Bidco Limited.

8. Employees

The monthly average number of staff employed by the Group during the year, which includes Directors, were:

	2023 Number	2022 Number
Manufacturing	818	686
Distribution	159	147
Sales and administration	1,358	1,203
Total	2,335	2,036

The costs incurred in respect of these employees were:

	2023 £m	2022 £m
Wages and salaries	136.7	108.6
Social security costs	16.5	13.6
Other pension costs	8.3	6.5
Share-based payments charge (see note 26)	2.3	2.9
Total	163.8	131.6

Related party transactions – the remuneration of key management was as follows:

	2023 £m	2022 £m
Short term employee benefits	5.4	6.6
Post-employment benefits	0.3	0.3
Share-based payments charge	1.9	1.5
Total	7.6	8.4

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 152 to 163.

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 £8.3 million (2022: £6.5 million).

9. Income Taxes

	2023 £m	2022 £m
Current tax – UK corporation tax	0.2	2.2
– overseas tax	23.4	29.7
– adjustment in respect of prior years	0.9	2.8
Total current tax expense	24.5	34.7
Deferred tax – origination and reversal of temporary differences	(30.4)	(15.7)
– adjustment in respect of tax rates	(0.6)	2.2
– adjustment in respect of prior years	(1.7)	(1.8)
Total deferred tax credit	(32.7)	(15.3)
Total income tax (credit)/charge in the Consolidated Income Statement	(8.2)	19.4

Notes to the Consolidated Financial Statements

9. Income Taxes continued

The tax on the Group's profit before taxation differs from the standard rate of UK corporation tax of 20.5% (2022: 19.0%). The differences are explained below:

	2023 £m	2022 £m
(Loss)/profit before taxation	(36.1)	77.6
Tax at 20.5% (2022: 19.0%)	(7.4)	14.7
Effect of:		
– expenses not deductible	3.1	0.8
– research and development related tax credits	(1.2)	(0.2)
– patent box tax credits	(0.7)	(1.5)
– other incentives	(1.3)	(1.6)
– share of results in associates	0.2	0.2
– effects of overseas tax rates	0.5	3.8
– adjustment in respect of prior years	(0.8)	1.0
– change in tax rates	(0.6)	2.2
Total income tax (credit)/charge in the Consolidated Income Statement	(8.2)	19.4

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 22.8% (excluding non-underlying items the effective tax rate is 23.1%).

Tax (Charge)/Credit Recognised Directly in Equity

	2023 £m	2022 £m
Deferred tax on other equity movements	(1.1)	(0.4)
Tax charge recognised in Consolidated Statement of Comprehensive Income	(1.1)	(0.4)
Corporation tax on equity settled transactions	–	0.3
Deferred tax on equity settled transactions	(0.2)	(0.7)
Total tax charge recognised in Equity	(0.2)	(0.4)

UK Finance Bill 2021 was substantively enacted on 24 May 2021, including an increase in the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. The impact of the UK rate change is reflected in the deferred tax balances as at 1 July 2022, based on the Group's best estimate of the timing of unwind of temporary contracts. At 30 June 2023, the Group held a current provision of £5.7 million (2022: £5.9 million) in respect of uncertain tax provisions, comprising a current liability provision of £14.3 million and a current asset of £8.6m. The resolution of these tax matters may take many years. The range of reasonably possible outcomes within the next twelve months is an outflow of £nil to £3.5 million.

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 lodged an appeal to the EU Court of Justice in August 2022.

At 30 June 2023, the Group considers that the potential amount of additional tax payable is between £nil and £2.75 million (2022: £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 the full 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 2021 (£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.

9. Income Taxes continued

OECD Pillar 2

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes. The Group is continuing to assess the potential impact of Pillar 2 on the Group.

10. Dividends

	2023 £m	2022 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year: 32.89 pence per share (2022: 29.39 pence per share)	37.4	31.8
Interim dividend paid: 12.50 pence per share (2022: 12.00 pence per share)	14.3	13.0
Total dividend 45.39 pence per share (2022: 41.39 pence per share) recognised as distributions to equity holders in the year	51.7	44.8
Proposed final dividend for the year ended 30 June 2023: nil per share (2022: 32.89 pence per share)	–	35.6
Total dividend paid and proposed for the year ended 30 June 2023: 12.50 pence per share (2022: 44.89 pence per share)	14.3	48.6

The ongoing acquisition of the Company by Freya Bidco Limited remains conditional upon the receipt of antitrust approval in the European Union and foreign direct investment approval in Australia, in each case to the extent required, as well as the sanction of the Scheme by the Court at the Sanction Hearing (each as defined in the scheme document dated 26 June 2023) and is expected to occur in late 2023 or early 2024. If prior to the acquisition becoming effective, any dividend is announced, declared, made or paid or becomes payable in respect of the ordinary share capital of the Company (Dechra Shares), Freya Bidco Limited reserves the right to reduce the consideration payable under the terms of the acquisition for the Dechra Shares by an amount up to the aggregate amount of such dividend. Therefore the Directors are not recommending the payment of a final dividend. The final dividend for the year ended 30 June 2022 is shown as a deduction from equity in the year ended 30 June 2023.

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 year by the weighted average number of ordinary shares in issue during the year.

	2023 Pence	2022 Pence
Basic earnings per share		
– Underlying*	95.09	121.57
– Basic	(24.59)	53.72
Diluted earnings per share		
– Underlying*	94.57	120.84
– Diluted	(24.59)	53.40

* Underlying measures exclude non-underlying items as defined in note 1.

The calculations of basic and diluted earnings per share are based upon:

	2023 £m	2022 £m
Earnings for underlying basic and underlying diluted earnings per share	107.9	131.7
Earnings for basic and diluted earnings per share	(27.9)	58.2
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	113,476,509	108,332,583
Impact of share options	618,369	654,836
Weighted average number of ordinary shares for diluted earnings per share	114,094,878	108,987,419

At 30 June 2023, there are 557,781 options (2022: 305,468) that are excluded from the EPS calculations as they are not dilutive for the period presented but may become dilutive in the future.

Notes to the Consolidated Financial Statements

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 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 and 1 July 2022	245.4	24.4	15.4	3.7	1.2	979.9	1,270.0
Additions	–	0.6	1.6	–	1.3	1.6	5.1
Acquired through Business Combinations	98.7	–	–	–	–	311.0	409.7
Disposals	–	(0.2)	(0.2)	(0.1)	–	–	(0.5)
Transfers between categories	–	0.2	(1.1)	0.9	–	–	–
Remeasurement (note 30)	–	–	–	–	–	(49.6)	(49.6)
Foreign exchange adjustments	(9.6)	–	–	–	(0.1)	(29.4)	(39.1)
At 30 June 2023	334.5	25.0	15.7	4.5	2.4	1,213.5	1,595.6
Accumulated Amortisation							
At 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 and 1 July 2022	–	14.8	10.1	1.7	0.8	512.1	539.5
Charge for the year	–	3.6	0.7	0.5	0.1	71.1	76.0
Impairments	–	–	–	–	–	69.1	69.1
Disposals	–	(0.2)	(0.2)	–	–	–	(0.4)
Foreign exchange adjustments	–	–	–	–	–	(11.0)	(11.0)
At 30 June 2023	–	18.2	10.6	2.2	0.9	641.3	673.2
Net book value							
At 30 June 2023	334.5	6.8	5.1	2.3	1.5	572.2	922.4
At 30 June 2022	245.4	9.6	5.3	2.0	0.4	467.8	730.5

£0.8 million of the marketing authorisations relate to the Veticvex® 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. Veticvex 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.

Goodwill is allocated across cash generating units that are expected to benefit from the relevant business combination. Key assumptions made in this respect are given in note 14.

Included in the cost at 30 June 2023 are £46.9 million (2022: £41.8 million) of fully amortised assets which predominately relate to product rights where sales are still being made by the Group.

