Dechra®
Pharmaceuticals PLC

Dechra Pharmaceuticals PLC
Annual Report and Accounts for the year ended 30 June 2021

Company Number: 3369634

Improving Global Animal Health and Welfare

Welcome to our 2021 Annual Report

About Dechra

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

We are a global specialist veterinary pharmaceuticals and related products business. Our expertise is in the development, manufacture, marketing and sales of high quality products to improve animal welfare, exclusively for veterinarians worldwide.

A Snapshot of Our Year

Revenue Growth

- Increase of 21.0% to £608.0 million
- Existing revenue growth of 16.2%

Underlying EBIT Growth

- Increase of 29.2% to £162.2 million
- COVID-19 related cost savings

Portfolio Focus

- All product categories delivering growth, CAP and Equine performance exceptional
- Strong organic growth in all key markets

View our online Annual Report at:
dechra.annualreport2021.com

Inside this report

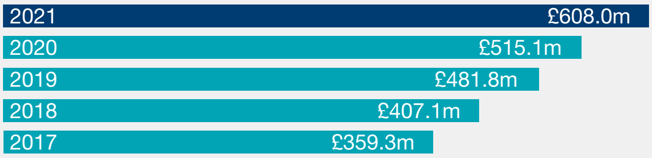
Forward-Looking Statements

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.

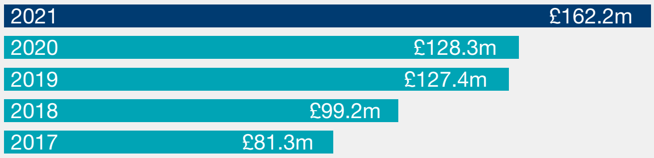
By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involve a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

Highlights

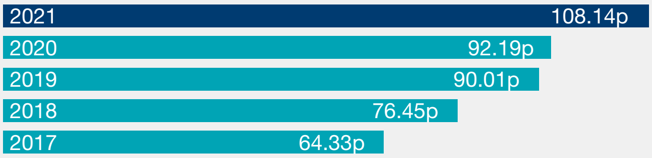
Total Revenue
£608.0m
AER: +18.0% CER: +21.0%



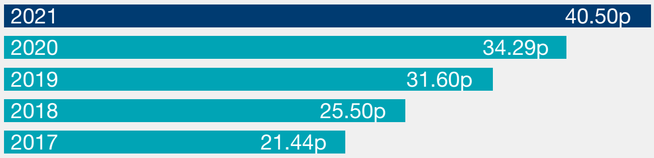
Underlying Operating Profit
£162.2m
AER: +26.4% CER: +29.2%



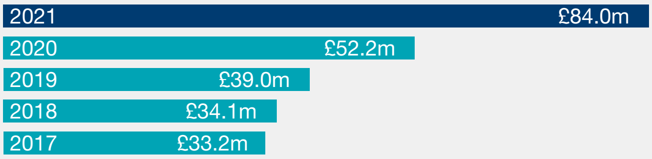
Underlying Diluted Earnings Per Share
108.14p
AER: +17.3% CER: +19.4%



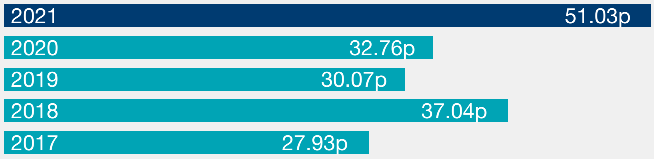
Dividend Per Share
40.50p
AER: +18.1% CER: +18.1%



Reported Operating Profit
£84.0m
AER: +60.9% CER: +63.0%



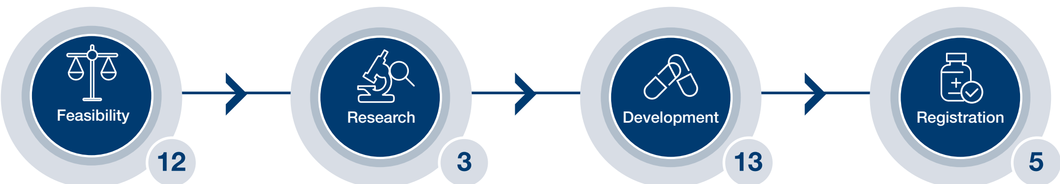
Reported Diluted Earnings Per Share
51.03p
AER: +55.8% CER: +56.1%



Strategic Progress
- All product categories delivering growth, CAP and Equine performance exceptional.
- Strong organic growth in all key markets.
- Good progress continues to be made on product pipeline.
- Mirataz® and Osurnia® both performing well

Financial Performance
- Revenue growth of 21.0% to £608.0 million.
- Underlying operating profit increased by 29.2% to £162.2 million.
- Underlying EBIT margin increased by 170 bps to 26.7%.
- Underlying diluted EPS increased by 19.4% to 108.14 pence.
- Reported operating profit growth of 63.0%.
- Full year dividend increased by 18.1% to 40.50 pence.

Our Product Pipeline
A key strategic priority for the Group is the delivery and strength of the pipeline. We currently have 33 projects in the product development process:



Read more about our Product Development on pages 42 to 45.

Our Key Strengths

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

1

Well Recognised Brand

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

2

Balance Sheet Strength

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

3

Successful Acquisition History

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

4

Manufacturing Capabilities

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

5

Skilled People

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

6

Our Purpose

Dechra's purpose is the sustainable improvement of animal health and welfare globally and this is intrinsic in our Values, the way we do business and in the decisions we make when developing and implementing our Environmental, Social and Governance (ESG) framework.

7

Our Breadth of Breadth of Products

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

8

Our Growing Global Footprint

Dechra's origins lie in the companion animal markets of Western Europe and North America. We have built on this platform, extending our footprint globally through greenfield sites and acquisitions.

Further international expansion is one of our four strategic growth drivers.

9

Our Strong and Innovative Product Development Pipeline

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

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

10

Our High Quality Expertise

We support our customers in our key therapeutic areas with technical helplines, continuing education through online learning, webinars and lectures by key opinion leaders.

Our sales approach relies on strong partnerships with practice groups and individual veterinarians, strengthened by key opinion leaders and distribution partners.

Our Purpose, Strategy, Values and Culture

We believe that our success is based upon providing our stakeholders with a clear strategic plan that is aligned to our Purpose. We believe this alignment drives improved focus, innovation, collaboration and efficiencies towards delivering our objectives.

Our Purpose

What we do

The sustainable improvement of animal health and welfare globally

Our Approach to ESG

Our ESG strategy is based on our Purpose and Values

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

Our Strategy

How we achieve our purpose

Strategic Growth Drivers

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

Strategic Enablers

- Manufacturing & Supply Chain
- Technology
- People
- ESG

Read more about Our Strategy on pages 20 to 23.

Read more about our Strategic Growth Drivers case studies on pages 38 to 40.

Our Values

Fundamental beliefs that underpin everything we do

Dedication

Enjoyment

Courage

Honesty

Relationships

Ambition

Our Culture

Ethical foundation enabling better decisions every day

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 we support them by providing clear guidance on expectations.

Read more about our monitoring of Culture in Our Governance Report on pages 93 and 94.

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 heath and welfare.

Global Policies that support Culture:

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

Dechra Values:

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

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

Dechra at a Glance

Our Products

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

Companion Animal Products (CAP)

Species: Dogs and cats.

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

72.8% of Group Revenue

Food producing Animal Products (FAP)

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

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

12.7% of Group Revenue

Equine

Species: Horses and ponies.

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

7.3% of Group Revenue

Nutrition

Species: Dogs and cats.

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

5.2% of Group Revenue

Our Structure

EU Pharmaceuticals

Dechra Veterinary Products EU (DVP EU)
Markets and sells Dechra's products in 19 countries. The key products are predominantly CAP, Equine and FAP. DVP EU also markets a range of specialist, therapeutic and maintenance pet diets, branded Specific®.

517
Employees

International Pharmaceuticals

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

354
Employees

North America Pharmaceuticals

Dechra Veterinary Products NA (DVP NA)
Markets and sells Dechra's veterinary products across Canada, Mexico and the US. DVP US and Canada currently markets CAP and Equine medicines. DVP Mexico markets CAP, FAP and Equine medicines, mainly in Mexico and also exports to Central American countries.

245
Employees

Manufacturing & Supply Chain

Dechra Pharmaceuticals Manufacturing and Supply (DPM&S)
Produces approximately 40% of Dechra's pharmaceuticals and manufactures for a limited number of third parties on a contract basis. Its objectives are to produce Dechra's product range efficiently to the highest quality standards, and to maintain a reliable supply chain.