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	8.1	47.1	14.9	382.4	428.8	881.3
At 1 July 2021	–	–	–	–	96.1	96.1
Additions	–	–	–	–	(24.2)	(24.2)
Remeasurement	–	–	–	–	(0.7)	(0.7)
Foreign exchange adjustments	0.2	6.8	1.8	12.0	6.6	27.4
At 30 June 2022 and 1 July 2022	8.3	53.9	16.7	394.4	506.6	979.9
Additions	–	–	–	0.1	1.5	1.6
Acquisitions through business combinations	–	–	–	–	311.0	311.0
Remeasurement	–	–	–	–	(49.6)	(49.6)
Foreign exchange adjustments	–	(2.4)	(0.6)	(5.0)	(21.4)	(29.4)
At 30 June 2023	8.3	51.5	16.1	389.5	748.1	1,213.5
Accumulated Amortisation						
At 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 and 1 July 2022	7.8	43.9	11.6	230.9	217.9	512.1
Charge for the year	0.5	3.3	1.3	32.4	33.6	71.1
Impairments	–	–	–	–	69.1	69.1
Foreign exchange adjustments	(0.1)	(2.0)	(0.5)	(2.8)	(5.6)	(11.0)
At 30 June 2023	8.2	45.2	12.4	260.5	315.0	641.3
Net book value						
At 30 June 2023	0.1	6.3	3.7	129.0	433.1	572.2
At 30 June 2022	0.5	10.0	5.1	163.5	288.7	467.8

Notes to the Consolidated Financial Statements

12. Intangible Assets continued

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	7.5	7.9	2 ½ years
Intangible assets arising from the acquisition of Eurovet	Technology, product, marketing and distribution rights	37.7	–	37.7	N/A
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	5.3	0.1 4.5	9.9	2 ½ years 7 ½ years Genera – total
Intangible assets arising from the acquisition of Putney	Product, brand, technology, pharmacological process, marketing and distribution rights	51.7	2.8 6.7 25.7	86.9	3 years 3 years 5 years Putney – total
Intangible assets arising from the acquisition of Apex	Product and technology	8.3	9.1 1.3	18.7	10 years 7 years Apex – total
Intangible assets related to the licensing and distribution of Tri-Solfen® (excluding ANZ territories)	Marketing and distribution rights	–	14.7	14.7	10 years
Intangible asset related to an injectable solution licensing agreement	Marketing and distribution rights	–	5.6	5.6	9 years
Intangible assets arising from the acquisition of AST Farma B.V. and Le Vet Beheer B.V.	Product, brand, technology, marketing and distribution rights	98.7	29.0 32.9 8.8	169.4	4 ½ years 3 ½ years 5 years AST Farma B.V. and Le Vet Beheer B.V – total
Intangible assets related to an injectable solution licensing agreement	Marketing and distribution rights	–	5.2	5.2	15 years
Intangible assets arising from the acquisition of Caledonian	Product, brand, technology, marketing and distribution rights	0.8	2.0	2.8	5 ½ years

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 assets arising from the acquisition of <i>Dechra Brasil Produtos Veterinarios LTDA</i>	Product, brand, technology, marketing and distribution rights	5.4 0.1 0.2 9.3		15.0	5 ½ years ½ years 3 ½ years Brazil – total
Intangible assets arising from the acquisition of <i>Ampharmco</i>	Product and technology rights	4.8 0.5 5.2 6.4		16.9	14 ½ years 11 ½ years 11 ½ years Ampharmco – total
Intangible assets arising from the acquisition of <i>Mirataz</i>	Product and technology rights	28.0 1.4 0.1 –		29.5	6 ½ years 7 ½ years 7 ½ years Mirataz – total
Intangible assets arising from the acquisition of <i>Osurnia</i>	Product, marketing and distribution rights	–	75.2	75.2	7 years
Intangible assets related to the licensing and distribution of <i>Tri-Solfen® (ANZ territories)</i>	Product, marketing and distribution rights	–	20.5	20.5	13 years
Intangible assets arising from the acquisition of <i>Laverdia</i>	Product, marketing and distribution rights	–	30.6	30.6	10 years
Intangible assets arising from the acquisition of <i>Isoflurane and Sevoflurane</i>	Product, marketing and distribution rights	–	7.6	7.6	8 ½ years
Intangible assets arising from the acquisition of <i>Sucromate</i>	Product, marketing and distribution rights	–	5.4	5.4	8 ½ years
Intangible assets arising from the acquisition of <i>Piedmont Animal Health Inc.</i>	Product rights	40.1	93.6	133.7	21 years
Intangible assets arising from the acquisition of <i>Med-Pharmex Inc.</i>	Product and distribution rights	52.3	123.6	175.9	24 years
Other individually immaterial goodwill and acquired intangibles		7.1	14.1	21.2	
		334.5	572.2	906.7	

Notes to the Consolidated Financial Statements

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 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 and 1 July 2022	61.8	23.4	7.0	69.7	161.9
Additions	2.0	1.9	3.7	21.1	28.7
Acquired through Business Combinations	44.2	0.2	—	3.8	48.2
Disposals	(0.6)	(0.7)	(2.1)	(6.0)	(9.4)
Transfers between categories	4.1	(1.4)	—	(2.7)	—
Foreign exchange adjustments	(3.4)	(0.4)	—	(0.9)	(4.7)
At 30 June 2023	108.1	23.0	8.6	85.0	224.7
Accumulated Depreciation					
At 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 and 1 July 2022	17.9	8.8	4.0	30.9	61.6
Charge for the year	2.8	2.4	2.5	6.0	13.7
Disposals	(0.5)	(0.6)	(2.6)	(5.5)	(9.2)
Transfers between categories	0.1	(0.1)	—	—	—
Foreign exchange adjustments	(0.1)	(0.2)	—	(0.4)	(0.7)
At 30 June 2023	20.2	10.3	3.9	31.0	65.4
Net book value					
At 30 June 2023	87.9	12.7	4.7	54.0	159.3
At 30 June 2022	43.9	14.6	3.0	38.8	100.3
Net book value of right-of-use assets					
At 30 June 2023	—	11.8	4.7	0.1	16.6
At 30 June 2022	—	12.2	3.1	0.1	15.4
Depreciation charge of right-of-use assets					
2023	—	2.1	2.5	—	4.6
2022	—	1.9	1.9	0.1	3.9
				2023 £m	2022 £m
Contracted capital commitments				5.1	6.0
Assets in the course of construction included above				14.9	5.3

Included in additions are £5.6 million (2022: £3.8 million) of right-of-use assets.

Included in the cost at 30 June 2023 are £61.3 million (2022: £52.7 million) of fully depreciated assets.

14. Impairment Reviews

Goodwill and indefinite life asset Impairment Assessment

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.

Goodwill is tested for impairment at the operating segment level, this being the level at which goodwill is monitored for internal management purposes. An immaterial quantum of intangible assets which have an indefinite life are also allocated with goodwill as follows:

	2023			
	Goodwill carrying value £m	Indefinite life assets carrying value £m	Total value £m	Pre-tax discount rate %
Cash generating unit				
Dechra Veterinary Products EU	162.2	0.9	163.1	11.5
Dechra Veterinary Products NA	153.9	–	153.9	12.2
Dechra Veterinary Products International	18.4	–	18.4	16.0
	334.5	0.9	335.4	

	2022			
	Goodwill carrying value £m	Indefinite life assets carrying value £m	Total value £m	Pre-tax discount rate %
Cash generating unit				
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	

The 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% (2022: 3.0%) for Dechra Veterinary Products EU and Dechra Veterinary Products NA and 6.8% (2022: 6.6%) 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% (2022: 0%) for Dechra Veterinary Products EU and Dechra Veterinary Products NA and 1.3% (2022: 1.2%) 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 and 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.

The pre-tax discount rates have been estimated using a market participant rate, which is 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.

Notes to the Consolidated Financial Statements

14. Impairment Reviews continued

Intangible assets under development and not available for use Impairment assessment

Intangible assets under development and not available for use (typically In-Process Research and Development ('IPR&D')) are tested for impairment annually.

In 2023, the impairment charges recorded against NA Pharmaceuticals IPR&D, totalled £69.1 million and related to IPR&D recognised as part of the acquisition of Piedmont Animal Health Inc. Assets in respect of one near term candidate product within the pipeline was fully impaired following a reduction in the likelihood of success of this product. The recoverable amount of the asset was valued based on fair value less costs of disposal using the multi-period excess earnings method, and was categorised at Level 3 in the fair value hierarchy. The key assumptions in the valuation being the probability of success of the product (0%).

The key assumptions for the remainder of the IPR&D intangible assets which have been valued on a combination of both the multi-period excess earnings method and the replacement cost method are; (a) Post-tax discount rates (10.75% – 11.25%); (b) forecasted cash flows based on Board approved business plan; (c) 30% volume attrition upon patent expiry; and (d) 5% volume attrition post patent expiry.

The table below shows on an indicative basis the sensitivity to reasonably possible changes in significant assumptions used in the valuation of the intangible assets;

	Intangible assets
1% increase in discount rates (£m)	(11.2)
1% decrease in discount rates (£m)	13.3
10% increase in cash flows (£m)	11.3
10% decrease in cash flows (£m)	(11.3)
5% increase in ongoing volume attrition (£m)	(5.8)
5% decrease in ongoing volume attrition (£m)	12.5

Other intangible asset impairment assessment

Other intangible assets are tested when there is a trigger 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. The CGUs for the purposes of this assessment are deemed to be countries or clusters of countries. During the year a trigger was identified in two CGUs. No impairment was identified and there is no reasonable change in key assumptions underpinning these assessments that would cause a material impairment.

We have assessed the qualitative and quantitative impact of climate related risks on asset recoverable amounts and concluded that their impact does not have a material impact on the Group's impairment assessments performed.

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:

	2023 £m	2022 £m
Deferred tax assets	4.9	2.3
Deferred tax liabilities	(76.3)	(35.8)
	(71.4)	(33.5)

Deferred tax assets and liabilities are attributable to the following, prior to any allowable offset:

	Assets		Liabilities		Net	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Intangible assets	–	–	(88.5)	(42.9)	(88.5)	(42.9)
Property, plant and equipment	–	–	(10.7)	(4.8)	(10.7)	(4.8)
Inventories	2.8	1.5	–	–	2.8	1.5
Receivables/payables	6.6	7.2	–	–	6.6	7.2
Share-based payments	1.0	0.9	–	–	1.0	0.9
Losses	8.1	0.6	–	–	8.1	0.6
R&D tax credits	8.5	3.0	–	–	8.5	3.0
Employee benefit obligations	0.1	1.0	–	–	0.1	1.0
Interest	0.7	–	–	–	0.7	–
	27.8	14.2	(99.2)	(47.7)	(71.4)	(33.5)

(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 £108.4 million (2022: £2.2 million). The estimated unprovided deferred tax liability in relation to these temporary differences is £5.4 million (2022: £0.1 million). No deferred tax liability has been recognised in respect of unremitted earnings of subsidiaries because the Group is able to control the timing of the reversal of the temporary difference, and it is probable that such differences will not reverse in the foreseeable future. The increase in the unrecognised deferred tax liability arises as a result of the pending acquisition of the Group by Freya Bidco Limited which would mean that, as a non-listed group, withholding tax at a rate of 5% would likely be suffered on dividends paid by the Group's US business.

Deferred tax assets in relation to losses amounting to £1.5 million (2022: £2.6 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.

Notes to the Consolidated Financial Statements

15. Deferred Taxes continued (c) Movements During the Year

	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)

	Balance at 1 July 2022 £m	Recognised in income £m	Recognised in equity/OCI £m	Foreign exchange adjustments £m	Acquisitions through business combinations £m	Balance at 30 June 2023 £m
Intangible assets	(42.8)	27.9	–	4.1	(77.7)	(88.5)
Property, plant and equipment	(4.8)	1.2	–	0.6	(7.7)	(10.7)
Inventories	1.5	1.8	–	(0.1)	(0.4)	2.8
Receivables/payables	7.2	(0.7)	(1.1)	–	1.2	6.6
Share-based payments	0.9	–	(0.2)	0.3	–	1.0
Losses	0.6	(1.5)	–	(0.5)	9.5	8.1
R&D tax credits	3.0	4.2	–	(0.1)	1.4	8.5
Employee benefit obligations	0.9	(0.9)	–	0.1	–	0.1
Interest	–	0.7	–	–	–	0.7
	(33.5)	32.7	(1.3)	4.4	(73.7)	(71.4)

16. Inventories

	2023 £m	2022 £m
Raw materials and consumables	58.7	38.0
Work in progress	10.0	10.1
Finished goods and goods for resale	148.6	127.6
	217.3	175.7

17. Trade and Other Receivables

	2023 £m	2022 £m
Trade receivables	144.2	122.1
Other receivables	11.1	9.0
Prepayments and accrued income	6.6	5.7
	161.9	136.8

Trade receivables are presented net of a loss allowance to reflect the expected credit losses. The details of this allowance for credit losses are disclosed in note 24.

18. Cash and Cash Equivalents

	2023 £m	2022 £m
Cash at bank and in hand	74.4	120.9

19. Trade and Other Payables

	2023 £m	2022 £m
Trade payables	43.4	46.0
Other payables	2.3	3.1
Other taxation and social security	10.1	4.6
Accruals	88.7	83.1
	144.5	136.8

20. Current Tax Assets and Liabilities

	2023 £m	2022 £m
Corporation tax receivable	14.3	11.0
Corporation tax payable	(11.5)	(12.2)
	2.8	(1.2)

21. Borrowings and Lease Liabilities

	2023 £m	2022 £m
Current liabilities:		
Lease liabilities	3.9	3.3
	3.9	3.3
Non-current liabilities:		
Lease liabilities	13.0	12.1
Senior loan notes	250.7	125.5
Bank loans	241.3	189.7
Arrangement fees netted off	(4.4)	(1.5)
	500.6	325.8
Total borrowings	504.5	329.1

On 31 March 2023, the Group entered into a new multi-currency Revolving Credit Facility Agreement ("RCF") with a maximum amount of £340.0 million and maturing 31 March 2028. This RCF is provided by a syndicate of banks comprising BNP Paribas, CaixaBank SA UK branch, Crédit Industriel et Commercial, London Branch, Handelsbanken Capital Markets, Handelsbanken plc, HSBC UK Bank plc, PNC Capital Markets LLC, Santander UK plc and The Governor and Company of the Bank of Ireland. The covenant requirements in the RCF remain unchanged from the prior Revolving Credit Facility Agreement (being Interest Cover in respect of any Relevant Period shall not be less than 4:1 and Leverage in respect of any Relevant Period shall not exceed 3:1).

The RCF uses Risk Free Reference (RFR) rates, with the relevant RFR rates for the principal Borrowings of the Group being 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. The Margin on the RCF is a minimum of 1.40% and a maximum of 2.30%, dependent upon the Leverage (the ratio of Adjusted Net Debt to Adjusted underlying EBITDA) of the Group. At 30 June 2023, £241.3 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 2023.

Notes to the Consolidated Financial Statements

21. Borrowings and Lease Liabilities continued

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 2023. 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), the proceeds of which were used to repay existing debt. Both facilities remain fully drawn at 30 June 2023. Interest is charged on the EUR50.0 million senior secured notes at a fixed rate of 3.64% until maturity (July 2029), and on the EUR100.0 million senior secured notes at a fixed rate of 3.93% until maturity (July 2032).

No interest has been capitalised during the year (2022: £nil).

The maturity of the bank loans and senior loan notes is as follows:

	2023 £m	2022 £m
Between two and five years	284.3	232.6
Over five years	207.7	82.6
	492.0	315.2

The maturity of the lease liabilities is as follows:

	2023 £m	2022 £m
Within one year	3.9	3.3
Between one and two years	3.2	2.5
Between two and five years	4.4	3.5
Over five years	5.4	6.1
	16.9	15.4

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 1 July 2022	(0.3)	(0.6)	(1.3)	(2.2)
Provision released	–	–	0.5	0.5
Provision utilised	0.1	–	–	0.1
Foreign exchange differences	–	(0.1)	–	(0.1)
At 30 June 2023	(0.2)	(0.7)	(0.8)	(1.7)

	Deferred Rent £m	Provision for PPE grant £m	Dilapidations £m	Total £m
At 1 July 2021	(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 30 June 2022	(0.3)	(0.6)	(1.3)	(2.2)

22. Provisions continued

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 of £0.5 million for dilapidations of a warehouse property. This has been fully released in the year through non-underlying expenses.

In the financial year 2021, the Group established a fair value provision of £0.8 million for dilapidations of a warehouse property in Skipton 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 £0.2 million (2022: £0.3 million) for employees are recognised within other payables in the Consolidated Statement of Financial Position as at 30 June 2023.

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 from subsidiary companies through dividends. The role of the Group's treasury activities is to manage and monitor the Group's global cash resources, to manage external and internal funding requirements and to manage financing risks in support of the Group's corporate activities.

The Board of Directors has approved a Treasury 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 to our bank counterparties by Standard and Poor's and Moody's respectively. Where the opinions of the rating agencies differ, the Group assigns the lower rating 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.

	2023 £m	2022 £m
AA/Aa	48.2	16.4
A/A	21.9	101.1
BBB/Baa	3.4	2.4
BB/Ba and below/unrated	0.9	1.0
Total bank balances and deposits	74.4	120.9

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 2023.

Notes to the Consolidated Financial Statements

24. Financial Instruments and Related Disclosures continued

Capital Management

The capital structure of the Group consists of net borrowings and shareholders' equity. At 30 June 2023, net borrowing was £430.1 million (2022: £208.2 million), whilst shareholders' equity was £755.2 million (2022: £666.8 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 Adjusted underlying EBITDA to Net Finance Charges), and leverage (the ratio of Adjusted Net Debt to Adjusted underlying EBITDA). The Group complied with these covenants in the Years to 30 June 2023 and 2022 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 meet 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.

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. Please refer to Note (1b) for more detail on the Directors' considerations in respect of going concern, including reference to the material uncertainty that exists due to the proposed acquisition by Freya Bidco Limited.

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 EUR200.0 million; and
- £16.9 million lease liabilities.

The Group's borrowing facilities at 30 June 2023 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 \$357.0 million as a net investment hedge of US Dollar net assets.

24. Financial Instruments and Related Disclosures continued

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 £155.3 million (2022: £131.1 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.

Two customers of the Group individually accounted for more than 10% of total Group revenues (2022: two). These customers sit within the NA Pharmaceuticals segment and accounted for approximately 28.2% and 11.5% of gross trade receivables at 30 June 2023 (2022: 25.5% and 15.2%). These customers also accounted for 20.9% and 13.2% of total Group revenues (2022: 21.2% and 13.7%).

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.

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 2023 and 30 June 2022. 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.