640
Employees

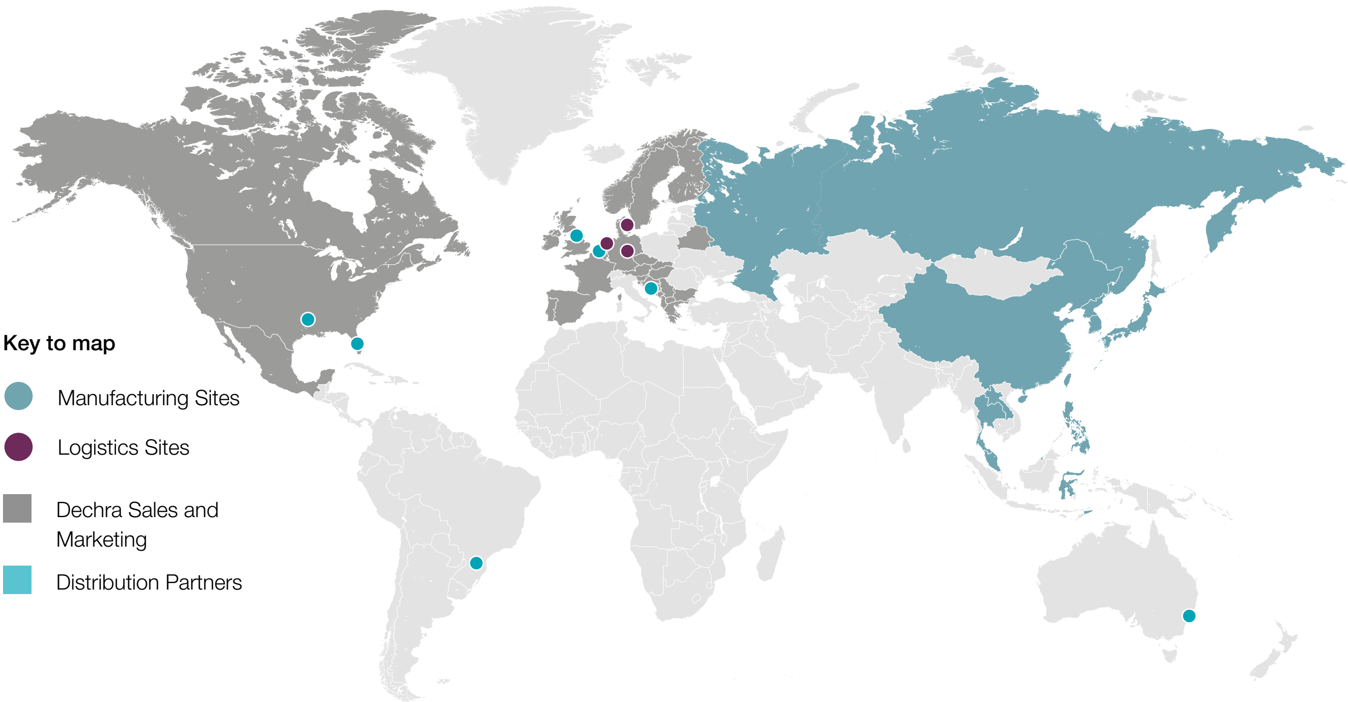
Product Development and Regulatory Affairs (PDRA)

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

163
Employees

Our Global Footprint

We currently have sales and marketing organisations in 25 countries and market our products in 68 other countries worldwide through distributors or marketing partners.



North America

36.1%
of Group Revenue by Region

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

Major geographies: United States

Europe

51.9%
of Group Revenue by Region

Dechra Veterinary Products markets and sells Dechra's products in 41 countries either via its own sales and marketing organisations or via distributors. Its main distribution centre is in Denmark. There are manufacturing sites and Product Development and Regulatory Affairs teams in Croatia, the Netherlands and the UK.

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

Rest of the World

12.0%
of Group Revenue by Region

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

Major geographies: Australia, New Zealand, Asia and Brazil

Chairman's View

Tony Rice | Non-Executive Chairman

"I would like to thank Ian, the management team and all of our employees for their dedication and professionalism in delivering a terrific result in a year where COVID-19 has impacted so profoundly on our lives."

Read Corporate Responsibility Report on pages 52 to 75.

Welcome to the 2021 Annual Report in which you can read about the strong performance of the Group.

We have strengthened the Board with the appointment of Denise Goode in April 2021 as a Non-Executive Director. It is the intention that Denise will be appointed as Chair of the Audit Committee upon Julian Heslop's retirement from that role following the 2021 Annual General Meeting. We will continue to evolve the Board as necessary to ensure continuity and capability in Dechra going forward.

Environmental, Social and Governance

We have continued to develop our Environmental, Social and Governance (ESG) strategy by setting targets for each of the four pillars: Our People, Our Environment, Our Community and Our Business. The importance of this critical area is reflected in our decision to add ESG as our fourth enabler of our strategy alongside People, Technology, and Manufacturing and Supply Chain.

Our People: We employ 1,975 employees in 25 countries in a wide range of working environments, including manufacturing, logistics, laboratories, offices and mobile working. Our underlying objective is to provide a great and safe place to work. We ran our second Great Place To Work (GPTW) survey during the year, 90% of our employees responded to the survey and it is pleasing to report that 92% of the respondents feel that Dechra is a physically safe place to work and 88% are proud to tell others that they work at Dechra, which are eight percentage points above the average of the best organisations in the UK as awarded by GPTW.

Our Environment: We have committed to set science-based emissions reduction targets across the entire value chain that are consistent with keeping global warming to 1.5°C above pre-industrial levels. Dechra has also committed to a long term target to reach net zero emissions by no later than 2050.

Our Business: We have progressed the development of our sustainable packaging strategy. A cross functional team is looking at each stage of the packaging life cycle with the aim of understanding how Dechra can reduce its environmental impact when sourcing packaging materials through to the post-consumer choices during disposal/recycling.
We have set a target to build a sustainability review into our Product Development process by June 2023 and undertake a sustainability review of all of our products by June 2025.

Our Community: For the 2022 financial year, we will no longer run a centralised donations programme. Instead, we will allocate funds to our sites to enable decisions to be made by Regional Giving Committees.

Remuneration

In the last four years underlying operating profit has grown by 18.8%, dividends by 17.2% and our (12 month average) market capitalisation has increased by 315% (all on a compound annual growth basis). Our Remuneration Committee has been concerned for some time that certain of our senior executives' base salaries have not kept up with the increased size and complexity of the Group. During the financial year it has therefore undertaken a business wide review of remuneration, focusing in particular on the lowest paid in our organisation and the top 60 Senior Leaders. Further details can be found in the Directors' Remuneration Report.

Conclusion

I would like to thank Ian, the management team and all of our employees for their dedication and professionalism in delivering a terrific result in a year where COVID-19 has impacted so profoundly on our lives. Thank you for your continued support.

COVID-19 Update

Ian Page | Chief Executive Officer

Overview

We are pleased to report that the business has continued to perform strongly and remained fully operational throughout the COVID-19 pandemic influenced financial year. We reported in our 2020 Annual Report the governance structures we put in place to mitigate the impact of COVID-19 on our people and our business. We are pleased to report that we have:

- not furloughed any of our employees;
- not taken advantage of, or utilised, any government assistance in any country; and
- not undertaken any redundancy programmes related to the pandemic.

Once the consequences of COVID-19 on the global economy began to be understood, we introduced various measures that preserved cash which gave us all security in the financial strength of the business. We decided to delay the annual pay review process, normally effective from 1 September, until 1 January 2021. This allowed us to measure the ongoing impact of the pandemic, which along with other measures, were acts of caution to preserve cash until we got a better understanding of what the new 'normal' business would look like. We have now conducted a full review of our global remuneration policies and from 1 January 2021 no individual within Dechra will work below their respective nationally recognised living wage or equivalent. This was a year ahead of when we originally planned in the UK and even earlier in the rest of the world.

Read more about Remuneration on pages 119 to 146.

Our People

I would like to thank all our employees for their hard work, dedication and innovation throughout the year. Our employees have responded positively during the pandemic and have adapted to new ways of working demonstrating the agility that is a core part of our culture.

The measures that were put in place to enable all front line employees to operate safely in our 2020 financial year have remained; this has allowed all manufacturing and logistic sites and laboratories to remain open and continue to function effectively. All employees who can work from home have done so successfully. Our employees are now slowly returning, where it is safe to do so, to our offices, initially on a cohort basis, and in the field.

We have paid all of our site based employees (majority of our lowest paid staff work in manufacturing or logistics) a bonus to reward their commitment during the COVID-19 period. In March 2021, we were pleased to be accredited as a Living Wage Employer in the UK.

We have also benchmarked individuals within all levels of the Group, and have implemented above inflationary salary increases to numerous employees, to continue to provide a competitive and fair level of remuneration throughout the whole organisation, in line with our commitment to the remuneration policies we adopted in 2019.

Our Community

For the last 10 years we have operated a Group Donations scheme, whereby we encourage all employees to nominate a charity or non-commercial organisation for a charitable donation. We decided that we would give the 2021 financial year's donation to charities related to the effects of COVID-19. All the money this year was allocated to each country in which we have a manufacturing organisation in memory of Simon Francis, Group Manufacturing and Supply Director, who sadly passed away from COVID-19 last year. Please refer to our Corporate Social Responsibility section on pages 74 and 75 for further information.

We have developed a strong reputation for providing specialist and clinically necessary novel Companion Animal Products

Read more about Companion Animal Products on page 14.

Strategic Report

Our Marketplace

Global Market Dynamics

The Animal Health Market

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

Our Position in the Animal Health Market

There are only a small number of international businesses in our market, four of which have 42.7% of the world's market share. Dechra's objective is to continue to outperform the market and increase its market share, through the execution of its strategy.