Notes to the Consolidated Financial Statements

24. Financial Instruments and Related Disclosures continued

Analysis of Financial Instruments

The financial instruments of the Group measured at amortised cost are analysed as follows:

	2023	2022		
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets				
Financial assets measured at amortised cost				
– cash and cash equivalents	74.4	74.4	120.9	120.9
– trade receivables	144.2	144.2	122.1	122.1
– other receivables	11.1	11.1	9.0	9.0
Total financial assets	229.7	229.7	252.0	252.0
Financial liabilities				
Bank loans and overdrafts	(241.3)	(241.3)	(189.7)	(189.7)
Senior loan notes	(250.7)	(234.4)	(125.5)	(115.2)
Lease liabilities	(16.9)	(16.9)	(15.4)	(15.4)
Trade payables	(43.4)	(43.4)	(46.0)	(46.0)
Other payables	(2.3)	(2.3)	(3.1)	(3.1)
Accruals	(88.7)	(88.7)	(83.1)	(83.1)
Contingent consideration	(75.7)	(75.7)	(110.4)	(110.4)
Total financial liabilities	(719.0)	(702.7)	(573.2)	(562.9)
Net financial liabilities	(489.3)	(473.0)	(321.2)	(310.9)

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 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Contingent consideration	–	–	(75.7)	(75.7)
Total	–	–	(75.7)	(75.7)
30 June 2022				
Contingent consideration	–	–	(110.4)	(110.4)
Total	–	–	(110.4)	(110.4)

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 year 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 2023 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.

24. Financial Instruments and Related Disclosures continued

The loss allowance provision as at 30 June 2023 and 30 June 2022 is determined as follows:

	Not due	Past due (up to one month)	Past due (one to three months)	Past due (over three months)	Total
	£m	£m	£m	£m	£m
30 June 2023					
Expected loss rate	0.02%	0.02%	0.02%	75%	
Gross carrying amount – trade receivables	137.9	4.8	1.2	1.6	145.5
Loss allowance	–	–	–	0.3	0.3
Specific loss allowance	–	0.1	–	0.9	1.0
Total loss allowance	–	0.1	–	1.2	1.3

	Not due	Past due (up to one month)	Past due (one to three months)	Past due (over three months)	Total
	£m	£m	£m	£m	£m
30 June 2022					
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

The movement in the loss allowances for trade debtors at 30 June 2023 reconciles to the opening loss allowances as follows:

	2023	2022
	£m	£m
At start of Year	1.0	0.7
Impairment provision recognised	0.3	0.8
Impairment provision utilised	–	(0.5)
At end of Year	1.3	1.0

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 2023 and 30 June 2022. Where interest is at floating rates, the future interest payments have been estimated using current interest rates:

	Contingent consideration	Bank loans and senior loan notes	Lease liabilities	Trade, other payables and accruals	Total
	£m	£m	£m	£m	£m
At 30 June 2023					
Carrying value	(75.7)	(487.6)	(16.9)	(134.4)	(714.6)
Arrangement fees netted off	–	(4.4)	–	–	(4.4)
Future interest	(52.1)	(6.8)	(2.1)	–	(61.0)
Total committed cash flow	(127.8)	(498.8)	(19.0)	(134.4)	(780.0)
Payable:					
Within 6 months	(1.4)	(6.8)	(2.2)	(120.5)	(130.9)
Between 6 months and 1 year	(3.1)	–	(2.1)	(13.0)	(18.2)
Between 1 and 2 years	(8.7)	–	(3.6)	(0.3)	(12.6)
Between 2 and 3 years	(24.4)	–	(3.1)	–	(27.5)
Between 3 and 4 years	(13.0)	(42.9)	(1.4)	–	(57.3)
Between 4 and 5 years	(7.5)	(241.4)	(1.1)	–	(250.0)
Over 5 years	(69.7)	(207.7)	(5.5)	(0.6)	(283.5)
	(127.8)	(498.8)	(19.0)	(134.4)	(780.0)

Notes to the Consolidated Financial Statements

24. Financial Instruments and Related Disclosures continued

	Contingent consideration £m	Bank loans and senior loan notes £m	Lease liabilities £m	Trade, other payables and accruals £m	Total £m
At 30 June 2022					
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)

Foreign Currency Exposure

The Sterling equivalents of financial assets and liabilities denominated in foreign currencies at 30 June 2023 and 30 June 2022 were:

	Australian Dollar £m	Danish Krone £m	Euro £m	US Dollar £m	Other £m
At 30 June 2023					
Financial assets					
Trade receivables	–	–	7.2	0.3	2.9
Other receivables	–	–	–	0.1	–
Cash balances	6.2	0.5	28.8	2.4	11.8
	6.2	0.5	36.0	2.8	14.7
Financial liabilities					
Bank loans and overdrafts	–	–	(171.7)	(284.4)	–
Lease liabilities	–	–	–	–	–
Trade payables	(1.5)	–	(5.3)	(1.6)	(0.2)
Other payables	–	–	–	–	–
Accruals	(0.7)	–	(3.4)	(2.5)	(1.7)
Contingent consideration	(23.9)	–	(1.7)	(45.2)	–
	(26.1)	–	(182.1)	(333.7)	(1.9)
Net balance sheet exposure	(19.9)	0.5	(146.1)	(330.9)	12.8

	Australian Dollar £m	Danish Krone £m	Euro £m	US Dollar £m	Other £m
At 30 June 2022					
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

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 2023 would increase Group loss before taxation and equity by £4.4 million (2022: £3.8 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 2023, the Group has been exposed to transactional and translational currency risk. In addition to the transactional gain of £2.2 million (2022: £4.5 million transactional loss) being recognised in the Consolidated Income Statement, £15.0 million foreign exchange loss (2022: £15.7 million foreign exchange gain) 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	(1.8)
Euro	(12.9)
US Dollar	(22.5)

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			
	2023		2022	
	£m	Number	£m	Number
Allotted, called up and fully paid at start of year	1.1	108,392,737	1.1	108,215,323
New shares issued	-	5,495,453	-	177,414
Allotted, called up and fully paid at end of year	1.1	113,888,190	1.1	108,392,737

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, 130,770 new ordinary shares of 1 pence each (2022: 177,414 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 £1,845,278 (2022: £2,258,853). 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.

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 mid market share price on 20 July 2022, being the date of the placing announcement.

Notes to the Consolidated Financial Statements

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 Long Term Incentive Plan 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.

Deferred Bonus Plan

The Dechra 2021 Deferred Bonus Plan (the 2021 DBP) is a discretionary share plan under which the deferred part of any bonus may be delivered. Any current or former employee is eligible to participate in the 2021 DBP at the discretion of the Board.

26. Share-based Payments continued

Year ended 30 June 2023

	Exercise Period	Exercise price per share Pence	At 1 July 2022 Number	Exercised Number	Granted Number	Lapsed Number	At 30 June 2023 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	12,200	(2,000)	–	–	10,200
2 March 2018†	2020-2028	2506.00	45,107	(11,896)	–	–	33,211
26 October 2018†	2021-2028	2166.00	71,937	(17,115)	–	(2,000)	52,822
6 September 2019†	2022-2029	2964.00	115,419	(14,711)	–	(12,109)	88,599
22 September 2020	2023-2030	3237.00	134,066	–	–	(5,367)	128,699
16 September 2021	2024-2031	4909.00	167,138	–	–	(7,167)	159,971
9 September 2022	2025-2032	3199.00	–	–	187,174	(2,000)	185,174
			550,367	(45,722)	187,174	(28,643)	663,176
Approved Share Option Scheme							
19 September 2016†	2019-2026	1369.00	2,000	(2,000)	–	–	–
2 March 2018†	2021-2028	2506.00	1,696	(104)	–	–	1,592
26 October 2018†	2021-2028	2166.00	2,063	(1,385)	–	–	678
6 September 2019†	2022-2029	2964.00	7,272	(871)	–	–	6,401
22 September 2020	2023-2030	3237.00	7,236	–	–	(412)	6,824
16 September 2021	2024-2031	4909.00	4,888	–	–	–	4,888
9 September 2022	2025-2032	3199.00	–	–	5,826	–	5,826
			25,155	(4,360)	5,826	(412)	26,209
Long Term Incentive Plan							
6 September 2019	2022-2029	–	83,312	(54,562)	–	(28,750)	–
22 September 2020	2023-2030	–	43,388	–	–	–	43,388
16 September 2021	2024-2031	–	43,043	–	–	–	43,043
9 September 2022	2025-2032	–	–	–	84,277	–	84,277
			169,743	(54,562)	84,277	(28,750)	170,708
Long Term Incentive Plan (Qualifying LTIP Awards)							
22 September 2020	2023-2030	3237.00	3,201	–	–	–	3,201
22 September 2020	2023-2030	–	41,772	–	–	–	41,772
16 September 2021	2024-2031	4909.00	1,461	–	–	–	1,461
16 September 2021	2024-2031	–	16,567	–	–	–	16,567
9 September 2022	2025-2032	3199.00	–	–	1,368	–	1,368
9 September 2022	2025-2032	–	–	–	20,240	–	20,240
			63,001	–	21,608	–	84,609
SAYE Option Scheme							
12 October 2017	2020-2023	1646.00	4,224	(4,224)	–	–	–
29 November 2018	2021-2024	1974.00	4,158	(973)	–	–	3,185
			8,382	(5,197)	–	–	3,185
Global SAYE Plan 2018							
4 October 2019	2022-2023	2573.00	22,702	(20,929)	–	(1,773)	–
19 October 2020	2023-2024	2868.00	36,182	–	–	(5,790)	30,392
19 October 2020	2022-2023	2868.00	5,360	–	–	(5,360)	–
13 October 2021	2024-2025	4493.00	71,653	–	–	(55,053)	16,600
13 October 2021	2023-2024	4493.00	7,759	–	–	(2,856)	4,903
12 October 2022	2025-2026	2762.00	–	–	164,083	(5,862)	158,221
12 October 2022	2025-2026	2762.00	–	–	18,511	(364)	18,147
			143,656	(20,929)	182,594	(77,058)	228,263
Total			960,304	(130,770)	481,479	(134,863)	1,176,150
Weighted average exercise price		2638.28p	1411.09p	2300.14p	3082.87p	2605.24p	

† Total share options exercisable at 30 June 2023 were 198,003.