Animal Pharmaceuticals vs. Human Pharmaceuticals

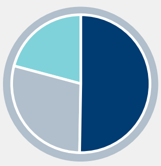
The business of developing and marketing animal pharmaceuticals shares a number of characteristics with human pharmaceutical businesses. These similarities include the need to conduct clinical trials to prove product safety and efficacy, obtain regulatory approval for new products, adhere to complex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

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

Types of Veterinary Practices

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

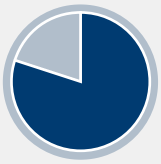
Veterinary Practices – Europe



Independents	51%
Buying Groups	29%
Corporates	20%

Source: DVP EU Sales Data June 2020

Veterinary Practices – North America



Independents	80%
Corporates	20%

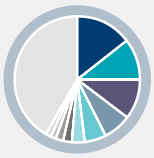
Source: DVP NA Sales Data June 2020

$45.4bn

Market Size

Source: Grand View Research 2020

Market Share by Competitor 2020



Zoetis	14.70%
Boehringer Ingelheim Animal Health	10.37%
Merck/MSD Animal Health	10.36%
Elanco	7.21%
IDEXX Laboratories	5.58%
Ceva Santé Animale	3.27%
Virbac	2.35%
Philbro Animal Health	1.76%
Huvepharma	1.47%
Dechra Pharmaceuticals	1.43%
Other	41.50%

Source: Animal Pharma 2021 & Grand View Research 2020

Data as at 31 December 2020 except Dechra (as at 30 June 2020)

Key Trends and Our Response

1 Distributors looking to change their historic veterinary supply route to provide a direct to consumer (dog and cat owner) model.

Our products are predominantly Prescription Only Medicines (POMs), so our ultimate partner in the supply chain will remain the veterinarian who will continue to write a prescription.

Through education, technical support and innovation, we endeavour to ensure the medicine prescribed and dispensed continues to be a Dechra product.

2 The veterinary profession has been going through a period of change for several years as corporates are continuing to consolidate independent practices.

Our relationship with these groups is very important; we are increasingly focused on key account management. We have modified our sales and marketing approach to focus on building relationships with our corporate and buying group customers and to understand better their needs and expectations. We have dedicated corporate account teams in Europe and North America.

3 We have seen growth in the companion animal market for many years due to veterinarians' capabilities, improved nutrition, increased longevity of pets and the owner's willingness to continue to increase spending on pets. This trend has historically been in Western Europe, North America and other selected markets; however, in the developing world we are now seeing the status of pets increase, creating new markets.

We will continue to innovate in specialist medicine and increase our portfolio in our key areas of therapeutic specialisations. To further the optimal use of our medicines we are increasing the provision of technical support services through experienced veterinarians. We are also expanding our geographical footprint and investing money in product registrations in new developing markets.

4 The veterinary market is seeing a continued increase in global regulatory requirements and quality production standards through more stringent site inspections.

We are strengthening our regulatory teams so we can comply with the respective medicines agencies' requirements and expanding our quality function to enable manufacturing sites to produce products which meet the highest standards.

5 With the global increase in population and the improvement in developing countries' economies, there is a huge increase in demand for high quality animal protein and dairy products.

We are consistently strengthening our FAP business both with new products and through international expansion. We are enhancing our range which includes our market leading swine and poultry water soluble antibiotics, and with our vaccines we are increasing our registration activity to obtain marketing authorisations in new markets.

We also own the global marketing rights to Animal Ethics' ethical pain treatment for farm animals, Tri-Solfen®, which we are registering for sheep, cattle and pigs in numerous global markets.

6 COVID-19 has had a wide ranging impact on the global economy.

Dechra has benefited from the strong market dynamics. There is conflicting evidence as to the reasons behind the growth. In Europe, it is believed that pet ownership is increasing; however, in the US there is strong evidence to say that veterinary consultations are slightly down on previous years, and the growth is due to people spending longer with their pets thereby identifying more illnesses and also having more disposable income to spend on their pets due to the lockdown.

Our Marketplace continued

Product Market Dynamics

Our products can be divided into four categories: Companion Animal Products (CAP), Food producing Animal Products (FAP), Equine, and Nutrition. All are targeted at providing veterinary professionals with solutions for their customers' needs.

Companion Animal Products (CAP)

72.8%
of Group Revenue

Species: Dogs and cats.

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

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

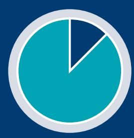
Market Description: The principal driver of growth in companion animal markets is the pet owners' compassion for their animals. The market has historically been orientated around developed countries such as Western Europe, North America, Australia and Japan. However, with increasing wealth in several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

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

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

Margin: The highest gross margin category, averaging over 70%, with development costs high for relatively small volume sales. However, sales and marketing costs are relatively high compared to other categories.

Food producing Animal Products (FAP)



12.7%
of Group Revenue

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

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

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

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

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

Our Market Position: Dechra entered the FAP sector through the acquisition of Eurovet in 2012; it currently represents 12.7% of revenue. The majority of our sales are currently antibiotics which are sold mainly into Europe. Western Europe has been extremely proactive over the last five years in reducing antibiotic use due to concerns over antimicrobial resistance and 'super bugs'.

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

Margin: Relatively low gross margins at approximately 35%. However, volumes are high and sales costs are relatively low as the products are sold mainly into large farm integrators.

Equine

7.3%
of Group Revenue

Species: Horses and ponies.

Key Therapeutic Sectors: Lameness and pain management.

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

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

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

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

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

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

Nutrition

5.2%
of Group Revenue

Species: Dogs and cats.

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

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

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

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

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

Margin: Highly competitive market where we compete with huge multinational retail companies. However, gross margins are robust at approximately 45%.

Our Business Model

Our products improve animal health and welfare. Our customer support, educational and training programmes help to inform and educate veterinarians around the globe to further improve animal health and welfare.

Our Key Resources and Relationships

Our Values

Our Culture and Values are important and have helped drive the Group's success.

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.

Technology
We are implementing a strong technology platform to enable us to operate efficiently. We also offer Continuing Professional Development (CPD) training via our e-learning system (the Dechra Academy) to veterinarians and veterinary nurses.

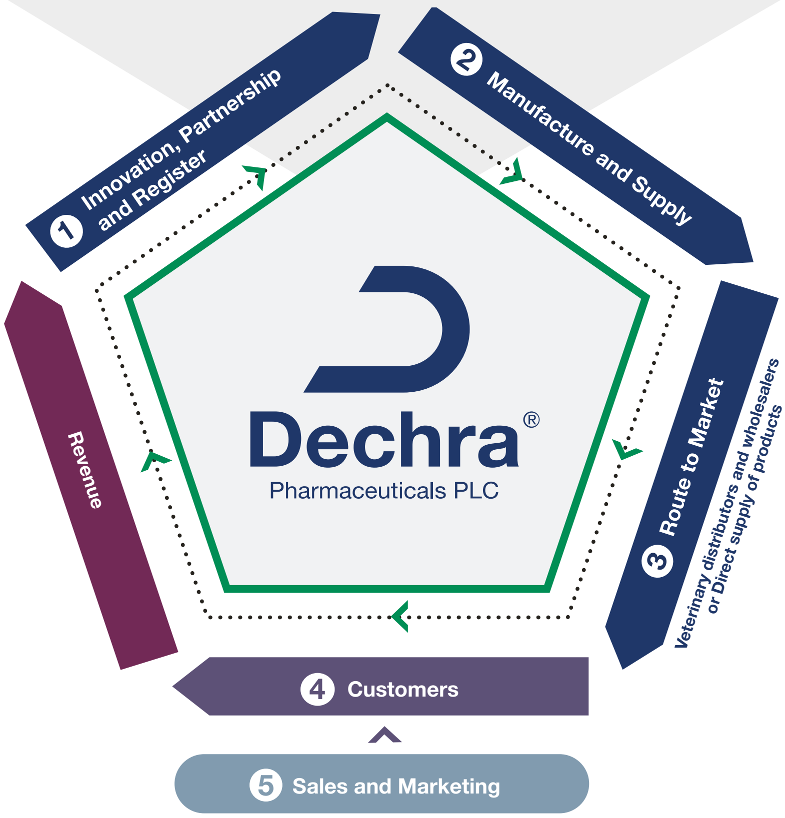
Manufacturing & Supply Chain
We have seven manufacturing sites across the globe and strong relationships with our CMO network. Our customers are serviced from two major logistics sites.

ESG
We empower our people to make a difference in our business, our communities and to our environment.

Read more about Delivering our Strategy on pages 20 to 23.

Our Key Activities

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



1
Innovation, Partnership and Register

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

How Ideas are Generated:

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

Innovative Products that Treat a Range of Conditions

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

Key Expertise for In-house Product Development

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

Product Development Process

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

Read more about Our Product Development on pages 42 to 45.

2
Manufacture and Supply

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

Our Range of Competencies

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

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

3
Route to Market

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

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

Types of Distribution Channels

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

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

Specialised Veterinary Wholesalers

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

4 Customers

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

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

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

5 Sales and Marketing

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

Sales Representatives

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

Customer Support

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

Educational and Training Programmes

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

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

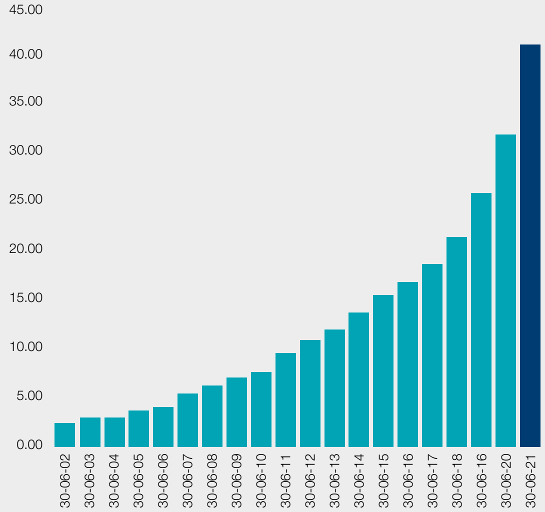
Creating Value for Our Stakeholders

Shareholders

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

21
Years of Dividend per Share Growth

40.50p
Total Dividend per Share in 2021



Communities

We contribute to the social and economic welfare of the local communities in which we operate. Our community ethos is aligned with our Purpose and Values.

£72k
Cash Donations

£310k
Product Donations

People

Our employees are our greatest asset. We employ 1,975 employees in 25 countries in a wide range of working environments. Our ongoing objective is to continue to be a high performing business, driven by highly skilled and committed teams.

326
New Employees

266
Delta (Employee) Training Courses

Veterinary Professionals

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. We invest in our Manufacturing and Supply Chain competencies to meet demand.

549
Veterinary Academy Courses

51,569
Shipments from Uldum, Denmark

Delivering Our Strategy

Our priorities for each Strategic Growth Driver and Enabler are clearly defined and communicated and are outlined in the table on pages 22 and 23. 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 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 10

Portfolio Focus

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

Link to our KPIs: 1 2 3 4 5

Link to our Risks: 1 2 4 5 8 9 10

Geographical Expansion

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

Link to our KPIs: 1 2 3 4 5

Link to our Risks: 2 5 7 8

Acquisition

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

Link to our KPIs: 1 2 3 4 5

Link to our Risks: 6 7

Our Strategic Enablers Support the Execution of Our Strategy

Manufacturing and Supply Chain

People

Link to our KPIs: 1 2 3 4 5 6 7

Technology

Link to our Risks: 4 7 9 10

ESG

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

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

Our Progress in Numbers

2021

5,699 Product registrations in 2021

68 Countries distributed to in 2021

25 Sales and Marketing organisations in 2021

7 Manufacturing sites owned in 2021

1,975 Number of employees in 2021

2021 Revenue £608.0m

Acquisition of *Osurnia*
Expands our product portfolio

Acquired a further 1.5% of Medical Ethics
Strengthens pipeline

2020 Revenue £515.1m

Acquisition of Ampharmco
Supports US manufacturing

Acquisition of *Mirataz*
Expands our product portfolio

2019 Revenue £481.8m

Acquired a further 15% of Medical Ethics
Strengthens pipeline

Acquired Venco
Access to Brazil and South American markets

Acquired trade and assets of Caledonian
Access to equine products

2018 Revenue £407.1m

Acquired Le Vet
Adds to EU product portfolio

Acquired AST Farma
Strengthens Dutch market position and provides direct-to-vet relationship

2017 Revenue £359.3m

Acquired *RxVet*
Access to New Zealand

Acquired 33% of Medical Ethics
Access to novel product development

2016 Revenue £247.6m

Acquired Putney
Transformational US deal

Acquired Apex
Access to Australian CAP market

2015 Revenue £203.5m

Commenced trading in Canada and Poland

Acquired Genera
Entry into poultry vaccines

2014 Revenue £193.6m

Commenced trading in Italy

Acquired PSPC
US bolt-on

2014

1,327 Product registrations in 2014

40 Countries distributed to in 2014

13 Sales and Marketing organisations 2014

3 Manufacturing sites owned in 2014

1,287 Number of employees in 2014

Delivering Our Strategy continued

Our Strategic Growth Drivers

Pipeline Delivery

Our Achievements

2017

- Signed Animal Ethics licensing agreement, and building pipeline of other in-licensing opportunities
- Vaccines development strategy defined as new opportunities identified
- Amoxi-Clav tablet development completed

2018

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

2019

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

2020

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

Our Progress

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

Portfolio Focus

Our Achievements

2017

- Strong CAP and Equine growth continuing across the Group, FAP returned to growth
- Enlarged NA business growth due to unblocking of Putney distribution channels
- Increased effective use of tools in EU and NA

2018

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

2019

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

2020

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

Our Progress

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

Geographical Expansion

Our Achievements

2017

- Several international product registrations achieved
- Established Dechra Veterinary Products (DVP) International business
- Commenced appointment of the DVP International team

2018

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

2019

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

2020

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

Our Progress

2021

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

Acquisition

Our Achievements

2017

- Acquisition of Apex, opening up new bridgehead into Australasia and South East Asia
- Acquisition of 33% of Medical Ethics Pty Ltd provides the Group with secure access to novel therapeutic areas/ product development

2018

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

2019

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

2020

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

Our Progress

2021

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

Our Strategic Enablers

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

Our Achievements

2017

- Developed new Manufacturing and Supply Chain strategy
- Ongoing progress in Oracle deployment
- IT user hardware standardised across the Group

2018

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

2019

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

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

Our Progress

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

Chief Executive Officer's Statement

Ian Page | Chief Executive Officer

"Dechra has continued to outperform a robust market throughout the COVID-19 pandemic affected financial year. As we start the new financial year trading remains strong with the momentum and market penetration seen in the second half of the prior financial year continuing."

Glossary

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

EMA: European Medicines Agency

ERP: Enterprise Resource Planning

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

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

FAP: Food producing Animal Products

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

Introduction

I am pleased to report that Dechra has continued to outperform a robust market throughout the COVID-19 pandemic affected financial year. All product groups; Companion Animal Products (CAP), Food producing Animal Products (FAP), Equine and Nutrition have delivered solid growth and the recent acquisitions of Osurnia® and *Mirataz* have delivered good additional growth.

COVID-19

We have benefited from above average market growth in the majority of our key CAP markets. The reasons for this market growth are not yet fully defined. In the UK there have been reports of an increased number of dogs; however, recent information from the United States indicates that veterinary practice visits by pet owners have marginally declined. What is clear is that people have been spending more time with their pets and have therefore been more cognitive of their welfare, and with disposable income being higher than normal due to lockdown, expenditure per pet has increased.

Dechra has operated exceptionally well throughout the pandemic; all manufacturing sites and laboratories have remained operational and communication with customers through digital media by our highly motivated commercial teams has been excellent.

Operational Review

EU Pharmaceuticals Segment

In the year our European (EU) Pharmaceuticals Segment reported net revenues increased by 20.2% at CER (20.1% at AER). This Segment includes our International business, which is detailed below. It also includes non-core business, such as third party contract manufacturing, which we continue to exit as strategically planned. Existing revenues, excluding third party contract manufacturing and including the like-for-like impact of recent acquisitions, increased by 16.7% at CER (16.6% at AER).

This growth is due to improved supply combined with very successful digital sales and marketing interaction with our customers, supported by professional key account management. We have delivered high double digit revenue growth in nearly all areas of the business, and almost all countries in Europe delivered high single or double digit growth.

International Pharmaceuticals

Our International team continues to perform strongly, especially in the territories where we have our Dechra branded sales and marketing organisations: Australia, New Zealand and Brazil. Our geographical expansion in other territories through distribution partners has also delivered growth which has been enhanced with *Osurnia* which is now sold into 15 international markets with exceptionally high sales in Japan. Most of our key brands are now registered in Australia where we are now also able to market our leading endocrine products in Dechra livery as the previous distribution agreement with a third party has come to term. In Brazil the growth from our core vaccines has been enhanced with the successful registration of a number of our leading CAP products.

NA Pharmaceuticals Segment

Our North America (NA) Pharmaceuticals Segment net revenues increased by 22.2% at CER (14.6% at AER), driven primarily by strong organic growth on existing products (16.7% at CER, 9.4% at AER) and incremental sales performance on recently acquired products, *Mirataz* and *Osurnia*. Strong growth from Canada and Mexico also contributed to North America's success.

Organic growth can be attributed to an improved supply chain, increased volumes from market growth as a result of higher pet spend during the pandemic, and market share gains as we continue to execute strategic marketing initiatives.

Due to the strong growth in the US, we have continued to expand our commercial organisation. The CAP team has expanded to 88 field sales representatives and 18 tele-sales representatives divided amongst nine US regions.

Product Category Performance

CAP

Companion Animal Products (CAP), which represent 72.8% of Group turnover, grew by 25.9% at CER (19.2% organically) in the Period. Organic growth was driven by increased market shares in our key therapy areas of Endocrinology, Anaesthesia/Analgesia, and Internal Medicine in the EU and across all categories in the USA. Additionally, we successfully launched our two key new products, *Mirataz* and *Osurnia*, in several markets during the period. Marboquin, launched in the USA, exceeded sales expectations.

FAP

The strong performance in Food Producing Animal Products (FAP) during recent years, which represents 12.7% of Group turnover, has slowed to 4.7% at CER (4.7% organically) this year due to a number of factors. In certain key FAP markets we have seen a reduction in meat consumption as restaurants closed as a result of COVID-19. Additionally meat production in several markets has been negatively impacted by outbreaks of African Swine Fever and Avian Influenza.