Notes to the Consolidated Financial Statements

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

The weighted average exercise price of options eligible to be exercised at 30 June 2023 was 2538.37 pence (2022: 2157.48 pence). For options exercised during the year, the weighted average market price at the date of exercise was 3186.84 pence (2022: 4716.85 pence). The weighted average remaining contractual life of options outstanding at the Consolidated Statement of Financial Position date was 5.1 years (2022: 5.0 years).

Outstanding options on all Long Term Incentive, Approved and Unapproved plans prior to 30 June 2020 were exercisable at 30 June 2023. 7,422 options issued under SAYE plans were exercisable at 30 June 2023 (2022: 973).

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 2023 of £0.9million (2022: £0.9 million), of which £0.6 million (2022: £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:

	2023 £m	2022 £m
Equity settled share-based transactions	2.4	3.3
Cash settled share-based transactions	(0.1)	(0.4)
	2.3	2.9

27. Changes in Net Debt

	At 1 July 2022 £m	Cash flows £m	New lease liabilities £m	Foreign exchange movements £m	Other non-cash movements £m	At 30 June 2023 £m
Liabilities from financing activities						
Lease liabilities within one year	(3.3)	4.8	(1.8)	0.2	(3.8)	(3.9)
Lease liabilities after one year	(12.1)	–	(3.9)	0.2	2.8	(13.0)
Bank loans after one year	(188.7)	(64.4)	–	16.1	(1.0)	(238.0)
Senior loan notes after one year	(125.0)	(126.2)	–	1.7	(0.1)	(249.6)
Sub-total	(329.1)	(185.8)	(5.7)	18.2	(2.1)	(504.5)
Other assets						
Cash and cash equivalents	120.9	(46.1)	–	(0.4)	–	74.4
Net debt	(208.2)	(231.9)	(5.7)	17.8	(2.1)	(430.1)

	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
Liabilities from financing activities						
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 after one year	(188.2)	–	–	(0.1)	(0.4)	(188.7)
Senior loan notes after one year	(114.5)	–	–	(10.4)	(0.1)	(125.0)
Sub-total	(318.6)	4.1	(5.6)	11.2	0.4	(329.1)
Other assets						
Cash and cash equivalents	118.4	(1.5)	–	4.0	–	120.9
Net debt	(200.2)	2.6	(3.8)	(7.2)	0.4	(208.2)

Notes to the Consolidated Financial Statements

28. Foreign Exchange Rates

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

	Average rate for 2022	Closing rate at 30 June 2022	Average rate for 2023	Closing rate at 30 June 2023
Australian Dollar	1.8347	1.7594	1.7832	1.9106
Brazilian Real	6.9892	6.3189	6.2134	6.1504
Danish Krone	8.7826	8.6684	8.5616	8.6771
Euro	1.1807	1.1652	1.1504	1.1651
US Dollar	1.3316	1.2103	1.2038	1.2660

29. Acquisitions

Acquisition of Piedmont Animal Health Inc

On 25 July 2022, Dechra acquired 100% of the share capital of Piedmont Animal Health Inc, for a total consideration of £175.7 million (USD209.5 million). The fair value of the assets and liabilities acquired are now final.

	Fair value £m
Recognised amounts of identifiable assets and liabilities acquired	
Property, plant and equipment	0.3
Other receivables	0.3
Trade and other payables	(1.3)
Contingent consideration liabilities (note 30)	(4.6)
Cash	0.5
Intangible assets	173.4
Deferred tax liabilities	(35.7)
Net identifiable assets	132.9
Goodwill	42.8
Total consideration	175.7
Purchase consideration:	
Cash	175.7
Total purchase consideration	175.7
Net cash outflow arising on acquisition:	
Cash consideration	175.7
Less: Cash and cash equivalents	(0.5)
Net cash outflow arising on acquisition	175.2

29. Acquisitions continued

Acquisition of Piedmont Animal Health Inc continued

The intangible assets, which relate to the intellectual property acquired, were valued based on a combination of both the excess earnings method and the replacement cost method. The approach adopted was dependent on the stage of the development of the intellectual property which relates to In-Process Research and Development assets. The table below shows on an indicative basis the sensitivity to reasonably possible changes in significant assumptions used in the valuation of the intangible assets. There would be a corresponding impact to the deferred tax liability (at the substantively enacted tax rate) and goodwill. The goodwill is not tax deductible.

	Intangible assets
1% increase in discount rates (£m)	(19.1)
1% decrease in discount rates (£m)	22.4
10% increase in cash flows (£m)	17.8
10% decrease in cash flows (£m)	(17.9)
10% increase in volume attrition upon patent expiry (£m)	(5.7)
10% decrease in volume attrition upon patent expiry (£m)	5.7
5% increase in ongoing volume attrition (£m)	(10.3)
5% decrease in ongoing volume attrition (£m)	20.2

The goodwill of £42.8m million arising from the acquisition has predominantly arisen due to the deferred tax on the intangible assets which was not considered when pricing the acquisition, given there is no intention to sell the vast majority of intangible assets. In addition goodwill also represents Piedmont's proven ability to develop new products, and therefore the ability to generate new opportunities. This is aligned with the market participation view of the acquisition.

Acquisition related costs (included in operating expenses) amounted to £0.2 million. Piedmont Animal Health Inc's results are reported within the Pharmaceuticals Research and Development Segment.

Piedmont Animal Health Inc contributed £nil revenue and £5.8 million loss to the Group's underlying operating profit for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first Day of the financial year, the contribution to the Group revenues for the Year would have been £nil and to the Group's underlying operating profit have would have been a loss of £7.1 million. The reported operating loss after taking into account non-underlying items for acquisition and integration costs would be £7.3 million.

Notes to the Consolidated Financial Statements

29. Acquisitions continued

Acquisition of Med-Pharmex Holdings, Inc

On 26 August 2022, Dechra acquired 100% of the share capital of Med-Pharmex Holdings Inc., and its subsidiaries Med-Pharmex Property LLC, Med-Pharmex Inc and Cephazone Pharma LLC (collectively 'Med-Pharmex'). The Group paid £223.7 million (\$264.6 million) consideration. The fair value of the assets and liabilities acquired is now final.

	Fair value £m
Recognised amounts of identifiable assets and liabilities acquired	
Property, plant and equipment	47.9
Inventory	14.8
Trade and other receivables	6.9
Trade and other payables	(5.3)
Cash	2.6
Intangible assets	137.6
Current tax assets	1.3
Deferred tax liabilities	(38.0)
Net identifiable assets	167.8
Goodwill	55.9
Total consideration	223.7
Purchase consideration:	
Cash	223.7
Total purchase consideration	223.7
£m	
Net cash outflow arising on acquisition:	
Cash consideration	223.7
Less: Cash and cash equivalents	(2.6)
Net cash outflow arising on acquisition	221.1

The intangible assets, which relate to the intellectual property acquired principally relating to Developed Technology and In-Process Research and Development assets, were valued based on the excess earnings method. The table below shows on an indicative basis the sensitivity to reasonably possible changes in significant assumptions used in the valuation of the intangible asset. There would be a corresponding impact to the deferred tax liability (at the substantively enacted tax rate) and goodwill.

29. Acquisitions continued

Intangible assets	
1% increase in discount rates (£m)	(14.7)
1% decrease in discount rates (£m)	17.7
10% increase in cash flows (£m)	13.9
10% decrease in cash flows (£m)	(13.9)

The goodwill of £55.9 million arising from the acquisition has predominantly arisen due to the deferred tax on the intangible assets which was not considered when pricing the acquisition, given there is no intention to sell the vast majority of intangible assets. Goodwill also represents value stemming from future products developed, the acquired workforce, and strategic benefits from being able to transfer existing Dechra products into Med-Pharmex's under-utilised facilities, reducing external manufacturing costs and reliance on Contract Manufacturing Organisations. This is aligned with the market participation view of the acquisition. The goodwill is not tax deductible.

Inventory includes a fair value uplift of £3.3 million (USD4.0 million). A non-underlying charge of £3.3 million (USD4.0 million) relating to the fair value uplift on inventory that has been sold in the year has been taken to cost of sales in the income statement.

The gross contractual receivables amount to £6.2 million, which are expected to be fully recoverable.

Acquisition and related costs (included in operating expenses) amounted to £2.8 million. Med-Pharmex's results are reported within the NA Pharmaceuticals Segment.

Med-Pharmex contributed £28.9 million revenue and £0.5 million to the Group's underlying operating profit for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first Day of the financial year, the contribution to the Group revenues for the Year would have been £34.5 million and to the Group's underlying operating profit would have been £0.6 million. The reported operating loss after taking into account non-underlying items for the amortisation of intangible assets, fair value inventory adjustment and acquisition and integration costs would have been £10.6 million.