Equine

Equine, which represents 7.3% of Group turnover, grew by 25.5% at CER (25.5% organically). This growth was driven partly by the life cycle improvement to a key product, Equipalazone®, where we added an additional flavouring, and by the launch of a number of Le Vet pipeline products, which have strengthened our overall Equine portfolio.

Nutrition

Nutrition represents 5.2% of Group turnover and grew by 9.4% at CER (9.4% organically). After several years of decline, it is very pleasing to report that our Nutrition business has delivered strong growth in the year. This can be attributed to the recently formed Business Unit which has worked closely with key markets and key customers, to rebuild confidence in the range and to attract new customers to the Specific brand.

Product Development and Regulatory Affairs (PDRA)

Overview

Our Regulatory and Development teams have continued to be effective throughout the COVID-19 pandemic as our clinical trials group was able to work remotely with veterinarians and laboratories that were participating in clinical and non-clinical studies.

In preparation for full implementation of new regulations for the authorisation and supervision of veterinary medicinal products (EU Reg 2019/6), which comes into effect in January 2022, an internal working group has been formed to ensure Dechra remains in compliance.

The pharmaceutical development laboratories in the UK, Croatia and Netherlands remained operational during the pandemic by adopting staggered schedules. The laboratories increased formulation capacity with additional people and new equipment, including a new chromatography modelling system.

The vaccine development laboratory in Zagreb received Good Laboratory Practice (GLP) certification and has expanded their capacity for studies.

Pipeline Progress

Good progress continues to be made on the pipeline; the final sections of a dossier for a new canine sedative for the USA have been submitted. It is also pleasing to report that we are still delivering favourable results on the dog and cat proof of concept studies for the diabetes drugs being developed in partnership with Akston Biosciences. Following our right to evaluate the cat product, we subsequently signed a licensing and supply agreement on 4 February 2021.

Product Approvals

Numerous marketing authorisations have been achieved throughout the year. Although none is material in its own right, they all strengthen the existing portfolio in Dechra territories and enhance our International portfolio, an increasing area of strategic importance. Major approvals in Dechra territories are:

- in Europe and the UK they included Apovomin Injection, Clindacutin Ointment, Lodipred Tablets, Metomotyl Flavoured Tablets, and Rexxolide® Injection. Apovomin is a gastrointestinal product for dogs; Clindacutin is a topical dermatological product; Lodipred is a treatment for hypertension in cats; Methomotyl is a gastrointestinal product for dogs; *Rexxolide* is an antimicrobial for cattle, pigs and sheep;
- the first approval in Europe for a product included in our agreement with Medical Ethics was Equi-Solfen®, a topical anaesthetic for horses. This is an equine version of Tri-Solfen® which was approved in Portugal;
- Carprofen Flavoured Tablets, an anti-inflammatory for dogs, were approved in the USA;
- *Mirataz* Transdermal Gel was registered in Canada;
- three new products and one line extension were registered in Australia and New Zealand, two new approvals in Mexico and four new approvals in Brazil;
- a 5 mg strength for *Vetoryl* Capsules was registered in Europe, and a number of established products already registered in the EU, have now received approval in new territories, including Avishield® IB GI-13, *Avishield* IBD Plus, Comfortan®, Myodine and Phenoleptil; and
- Internationally we have received 38 approvals across our key brands in countries including Albania, Bolivia, Costa Rica, Israel, Jordan, Kenya, Puerto Rico, South Africa, Tanzania, Ukraine, United Arab Emirates and Venezuela.

Chief Executive Officer Statement continued

Acquisitions

The recent product acquisitions of *Mirataz* and *Osurnia* are both performing strongly. *Osurnia* is performing above our expectations in the EU, despite the launch of a competitor product, and has also exceeded our expectations in Japan and Australia. In the USA we are gaining market share having reduced the price to compete better with the market leading product. We continue to pursue registrations in new territories.

Mirataz continues to perform exceptionally well within the USA market following a successful marketing campaign for this clinically necessary unique product. It has now also been launched in all our major European territories and initial sales are strong. We expect to receive approval to market the product in other countries imminently.

We were pleased to announce on 8 February 2021 the acquisition of the Australian and New Zealand marketing rights for Tri-Solfen® from Animal Ethics Pty Ltd, a related party. Tri-Solfen® has already been successfully introduced to the Australian market for pain relief in lambs since 2008 and was approved and launched for use in cattle in 2019, achieving cumulative annualised sales of AUD9.1 million (£5.1 million). This acquisition allows us to create a meaningful FAP presence in the Australian and New Zealand markets as we build a new sales infrastructure. Additionally, we have acquired a further 1.5% of the issued share capital, taking our holding in Animal Ethics Pty Ltd's parent company, Medical Ethics Pty Ltd, to 49.5%. We are in the process of recruiting a FAP sales team and have commenced marketing the product in Dechra livery post the end of the 2021 financial year.

Manufacturing and Supply

We have made huge progress with improvements to the supply chain. Backorders have been materially reduced and quality systems and processes enhanced. The upcoming implementation of a recently approved new quality management system will further enhance our manufacturing capabilities. We continue to make good progress on the technical transfer of Dechra products, predominantly into our Zagreb facility, where we have just been awarded Croatian Employer of the Year for people with disabilities. Our Bladel, Netherlands, facility continues to prepare for an FDA audit so that we can bring in-house sterile injectable manufacturing for some of our US products. In Skipton, UK, we have now ceased all the third party human products manufacturing so it now purely produces Dechra's own brands. Work has been completed in Australia to prepare ourselves for TGA quality approval; we are now awaiting inspection. If successful, we will be able to export products from this site to outside of Australia. We have completed a capital investment programme in a new water for injection system, a key component in all production, in our Londrina vaccine facility in Brazil as we continue to progress our site development and quality improvement strategy. We have now closed our Mexican manufacturing facility and have transferred the legacy products we wished to retain from the original acquisition to local third party manufacturers.

Technology

I am pleased to report that an external research survey in the UK has voted Dechra's online Academy for veterinarians and veterinary nurses as the best in class in the industry. This is an amazing achievement given the scale of Dechra compared to the market leading companies in animal health.

Digital communication with our customers has been enhanced with upgraded video conferencing systems, improved security of key servers and additional support for home workers' queries.

We have relaunched both the Dechra Pharmaceuticals PLC and Dechra Veterinary Products web sites on new, improved platforms and have also developed and launched a new internal, advanced intranet site branded OneDechra.

In the year we successfully launched a global payroll system, partnering with ADP Celergo, which is live in 16 countries with the roll out across the entire Group expected to be completed within the 2022 financial year.

Our sales and marketing database on the Salesforce software platform, which we have used successfully for a number of years in the US, has now gone live across Europe. This will improve our knowledge of, and relationship with, our customers and will allow us to better measure sales team performance and activity.

We have recently approved the implementation of a new quality and document management system which will operate across Manufacturing, Product Development and Regulatory Affairs. Implementation has commenced in this new financial year.

People

The main factor behind Dechra's success is its people. I would like to thank all our employees for their hard work, dedication and innovation throughout the year.

In a world affected by COVID-19 it is a great achievement for the Group to be paying the minimum of a living wage in every country in which we operate and we have now formally had accreditation for this status in the UK. We conducted the Great Place to Work survey in the year to which over 90% of all our global employees responded. We achieved an excellent engagement and trust rating of 77%, far higher than the vast majority of companies of our scale and ten points higher than the previous time we ran the survey three years ago. We have launched a Dechra Leadership Development Programme, incorporating diversity and inclusion modules and we have also updated the global talent review process. We have invested in our first in-house recruitment team who are proving a great success in bringing talent to the Group, delivering us considerable savings on recruitment costs.

After five years of successfully chairing the Group, Tony Rice has indicated that he has decided to step down to devote more time to his family and his other business and charitable activities. We will commence the search for his replacement; at this time no specific date has been set for his departure. He will continue as Chairman of the Group until a successor has been appointed.

The Board was strengthened with the appointment of Denise Goode as a Non-Executive Director in April 2021. It is the intention that Denise will be appointed as Chairman of the Audit Committee upon Julian Heslop's retirement from the role following the 2021 Annual General Meeting.

Following the appointment of Milton McCann as Group Manufacturing and Supply Director, we have increased the strength and depth of his management team, most notably in the Quality function with a Group Quality Director, an Internal Manufacturing Quality Director and a Third Party Quality Director to monitor and manage the processes of our outsourced products.

Environmental, Social and Governance (ESG)

Last year we refined our ESG strategy which is based on four pillars; Our People, Our Environment, Our Business and Our Communities. The world is facing significant global challenges such as climate change and inequality and we strongly believe that a sustainable and purposeful business in line with these pillars will drive superior long term performance.

During the year, we appointed Carina Kjellberg as our first Group Sustainability Director. Subsequently we have executed a ‘Making a Difference’ plan which involves setting targets and the launch of some major projects. In particular, we have delivered, ahead of plan, on our ambition to be a living wage employer and have committed to setting verifiable targets across the entire value chain through the Science Based Target initiative (SBTi). We have set out how we plan to use our available resources to benefit the local communities in which we operate. This includes the provision of 100,000 community hours by 30 June 2030, roughly equivalent to one full day per year per employee. We have also established Regional Giving Committees, which will allow our employees to decide what matters most in their local communities and which organisations will receive our annual charity donations.

Dividend

The Board is proposing a final dividend of 29.39 pence per share (2020: 24.00 pence per share). Added to the interim dividend of 11.11 pence per share (2020: 10.29 pence per share), this brings the total dividend for the financial year ended 30 June 2021 to 40.50 pence per share (2020: 34.29 pence per share), representing 18.1% growth over the previous year.

Subject to shareholder approval at the Annual General Meeting to be held on 21 October 2021, the final dividend will be paid on 19 November 2021 to shareholders on the Register at 29 October 2021. The shares will become ex-dividend on 28 October 2021.

Outlook

As we start the new financial year trading remains strong with the momentum and market penetration seen in the second half of the prior financial year continuing. We have made significant operational improvements by strengthening our infrastructure and by investment in our greatest resource, our people. Although COVID-19 related travel restrictions have limited acquisition activity, we have still been able to identify and progress numerous strategic opportunities to strengthen our product portfolio and development pipeline. We therefore remain confident in our ability to successfully execute our strategy and in our future prospects.

Ian Page
Chief Executive Officer
6 September 2021

Financial Review

Paul Sandland | Chief Financial Officer

"The Group delivered excellent year on year organic revenue and profit growth supplemented by the product acquisitions of *Erataz* and *Osurnia*."

Glossary

IFRSs: International Financial Reporting Standards as adopted by the EU

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

FAP: Food producing Animal Products

bps: basis points

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

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

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

Overview of Reported Financial Results

To assist with understanding our reported financial performance, the consolidated results below are split between existing and acquired businesses; acquisition includes the incremental effect of those businesses acquired in the current and prior year, reported on a 'like-for-like' basis. Additionally, the following table shows the growth at both reported actual exchange rates (AER), and constant exchange rates (CER) to identify the impact of foreign exchange movements. The acquisition operating loss includes underlying operating profit of £12.3 million and non-underlying charges of £14.9 million. These non-underlying charges comprise amortisation of acquired intangibles of £13.6 million and acquisition costs of £1.3 million.

Including non-underlying items, the Group's consolidated operating profit increased by 63.0% at CER (60.9% at AER) whilst consolidated profit before tax increased by 81.4% at CER (80.9% at AER), benefiting from a reduction in net finance costs. Diluted EPS growth was restricted to 56.1% at CER (55.8% at AER) primarily reflecting the impact of the increase in the Netherlands and UK tax rates on deferred tax balances.

As Reported	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	Growth at AER Consolidated %	*Growth at CER Consolidated %*
Revenue	584.0	24.0	608.0	515.1	18.0%	*21.0%*
Gross profit	331.6	14.3	345.9	291.6	18.6%	*21.3%*
Gross profit %	56.8%	59.6%	56.9%	56.6%	30bps	*20bps*
Operating profit/(loss)	86.6	(2.6)	84.0	52.2	60.9%	*63.0%*
EBIT %	14.8%	(10.8%)	13.8%	10.1%	370bps	*360bps*
Profit/(loss) before tax	77.1	(3.1)	74.0	40.9	80.9%	*81.4%*
Diluted EPS (p)			51.03	32.76	55.8%	*56.1%*

Overview of Underlying Financial Results

When presenting our financial results, we use a number of adjusted measures which are considered by the Board and management in reporting, planning and decision making. Underlying results reflect the Group's trading performance excluding non-underlying items. A reconciliation of underlying results to reported results in the year to 30 June 2021 is provided in the table below. In the commentary which follows, all references will be to CER movement unless otherwise stated.

		Non-underlying Items			
	2021 Underlying Results £m	Amortisation and related costs of acquired intangibles £m	Acquisition, impairments and restructuring costs £m	Tax rate changes and finance expenses £m	2021 Reported Results £m
Revenue	608.0	–	–	–	608.0
Gross profit	345.9	–	–	–	345.9
Selling, general and administrative expenses	(151.3)	(70.8)	(3.0)	–	(225.1)
R&D expenses	(32.4)	(4.4)	–	–	(36.8)
Operating profit	162.2	(75.2)	(3.0)	–	84.0
Net finance costs	(11.7)	–	–	2.8	(8.9)
Share of associate profit	(0.4)	(0.7)	–	–	(1.1)
Profit before tax	150.1	(75.9)	(3.0)	2.8	74.0
Taxation	(32.5)	16.5	2.7	(5.2)	(18.5)
Profit after tax	117.6	(59.4)	(0.3)	(2.4)	55.5
Diluted EPS (p)	108.14				51.03

In the year, Dechra delivered consolidated revenue of £608.0 million, representing an increase of 21.0% on the prior year. This included £584.0 million from its existing business, an increase of 16.2%, and a £24.0 million contribution from acquired businesses.

Consolidated underlying operating profit of £162.2 million represents a 29.2% increase on the prior year. This included £149.9 million from Dechra's existing business, an increase of 19.5% on a like-for-like basis, and a £12.3 million contribution from acquired businesses.

Underlying EBIT margin increased by 170 bps to 26.7%, principally due to leverage from the acquisitions and also a reduction in Selling, General and Administrative expenses (SG&A) spend as a percentage of revenue.

Underlying diluted EPS grew by 19.4% to 108.14 pence reflecting the profit growth from the existing and acquired businesses offset by higher net finance costs, tax charges and the full year impact of the equity placing in June 2020.

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

Financial Review continued

Underlying	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	Growth at CER Existing %	Growth at CER Consolidated %
Revenue	584.0	24.0	608.0	515.1	16.2%	21.0%
Gross profit	331.6	14.3	345.9	291.6	16.3%	21.3%
Gross profit %	56.8%	59.6%	56.9%	56.6%	10bps	20bps
Underlying Operating profit	149.9	12.3	162.2	128.3	19.5%	29.2%
Underlying EBIT %	25.7%	51.3%	26.7%	24.9%	70bps	170bps
Underlying EBITDA	165.3	12.4	177.7	142.5	18.6%	27.4%
Underlying Diluted EPS (p)			108.14	92.19		19.4%
Dividend per share (p)			40.50	34.29		18.1%

Reported Segmental Performance

Reported segmental performance is presented in note 2 on pages 175 to 176. The effect of acquisitions in the year was material; the reported segmental performance is analysed between existing and acquired businesses, and at AER and CER in the table below. The acquisition elements capture the additional base business coming into the Group up to the first anniversary of their acquisition, including the growth Dechra generated in them during the year, and the synergies that have already been realised by the Group since acquisition. This analysis becomes less definitive the further in time from the completion of the acquisition, as the acquired business is progressively integrated with the existing business.

Reported	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	Growth at AER Existing %	Growth at AER Consolidated %	Growth at CER Existing %	Growth at CER Consolidated %
Revenue by segment								
EU Pharmaceuticals	374.4	14.1	388.5	323.5	15.7%	20.1%	15.9%	20.2%
NA Pharmaceuticals	209.6	9.9	219.5	191.6	9.4%	14.6%	16.7%	22.2%
Total	584.0	24.0	608.0	515.1	13.4%	18.0%	16.2%	21.0%
Operating profit/(loss) by segment								
EU Pharmaceuticals	120.2	7.6	127.8	100.0	20.2%	27.8%	19.4%	26.9%
NA Pharmaceuticals	71.2	4.7	75.9	63.7	11.8%	19.2%	19.6%	27.5%
Pharmaceuticals Research and Development	(32.4)	–	(32.4)	(28.4)	(14.1%)	(14.1%)	(17.3%)	(17.3%)
Segment operating profit	159.0	12.3	171.3	135.3	17.5%	26.6%	20.0%	29.2%
Corporate and unallocated costs	(9.1)	–	(9.1)	(7.0)	(30.0%)	(30.0%)	(28.6%)	(28.6%)
Underlying operating profit	149.9	12.3	162.2	128.3	16.8%	26.4%	19.5%	29.2%
Non-underlying operating items	(63.3)	(14.9)	(78.2)	(76.1)				
Reported operating profit	86.6	(2.6)	84.0	52.2	65.9%	60.9%	67.6%	63.0%

Underlying Segmental Performance

European Pharmaceuticals

Revenue in European (EU) Pharmaceuticals grew by 20.2%. The existing business grew by 15.9%; excluding third party contract manufacturing, which is being reduced in line with our strategy and replaced with own product manufacturing, revenues increased by 16.7%. This growth was driven by a strong performance across all established European markets and also in the key International businesses in ANZ and Brazil. The acquisitions of *Murataz* and *Osurnia* contributed a combined £14.1 million to revenue for the Period where there is no comparative.

Operating Profit from existing business increased by 19.4%, with operating margin increasing to 32.1% and consolidated operating margin increasing to 32.9%. This improvement was due to strong in market delivery as the demand for CAP products increased, whilst the rate of SG&A spend was lower as a result of COVID-19.