Notes to the Consolidated Financial Statements

30. Contingent Consideration

	2023 £m	2022 £m
Contingent consideration – less than one year	4.1	6.4
Contingent consideration – more than one year	71.6	104.0
	75.7	110.4

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	Injectable Solution 1 £m	Mirataz £m	Laverdia* £m	Piedmont £m	Other £m	Total £m
As at 1 July 2021	56.2	1.6	14.4	–	–	8.0	80.2
Additions	–	–	–	57.9	–	2.7	60.6
Remeasurement through intangibles	(12.0)	–	(2.9)	(7.9)	–	(1.4)	(24.2)
Cash payments: investing activities	(14.6)	(0.8)	(0.7)	–	–	(3.6)	(19.7)
Finance expense	1.5	0.1	0.4	1.2	–	0.2	3.4
Foreign exchange adjustments	1.5	0.2	1.8	6.3	–	0.3	10.1
At 30 June 2022	32.6	1.1	13.0	57.5	–	6.2	110.4
Additions	–	–	–	–	–	0.8	0.8
Group acquisitions	–	–	–	–	4.6	–	4.6
Remeasurement through intangibles	(13.6)	–	(4.9)	(28.2)	(0.7)	(2.2)	(49.6)
Remeasurement through income statement	(0.9)	–	–	–	–	(0.3)	(1.2)
Cash payments: investing activities	(2.2)	(0.6)	(1.7)	(0.1)	–	(1.5)	(6.1)
Finance expense	8.7	0.1	2.6	7.3	0.6	1.5	20.8
Foreign exchange adjustments	(1.9)	–	(0.4)	(1.2)	(0.4)	(0.1)	(4.0)
At 30 June 2023	22.7	0.6	8.6	35.3	4.1	4.4	75.7

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 would be a corresponding opposite impact on the intangible asset.

	Tri-Solfen* £m	Injectable Solution 1 £m	Mirataz £m	Laverdia* £m	Piedmont £m	Other £m
Increase/(decrease) in financial liability						
10% increase in royalty forecasts £m	1.8	N/A	0.8	1.2	0.3	0.2
10% decrease in royalty forecasts £m	(1.8)	N/A	(0.9)	(1.2)	(0.3)	(0.2)
1% increase in discount rates £m	(1.3)	–	(0.3)	(1.6)	(0.4)	(0.1)
1% decrease in discount rates £m	1.4	–	0.3	1.7	0.1	0.1
5% appreciation in Sterling £m	(1.1)	–	(0.4)	(1.7)	(0.2)	(0.2)
5% depreciation in Sterling £m	1.2	–	0.5	1.9	0.2	0.2
Discount rate range in 2023 financial year	6.5%–21.0%		12.7%	10.1%–10.8%	6.5%–18.8%	6.7%–10.0%
Discount rate range in 2022 financial year	5.2%–25.0%		11.6%	7.3%–9.4%	5.1%–14.6%	N/A 10.2%–27.1%

Aggregate undiscounted cash outflow in relation to royalties (remaining term of royalty agreement)

2023 £m (years)	39.5 (13.0)	N/A	13.6 (7.5)
2022 £m (years)	50.4 (14.0)	N/A	19.8 (8.5)

30. Contingent Consideration 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 royalties. During the year, the development milestones and sales performance royalties have been remeasured. At 30 June 2023, the liability was discounted between 6.5% and 21.0%. 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 milestones is AUD11.0 million.

The consideration payable for Laverdia® is expected to be payable over a number of years, and relates to approval milestones and sales performance royalties. During the Period, approval milestones and sales performance royalties have been remeasured. At 30 June 2023, the liability was discounted between 6.5% and 18.8% reflecting the commercial makeup of the arrangement similar to Tri-Solfen®. The gross value of the approval and sales performance (non-royalty) milestones is USD40.5 million.

The consideration for products acquired under Piedmont Animal Health Inc is expected to be payable over fifteen years, and relates to approval milestones and sales performance royalties under pre-existing licensing arrangements.

The consideration for Mirataz® 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.

31. Related Party Transactions

Subsidiaries

The Group's ultimate Parent Company is Dechra Pharmaceuticals PLC. A list of subsidiaries is shown within the financial statements of the Company on pages 244 to 246.

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 152 to 163. The remuneration of key management is disclosed in note 8.

Associates

The Group holds a 49.5% stake in Medical Ethics Pty Ltd, which is the holding company of Animal Ethics Pty Ltd. 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. During the year AUD2.0 million (£1.1 million) of approval milestones has been paid.

In 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. An associated royalty payment of AUD2.0 million (£1.1 million) has also been paid in the Year.

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 lodged an appeal to the EU Court of Justice in August 2022.

At 30 June 2023, the Group considers that the potential amount of additional tax payable is between £nil and £2.75 million (2022: £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 the full 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 2021 (£2.75 million) are recorded as current tax receivables on the basis that the amount will be repaid in due course.

At 30 June 2023, contingent liabilities arising in the normal course of business amounted to £7.1 million (2022: £12.4 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.

Notes to the Consolidated Financial Statements

34. Subsequent Events

On 20 July 2023, the shareholders voted in favour of the proposed cash offer for the Company by Freya Bidco Limited. The pending acquisition of the Company is conditional upon respective antitrust approvals or the expiry of the applicable waiting periods in the relevant jurisdictions.

35. Underlying Operating Profit, EBITDA, ROCE and Profit Before Taxation Reconciliation

	2023 £m	2022 £m
Operating profit		
Underlying operating profit/EBIT is calculated as follows:		
Operating profit	6.3	95.5
Non-underlying operating expenses (note 5)	158.8	78.8
Underlying operating profit/EBIT	165.1	174.3
Depreciation	13.7	11.1
Amortisation and impairment	4.9	5.2
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	183.7	190.6
Profit before taxation		
Underlying profit before taxation is calculated as follows:		
(Loss)/profit before taxation	(36.1)	77.6
Non-underlying operating expenses	158.8	78.8
Amortisation of notional acquired intangibles from equity accounting for associates	0.8	0.7
Share of realised non-underlying profit of investments accounted for using the equity method	(0.9)	(0.6)
Loss on extinguishment of debt	0.6	-
Foreign exchange (gains)/ losses on contingent consideration	(3.7)	10.1
Unwind of discount associated with contingent consideration	20.8	3.4
Underlying profit before taxation	140.3	170.0
Return on capital employed		
	2023 £m	2022 £m
Net assets	755.2	666.8
Adjusted for:		
Net debt	430.1	208.2
Net corporate tax liability/(asset) (note 20)	(2.8)	1.2
Net deferred tax liability (note 15)	71.4	33.5
Closing operating assets	1,253.9	909.7
Opening operating assets	909.7	878.9
Average operating assets	1,081.8	894.3
	2023 £m	2022 £m
Underlying operating profit	165.1	174.3
Average operating assets	1,081.8	894.3
Return on capital employed	15.3%	19.5%

Company Statement of Financial Position

At 30 June 2023

	Note	2023 £m	2022 £m
Fixed assets			
Intangible assets	v	4.3	6.2
Tangible assets	vi	2.0	1.6
Investments	iv	920.1	735.7
		926.4	743.5
Current assets			
Trade and other receivables (includes amounts falling due after more than one year of £364.8 million (2022: £51.1million))	vii	446.4	115.0
Cash at bank and in hand	viii	49.6	85.8
		496.0	200.8
Borrowings	x	(0.3)	(0.2)
Trade and other payables	ix	(134.1)	(147.3)
Net current assets		361.6	53.3
Total assets less current liabilities		1,288.0	796.8
Non-current liabilities			
Borrowings	x	(468.2)	(150.2)
Net assets		819.8	646.6
Equity			
Called up share capital	xii	1.1	1.1
Share premium account		596.0	413.9
Foreign currency translation reserve		0.6	0.6
Merger reserve		82.6	82.6
At 1 July		148.4	153.2
Profit for the year attributable to the owners		37.8	37.1
Other changes in retained earnings		(46.7)	(41.9)
Retained earnings		139.5	148.4
Total shareholders' funds		819.8	646.6

The financial statements were approved by the Board of Directors on 12 October 2023 and were signed on its behalf by:

Ian Page
Chief Executive Officer
12 October 2023

Paul Sandland
Chief Financial Officer
12 October 2023

Company number: 3369634

Company Statement of Changes in Shareholders' Equity

For the year ended 30 June 2023

	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 2022						
At 1 July 2021	1.1	411.6	0.6	82.6	153.2	649.1
Profit for the year	–	–	–	–	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
Year ended 30 June 2023						
At 1 July 2022	1.1	413.9	0.6	82.6	148.4	646.6
Profit for the year	–	–	–	–	37.8	37.8
Other comprehensive income	–	–	–	–	2.8	2.8
Total comprehensive income	–	–	–	–	40.6	40.6
Transactions with owners						
Dividends paid	–	–	–	–	(51.7)	(51.7)
Share-based payment charge	–	–	–	–	2.2	2.2
Shares issued	–	182.1	–	–	–	182.1
Total contributions by and distributions to owners	–	182.1	–	–	(49.5)	132.6
At 30 June 2023	1.1	596.0	0.6	82.6	139.5	819.8

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 2023 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 £40.6 million (2022: £37.1 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 estimates or judgements.