Underlying	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	*Growth at CER* *Existing* %	*Consolidated* %
Revenue	374.4	14.1	388.5	323.5	*15.9%*	*20.2%*
Operating Profit	120.2	7.6	127.8	100.0	*19.4%*	*26.9%*
Operating Profit %	32.1%	53.9%	32.9%	30.9%	*90bps*	*170bps*

North American Pharmaceuticals

Revenue from North American (NA) Pharmaceuticals grew by 22.2% to £219.5 million. The existing business grew by 16.7% reflecting strong demand for our CAP products in the US, Canada and Mexico. The acquisitions of *Osurnia* and *Murataz* added £9.9 million to revenue for the period.

Operating Profit from existing business grew 19.6% with operating margin increasing to 34.0% and consolidated operating margin increasing to 34.6%.

Underlying	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	*Growth at CER* *Existing* %	*Consolidated* %
Revenue	209.6	9.9	219.5	191.6	*16.7%*	*22.2%*
Operating Profit	71.2	4.7	75.9	63.7	*19.6%*	*27.5%*
Operating Profit %	34.0%	47.5%	34.6%	33.2%	*90bps*	*150bps*

Pharmaceuticals Research and Development

Pharmaceuticals Research and Development (R&D) expenses increased by 17.3% from £28.4 million to £32.4 million representing 5.5% of existing revenue with some project spend being delayed due to COVID-19. This spend included £3.9 million in relation to Akston which remains on track for launch in 2026.

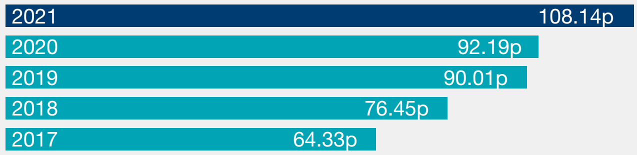
	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	*Growth at CER* *Existing* %	*Consolidated* %
R&D expenses	(32.4)	–	(32.4)	(28.4)	*(17.3%)*	*(17.3%)*
% of Revenue	5.5%	–	5.3%	5.5%		

Research and Development Spend

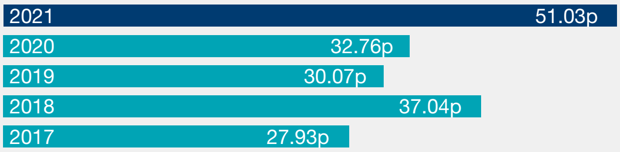
£32.4m

Financial Review continued

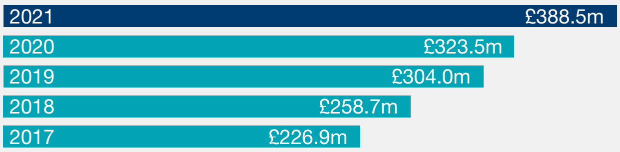
Underlying Diluted Earnings Per Share
108.14p



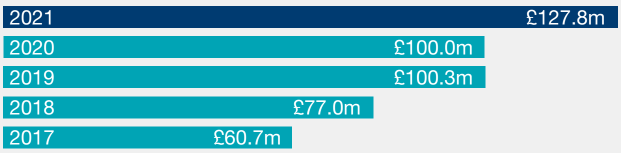
Reported Diluted Earnings Per Share
51.03p



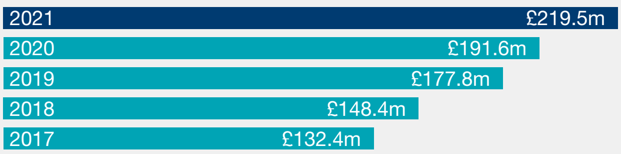
EU Pharmaceuticals Revenue
£388.5m



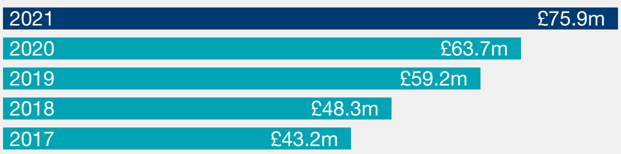
EU Pharmaceuticals Underlying Operating Profit
£127.8m



NA Pharmaceuticals Revenue
£219.5m



NA Pharmaceuticals Underlying Operating Profit
£75.9m



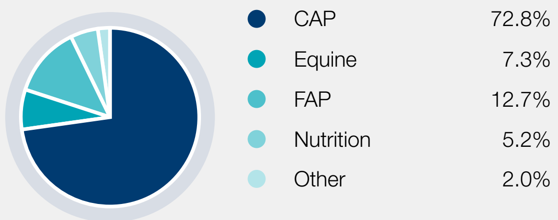
Revenue by Product Category

CAP revenue continues to be the largest proportion of Dechra's business at 72.8%, up from 70.1% in the prior year. CAP grew 25.9% in the year from market penetration, product launches and the additions of *Osurnia* and *Mirataz*. Equine revenue grew by 25.5% in the year with all key portfolio products performing well. FAP revenue growth slowed to 4.7% with demand in some of our markets impacted by COVID-19 restrictions, African Swine Fever and Avian Influenza. Nutrition revenue improved by 9.4% on the prior year reflecting the execution of our strategy with key customers in our key markets.

Other revenue reduced by 8.1% to £11.9 million, now representing only 2.0% of the business as we continue our planned exit from third party contract manufacturing in line with our manufacturing strategy, to improve the production efficiency of Dechra's own products.

	2021 £m	2020 £m	% Change at AER	**% Change at CER**
CAP	**442.6**	361.6	22.4%	***25.9%***
Equine	**44.8**	36.4	23.1%	***25.5%***
FAP	**77.0**	74.8	2.9%	***4.7%***
Subtotal Pharmaceutical	**564.4**	472.8	19.4%	***22.5%***
Nutrition	**31.7**	28.6	10.8%	***9.4%***
Other	**11.9**	13.7	(13.1%)	***(8.1%)***
Total	**608.0**	515.1	18.0%	***21.0%***

Revenue by Product Category (at AER)



Gross Profit

Gross Profit for the existing business increased by 10 bps to 56.8% and the consolidated Gross Profit increased by 20 bps to 56.9%, reflecting the greater proportion of CAP sales.

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

SG&A costs grew from £134.9 million in the prior year to £151.3 million in the current year, an increase of 12.2% (at AER). This growth principally represents investment in our people costs following the review of compensation across the Group, higher delivery of bonus targets and increased related bonus payments and additional cost incurred as a result of improved vesting conditions across the Group's employee share schemes. Despite these increases, the Group did benefit from lower than expected SG&A costs as a result of COVID-19, particularly in relation to sales and marketing activities and travel and entertainment.

Non-underlying Items

Non-underlying items incurred in the year are fully described in note 5 on page 178. In summary, they relate to the following:

- Amortisation of acquired intangibles of £75.2 million: the amortisation of the acquired intangibles has increased from £69.6 million in 2020 principally due to new charges relating to the *Osurnia* and *Mirataz* acquisitions and a reducing charge from the AST Farma and Le Vet acquisition;
- Expenses relating to acquisition and subsequent integration activities of £1.4 million (2020: £4.3 million): this includes the transaction and integration costs associated with the acquisitions made in recent years and principally relates to *Osurnia* acquisition costs;
- Rationalisation of manufacturing organisation of £1.6 million (2020: £2.2 million): this comprises the final costs associated with this strategic programme which has now been concluded;
- Finance credit of £2.8 million (2020: charge of £2.5 million): this represents the net credit arising on the unwind of the discount relating to the contingent consideration liability and associated foreign exchange gain; and
- Taxation credit of £14.0 million (2020: £17.7 million): this represents the tax impact of the above items (£16.6 million), as well as the revaluation of deferred tax balance sheet items (£4.8 million charge) following changes in corporate tax rates, including a further revision to the Netherlands rate (which will now remain at 25%) and the UK rate which will increase to 25% in 2023, offset by the release of certain fair value provisions relating to previous acquisitions (£2.2 million).

Taxation

The reported effective tax rate (ETR) for the year is 25.0% (2020: 17.1%) and includes the one-off impact of the substantively enacted increase in corporate tax rates in the Netherlands (from 21.7% to 25%) and the UK (from 19% to 25% effective 1 April 2023) on deferred tax balances. On an underlying basis the ETR is 21.7% (2020: 20.6%); the main differences to the UK corporation tax rate applicable of 19.0% (2020: 19.0%) relate to differences in overseas tax rates and non-deductible expenses offset by patent box allowances.

The underlying ETR is expected to increase to within a range of 22.5% to 23% in the current year, due to a reduction in the patent box allowance following the expiry of certain patents.

We continue to monitor relevant tax legislation internationally as it may affect our future ETR.

Reported Profit

Reported profit before tax increased by 80.9% at AER reflecting the reported operating profit growth of 60.9% at AER and the reduction in net finance costs which include a foreign exchange gain on the remeasurement of the contingent consideration liability.

Earnings per Share and Dividend

Underlying diluted EPS for the year was 108.14 pence, a 19.4% growth on the prior year reflecting the underlying EBIT growth of 29.2% offset by higher net finance costs and the full year impact of the equity placing in June 2020. The weighted average number of shares for the year was 108.8 million (2020: 103.5 million).

The reported diluted EPS for the year was 51.03 pence (2020: 32.76 pence). This represents an increase of 55.8% (at AER) in reported EPS which is lower than the reported EBIT growth of 60.9% (at AER) and reflects an increase in the reported tax charge due to the impact of the revaluation of deferred tax balances for the Netherlands and the UK, as noted above.