Adoption of New and Revised Standards

A number of amendments to IFRSs became effective for the financial year beginning on 1 July 2022. The Company has applied the amendments to IAS1, Practice Statement 2, IAS8 and IAS12 (deferred tax related to assets and liabilities arising from a single transaction and International tax reform pillar 2 model rules). None of these amendments had any impact on the Company's accounting policies and did not require retrospective adjustments.

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.

Notes to the Company Financial Statements

(i) Principal Accounting Policies of the Company continued

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

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 year 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.

(i) Principal Accounting Policies of the Company continued

Taxation

The income tax expense or credit for the year is the tax payable on the current year'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.

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 £1.9 million (2022: £3.9 million). Information relating to Directors' emoluments, share options and pension entitlements is set out in the Directors' Remuneration Report on pages 152 to 163. 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 1.1504 (2022: 1.1807).

	2023 Number	2022 Number
Administration	86	71
Total	86	71

The costs incurred in respect of these employees were:

	2023 £m	2022 £m
Wages and salaries	7.0	7.9
Social security costs	1.0	1.5
Other pension costs	0.5	0.4
Share-based payments charge (see note 26)	2.3	2.9
Total	10.8	12.7

The Group operates a stakeholder personal pension scheme for certain employees and contributed between 3% and 12% of pensionable salaries. Total pension contributions amounted to £0.5 million (2022: £0.4 million).

(iii) Profit Before Taxation

The following items have been included in arriving at profit before taxation of continuing operations:

	2023 £m	2022 £m
Depreciation of property, plant and equipment		
– owned assets	0.1	0.1
– right-of-use assets	0.3	0.2
Amortisation of intangible assets	2.3	2.6
Auditors' remuneration – audit of these financial statements	0.1	0.1

Notes to the Company Financial Statements

(iv) Investments

	Shares in subsidiary undertakings £m
Cost	
At 1 July 2022	867.0
Additions	203.3
At 30 June 2023	1,070.3
Impairment	
At 1 July 2022	131.3
Impairment	18.9
At 30 June 2023	150.2
Net book value	
At 30 June 2023	920.1
At 1 July 2022	735.7

On 25 July 2022, the Company invested £176.0 million into the share capital of Dechra Investments Limited, a wholly owned subsidiary. On 1 March 2023, the Company invested £24.5 million into the share capital of Dechra Holdings Netherlands B.V., a wholly owned subsidiary as part of a wider restructuring of the Group. On 16 February 2023, Dechra Finance Sterling Limited (DFS Limited) distributed its 14% stake in Dechra Finance Limited (DF Limited) to the Company, taking the Company's total shareholding in DF Limited to 100%. The addition to investments of £2.8m has been treated as a return on capital and measured at fair value. A list of subsidiary undertakings is given in note (xiii).

Impairment

Investments in subsidiaries are assessed annually to determine if there is any indication that these may be impaired. In March 2023, DF Limited reduced its share capital by EUR 18.3 million (£15.8 million) and paid a dividend equivalent to the amount of the capital reduction to the Company. In addition, as a result of the unwinding of an internal group financing arrangement, certain loan receivables and payables of an equal amount were settled and going forward DF Limited's future net interest cash inflows will be less. As a consequence the Company's investment in this entity was tested for impairment.

The recoverable amount of the investment was determined based on a value-in-use calculation. The recoverable amount calculated in respect of DF Limited was £3.9m, which was £18.9 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 contractual cash flow projections based on financial budgets approved by management covering an appropriate period. Given the nature of this entity, this period was considered to be the term of the financing loans. A post-tax discount rate of 8.88% was used to calculate the recoverable amount. 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. No reasonable change in the discount rate used would result in a material change to the impairment recognised. Following DFS Limited's distribution of its 14% stake in DF Limited, the Company's investment in DFS Limited was considered for impairment and no impairment was identified.

(v) Intangible Assets

	Product rights £m	Software £m	Total intangible assets £m
Cost			
At 1 July 2022	5.1	14.3	19.4
Additions	–	0.4	0.4
At 30 June 2023	5.1	14.7	19.8
Accumulated Amortisation			
At 1 July 2022	5.1	8.1	13.2
Charge for the year	–	2.3	2.3
At 30 June 2023	5.1	10.4	15.5
Net book value			
At 30 June 2023	–	4.3	4.3
At 30 June 2022	–	6.2	6.2

(vi) Tangible Assets

	Short leasehold buildings £m	Motor vehicles £m	Plant and fixtures £m	Total £m
Cost				
At 1 July 2022	1.6	0.4	0.9	2.9
Additions	0.4	0.4	–	0.8
Disposals	–	(0.2)	–	(0.2)
At 30 June 2023	2.0	0.6	0.9	3.5
Accumulated Depreciation				
At 1 July 2022	0.4	0.2	0.7	1.3
Charge for the year	0.2	0.1	0.1	0.4
Disposals	–	(0.2)	–	(0.2)
At 30 June 2023	0.6	0.1	0.8	1.5
Net book value				
At 30 June 2023	1.4	0.5	0.1	2.0
At 30 June 2022	1.2	0.2	0.2	1.6
Net book value of right-of-use assets				
At 30 June 2023	1.4	0.5	–	1.9
At 30 June 2022	1.2	0.2	–	1.4
Depreciation charge of right-of-use assets				
2023	0.2	0.1	–	0.3
2022	0.1	0.1	–	0.2

Included in additions are £0.8 million (2022: £0.5 million) of right-of-use assets.

(vii) Trade and Other Receivables

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	433.2	107.8
Group relief receivable	4.0	4.1
Deferred taxation (see note (xi))	1.5	0.8
Other receivables	6.4	1.2
Prepayments and accrued income	1.3	1.1
	446.4	115.0

Included in debtors are amounts of £1.5 million (2022: £0.8 million) due after more than one year relating to deferred tax assets.

Of the amounts owed by subsidiary undertakings, £363.9 million is due after more than one year (2022: £50.3 million). This is made up of a balance of £2.8 million repayable in 2026 (interest of 1.50% above Mexican National Bank Base Rate), £1.8 million repayable in 2027 (interest of 3.5% above Canadian Dollar offered rate), £205.3 million repayable in 2030 (interest between 5.00 – 5.35%), and a balance of £154.0 million repayable in 2032 (interest of 2.25%). The remaining amounts owed by subsidiary undertakings of £69.3 million are unsecured and repayable on demand. Of the £69.3 million, £57.1 million attracts interest of between 0.976% and 1.98% above Risk Free Reference rate, with the remaining trade balance of £12.2 million being interest free. The provision for impairment against amounts owed by subsidiary undertakings is £4.1 million and have been calculated based on a six month period where repayable on demand, and on a twelve month period for the remainder. Amounts owed by subsidiary undertakings are considered to have low credit risk.

(viii) Cash at Bank and in Hand

	2023 £m	2022 £m
Cash at bank and in hand	49.6	85.8
	49.6	85.8

Notes to the Company Financial Statements

(ix) Trade and Other Payables

	2023 £m	2022 £m
Trade payables	1.8	1.0
Other payables	0.1	0.1
Amounts due to subsidiary undertakings	122.9	139.7
Accruals and deferred income	9.3	6.5
	134.1	147.3

Amounts due to subsidiary undertakings are primarily unsecured and repayable on demand. £84.0 million attracts interest between 0.026% and 0.25% below Risk Free Reference rate; the remaining 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 2023 is nil per share (2022: 32.89 pence per share).

(x) Borrowings

	2023 £m	2022 £m
Borrowings due within one year		
Lease liabilities	0.3	0.2
Borrowings due after more than one year		
Aggregate bank loan, senior loan notes and lease liabilities instalments repayable:		
– between one and two years	0.3	0.1
– between two and five years	263.8	68.3
– over five years	208.5	83.3
Arrangement fees netted off	(4.4)	(1.5)
	468.2	150.2
Total borrowings	468.5	150.4

On 31 March 2023, the Company entered into a new multi-currency Revolving Credit Facility Agreement ("RCF") in the maximum amount of £340.0 million and maturing 31 March 2028. This RCF is provided by a syndicate of banks comprising BNP Paribas, CaixaBank SA UK branch, Crédit Industriel et Commercial, London Branch, Handelsbanken Capital Markets, Handelsbanken plc, HSBC UK Bank plc, PNC Capital Markets LLC, Santander UK plc and The Governor and Company of the Bank of Ireland. The covenant requirements in the RCF remain unchanged from the prior Revolving Credit Facility Agreement (being Interest Cover in respect of any Relevant Period shall not be less than 4:1 and Leverage in respect of any Relevant Period shall not exceed 3:1).

The RCF uses Risk Free Reference (RFR) rates, with the relevant RFR rates for the principal Borrowings of the Company being 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. The Margin on the RCF is a minimum of 1.40% and a maximum of 2.30%, dependent upon the Leverage (the ratio of Adjusted Net Debt to Adjusted underlying EBITDA) of the Group. At 30 June 2023, £220.4 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 2023.

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 2023 amounting to £121.9 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).

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. Both facilities remain fully drawn at 30 June 2023 amounting to £128.7 million. Interest is charged on the EUR50.0 million senior secured notes at a fixed rate of 3.64% until maturity (July 2029), and on the EUR100.0 million senior secured notes at a fixed rate of 3.93% until maturity (July 2032).

No interest has been capitalised during the year (2022: £nil).

The Company guarantees certain borrowings of other Group companies under the above facilities, which at 30 June 2023 amounted to £21.0 million (2022: £164.7 million).

(xi) Deferred Tax

	£m
At 1 July 2022 (included in trade and other receivables)	0.8
Recognised in the income statement	0.7
At 30 June 2023 (included in trade and other receivables)	1.5

Deferred tax has been calculated using the rate of 25.0% based on the timing of when each individual deferred tax balance is expected to reverse in the future as follows (2022: 19.0% or 25.0%):

	2023 £m	2022 £m
Short term timing differences	0.9	1.0
Losses	0.4	–
Accelerated capital allowances	0.2	(0.2)
	1.5	0.8

Deferred tax assets in relation to losses amounting to £nil (2022: £nil) have not been recognised due to uncertainty over their recoverability.

(xii) Called Up Share Capital

	Ordinary shares of 1 pence each			
	2023		2022	
	£m	Number	£m	Number
Allotted, called up and fully paid at start of year	1.1	108,392,737	1.1	108,215,323
New shares issued	–	5,495,453	–	177,414
Allotted, called up and fully paid at end of year	1.1	113,888,190	1.1	108,392,737

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.

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 mid market share price on 20 July 2022, being the date of the placing announcement.

Share Options

Details of outstanding share options over ordinary shares of 1 pence at 30 June 2023 under the various Group share option schemes are shown in note 26 to the Consolidated Financial Statements.

Notes to the Company Financial Statements

(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.
Cephazone Pharma LLC*	USA	Developer, regulatory and manufacturer of veterinary pharmaceuticals	Principal Place of Business: 7015 College Blvd, Suite 510, Overland Park KS 66211, United States	Med-Pharmex Inc.
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	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC
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 Achmehlerstrasse 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

(xiii) Subsidiary Undertakings continued

Operating Subsidiaries

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
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, 88326, 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
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 Molidlinska Str., 03-199 Warsaw, Poland	Dechra Limited
Dechra Veterinary Products, S.L. Unipersonal *	Spain	Marketer of veterinary pharmaceuticals and pet diets	C Tunset, Num. 20, Planta 6, Barcelona, 08006, Spain	Dechra Veterinary Products A/S
Dechra Veterinary Products AB *	Sweden	Marketer of veterinary pharmaceuticals and pet diets	Stora Väsbäy Orangeriet 3, Upplands Väsby, 194 37, Sweden	Dechra Veterinary Products A/S
Dechra Veterinary Products, LLC *	USA	Marketer and manufacturer 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	4, 5th floor, Royal Building, 19, Saemunwon-ro 5-gil, Jongno-gu, Seoul, Korea	Dechra Limited
Eurovet Animal Health B.V. *	The Netherlands	Holding Company, developer, regulatory and manufacturer 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	Gostivarска 70, Vozdovac, 11000 Beograd, Serbia	Genera d.d.
Genera Sl d.o.o. *	Slovenia	Marketer of veterinary pharmaceuticals	Parmova Ulica, Ljubljana, Slovenia	Genera d.d.
Le Vet. B.V. *	The Netherlands	Marketer of veterinary pharmaceuticals	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Le Vet Beheer B.V.
Med-Pharmex, Inc *	USA	Developer, regulatory and manufacturer of veterinary pharmaceuticals	Principal Place of Business: 7015 College Blvd, Suite 510, Overland Park KS 66211, United States	Med-Pharmex Holdings, Inc
Med-Pharmex Property LLC *	USA	Property Company	Principal Place of Business: 7015 College Blvd, Suite 510, Overland Park KS 66211, United States	Med-Pharmex Holdings, Inc

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 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	Messeplatz 10, CH-4058, Basel, 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 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.
Le Vet. Beheer B.V. *	The Netherlands	Holding Company	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Dechra Finance B.V.
Med-Pharmex Holdings, Inc *	USA	Holding Company	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Holdings US Inc
Piedmont Animal Health Inc *	USA	Non-trading	Principal Place of Business: 7015 College Blvd, Suite 510, Overland Park KS 66211, United States	Dechra Veterinary Products LLC
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 20 July 2023, the shareholders voted in favour of the proposed cash offer for the Company by Freya Bidco Limited. The pending acquisition of the Company is conditional upon respective antitrust approvals or the expiry of the applicable waiting periods in the relevant jurisdictions.

Financial History

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Consolidated Income Statement					
Revenue	761.5	681.8	608.0	515.1	481.8
Underlying operating profit	165.1	174.3	162.2	128.3	127.4
Underlying profit after taxation	107.9	131.7	117.6	95.4	92.5
Underlying earnings per share					
– basic (pence)	95.09	121.57	108.77	92.50	90.24
– diluted (pence)	94.57	120.84	108.14	92.19	90.01
Dividend per share (pence)	12.50	44.89	40.50	34.29	31.60
Operating profit	6.3	95.5	84.0	52.2	39.0
(Loss)/profit after taxation	(27.9)	58.2	55.5	33.9	30.9
Earnings per share					
– basic (pence)	(24.59)	53.72	51.33	32.87	30.15
– diluted (pence)	(24.59)	53.40	51.03	32.76	30.07
Consolidated Statement of Financial Position					
Non-current assets	1,101.5	848.9	821.9	788.7	750.0
Current assets	467.9	444.4	392.2	448.9	291.5
Current liabilities	(164.0)	(158.7)	(155.8)	(137.3)	(118.1)
Non-current liabilities	(650.2)	(467.8)	(425.4)	(462.8)	(414.3)
Shareholders' funds	755.2	666.8	632.9	637.5	509.1
Consolidated Statement of Cash Flows					
Net cash inflow from operating activities	63.6	122.9	89.1	106.4	81.8
Net cash outflow from investing activities	(426.2)	(78.3)	(136.1)	(81.5)	(61.9)
Net cash (outflow)/inflow from financing activities	316.5	(46.1)	(55.1)	118.9	(20.1)

Additional Information

Contents

Glossary	250
Shareholder Information	252
Advisers	IBC



The Veterinary Perspective



Read more about us at:
www.dechra.com



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

API

Active Pharmaceutical Ingredient

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

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

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

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 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

HR

Human Resources

IFRSs

International Financial Reporting Standards

Interest Cover (covenants)

The ratio of Adjusted underlying EBITDA (on a pre IFRS16 basis) to Net Finance charges

International Pharmaceuticals

International Pharmaceuticals Segment comprising DVP International

IPO

Initial Public Offering

IT

Information Technology

KPI

Key Performance Indicator

Leverage

The ratio of Net Debt to underlying EBITDA

Leverage (covenants)

The ratio of Adjusted Net Debt (on a pre IFRS16 basis) to Adjusted underlying EBITDA (adjusted for the impact of acquisitions and on a pre IFRS16 basis).

LPI

Learning and Performance Institute

LTA

Lost Time Accident

LTAFR

Lost Time Accident Frequency Rate

LTIP

Long Term Incentive Plan

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, Lawson Macartney, John Shipsey and Geeta Gopalan

OECD

The Organisation for Economic Cooperation and Development

Ordinary Share

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 comprise 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

ROCE

Return On Capital Employed

RPI

Retail Price Index

SAYE

Save As You Earn Share Scheme

SBTi

Science Based Targets 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

TPRM

Third Party Risk Management

TSR

Total Shareholder Return

Shareholder Information

Annual General Meeting

The 2023 Annual General Meeting of the Company will be held at 11.00 am on 13 December 2023 at Dechra Pharmaceuticals PLC, 4 Cheshire Avenue, Cheshire Business Park, Lockstock Gralam, Northwich, CW9 7UA. The notice of the 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 offers a Share Dealing Service to buy or sell shares. Further information can be obtained from www.shareview.co.uk/dealing or by telephoning 0371 384 2030.

	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 Mesil Road
Dublin
Ireland
B3 2QZ

BNP Paribas, London Branch
3rd Floor
10 Harewood Avenue
London
NW1 6AA

Caixa Bank S.A.
UK Branch
63 St. Mary Axe
London
EC3A 8AA

Crédit Industriel et Commercial London Branch
Finsbury Circus House
15 Finsbury Circus
London
EC2M 7EB

Handelsbanken
3rd Floor
101 Barbirolli Square
Manchester
M2 3BG

HSBC Bank plc
Midlands Corporate Banking Centre
120 Edmund Street
Birmingham
B3 2QZ

PNC Bank
10851 Mastin Street
Suite 700
Overland Park
Kansas 66210
USA

Santander UK PLC
2 Triton Square
Regent's Place
London
NW1 3AN

Trademarks

Trademarks appear throughout this document in italics. Dechra and the Dechra 'D' logo are registered trademarks of Dechra Pharmaceuticals PLC. The Malaseb® trademark is used under licence from Dermcare-Vet Pty. Ltd. StrixNB® and DispersinB® are trademarks licensed from Kane Biotech Inc.

The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.





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.annualreport2023.com