The Board is proposing a final dividend of 29.39 pence per share (2020: 24.00 pence), added to the interim dividend of 11.11 pence, the total dividend per share for the year ended 30 June 2021 is 40.50 pence. This represents 18.1% growth over the prior year. Dividend cover based on underlying diluted EPS is 2.7 times (2020: 2.7 times). The Board continues to operate a progressive dividend policy, recognising investment opportunities as they arise.

Currency Exposure

The average rate for £/€ decreased by 1.0%, and the £/$ rate increased by 6.9% 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		
	2021	2020	***% Change***
£/€	1.1287	1.1396	***(1.0%)***
£/$	1.3466	1.2601	***6.9%***

Currency Sensitivity

Euro €: a 1% variation in the £/€ exchange rate affects underlying diluted EPS by approximately +/- 0.4%.

US Dollar $: a 1% variation in the £/$ exchange rate affects underlying diluted EPS by approximately +/- 0.4%.

Current exchange rates are £/€ 1.1646 and £/$ 1.3763 as at 1 September 2021. If these rates had applied throughout the year, the underlying diluted EPS would have been approximately 2.5% lower.

Statement of Financial Position

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

- Non-current assets (excluding deferred tax) increased from £786.0 million to £819.9 million and includes the intangible assets recognised on the acquisitions of *Osurnia* and the marketing rights for Tri-Solfen® in ANZ, partly offset by amortisation of acquired intangibles.
- Working capital has increased from £116.5 million to £142.7 million (£26.2 million at AER, £36.0 million cash flow impact) mainly due to an increase in inventory due to the growth of the Group, including stockholdings for *Osurnia* and *Mirataz*, and also to maintain service levels during a period of uncertainty.
- Net debt has increased in the year by £72.6 million from £127.6 million to £200.2 million; this includes cash generation from operations at £141.2 million, an outflow of £106.5 million relating to the acquisition of *Osurnia,* net capital expenditure of £19.8 million, interest/tax outflows of £51.6 million and £37.9 million in dividends. Exchange rate variations positively impacted the net debt position by £15.5 million.

Financial Review continued

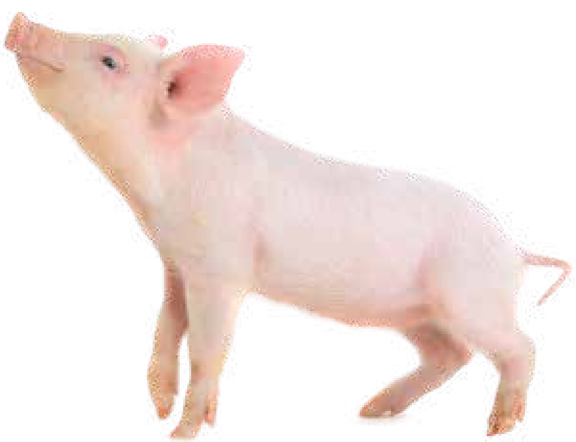
- Current and deferred tax has reduced from £78.7 million to £45.8 million principally due to the realisation of deferred tax liabilities relating to the amortisation of acquired intangibles.

	2021 £m	2020 £m
Non-current assets	819.9	786.0
Working capital	142.7	116.5
Net debt	(200.2)	(127.6)
Current and deferred tax	(45.8)	(78.7)
Other liabilities	(83.7)	(58.7)
Total net assets	632.9	637.5

Cash Flow, Financing and Liquidity

The Group enjoyed good cash generation during the year, with a strong Underlying EBITDA margin of 29.2% (2020: 27.7%). However, as mentioned above, working capital has increased by £36.0 million, mainly due to increases in inventory as a result of additional stock cover due to growth of the Group's trading activities, including the acquisitions of *Mirataz* and *Osurnia*. This resulted in net cash generated from operations of £141.2 million, representing cash conversion of 87.1% of underlying operating profit.

	2021 £m	2020 £m
Underlying operating profit	162.2	128.3
Depreciation and amortisation	15.5	14.2
Underlying EBITDA	177.7	142.5
Underlying EBITDA %	29.2%	27.7%
Working capital movement	(36.0)	(8.7)
Other	2.5	1.0
Cash generated from operations before interest, taxation and non-underlying items	144.2	134.8
Non-underlying items	(3.0)	(7.3)
Cash generated from operations before interest and taxation	141.2	127.5
Cash conversion (%)	87.1%	99.4%



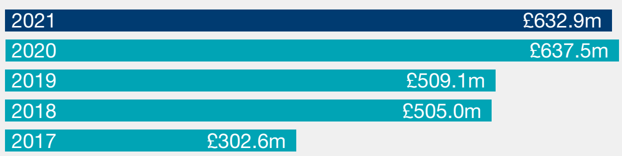
Net Debt Bridge

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

- Net capital expenditure on tangible assets increased to £19.8 million (2020: £14.2 million), representing 1.8 times depreciation.
- Acquisitions of subsidiaries, intangible assets and investment in associates of £116.3 million includes the acquisition of *Osurnia* (£106.5 million), the additional investment in Medical Ethics (£0.8 million) and capitalised development expenditure including milestones on licensing arrangements. Further details are provided in notes 6 and 29.
- The net debt/underlying EBITDA leverage ratio per the borrowing facilities' leverage covenant, which includes the proforma adjustment to full year EBITDA for the acquisitions, was 1.1 times (2020: 0.8 times) versus a covenant of 3 times.

	£m
Net Debt 30 June 2020	(127.6)
Net cash generated from operations before non-underlying items	144.2
Non-underlying items	(3.0)
Net capital expenditure	(19.8)
Acquisition of intangible assets	(114.6)
Investment in associates	(0.8)
Acquisition of subsidiary	(0.9)
New lease liabilities	(5.8)
Interest and tax	(51.6)
Dividend paid	(37.9)
Other movements	2.3
Other non-cash movements	(0.2)
Foreign exchange on net debt	15.5
Net Debt 30 June 2021	(200.2)

Net Assets
£632.9m



Borrowing Facilities

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

In January 2020 the Group undertook a Private Placement raising €50.0 million and USD 100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt. The placement achieved the Group's aims of diversifying the sources of debt financing and extending the debt maturity profile.

On 4 June 2020 the Group successfully completed a share placing of 5,132,500 new ordinary shares, representing approximately 5% of the existing issued share capital of the Company, at a price of 2600 pence per placing share, raising gross proceeds of £133.4 million which were largely deployed to fund the *Osurnia* acquisition upon its completion on 27 July 2020.

Covenants

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

- Leverage: Net Debt to underlying EBITDA not greater than 3:1 for the RCF and 3.5:1 for the Private Placement (30 June 2021: 1.1:1); and
- Interest Cover: underlying EBITDA to Net Finance Charges not less than 4:1 (30 June 2021: 22.8:1).

The above ratios are calculated excluding the impact of IFRS16 and having adjusted for the pro-forma impact of acquisitions in accordance with the terms of the RCF and Private Placement arrangements.

The current RCF is committed and has a non-utilisation fee of 35.0% of the applicable margin. The margin over LIBOR (or equivalent) ranges from 1.3% for leverage below 1.0 times, up to 2.2% for leverage above 2.5 times.

The weighted average coupon of the Private Placement fixed rate notes will equate to 2.8%.

Return on Capital Employed (ROCE)

ROCE increased to 18.8% in the year (2020: 15.4%) reflecting the increased contribution from the Group's existing businesses.

Acquisitions

The Group has made several acquisitions in recent years. The incremental performance during the first year of ownership of the acquisitions made during the 2020 and 2021 financial years is separately summarised compared to the existing business in the sections above.

In July 2020, the Group completed the acquisition of the worldwide product rights to *Osurnia* from Elanco for consideration of £106.5 million. The addition of *Osurnia* significantly enhances the Dechra portfolio and complements the existing product offering to veterinarians. The acquisition was financed from the equity placing in June 2020.

In February 2021 the Group acquired the Australian and New Zealand marketing rights for Tri-Solfen® from Animal Ethics Pty Ltd, a related party, for a total consideration of £17.2 million with an upfront payment of £2.8 million made on signing and the balance paid on the first commercial sale by Dechra in July 2021. This acquisition allows us to create a meaningful FAP presence in these markets. The acquisition was financed from the Group's existing working capital resources.

In February 2021, the Group also acquired an additional 1.5% of the shares of Medical Ethics Pty Ltd for a consideration of £0.8 million. This takes the Dechra Group shareholding to 49.5%. The acquisition was financed from the Group's existing working capital resources.

Accounting Standards

The accounting policies adopted are outlined in note 1 to the Accounts. There are no accounting policy changes which have materially impacted the 2021 financial year.

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

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

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

As at 30 June 2021, the Group had net debt of £200.2 million (2020: net debt of £127.6 million), and had available cash balances and unutilised committed borrowing facilities of £281.9 million. Further information on available resources and committed bank facilities is provided in notes 18 and 21 to the financial statements.

Summary

Our business has benefited from strong market fundamentals which accelerated growth in our existing business. This excellent revenue performance has been facilitated by a much improved supply chain and supplemented by healthy incremental contributions from our global product acquisitions of *Mirataz* and *Osurnia*.

We have again increased our R&D expenditure and invested heavily in our people, although certain SG&A costs were lower in the year as a result of COVID-19.

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

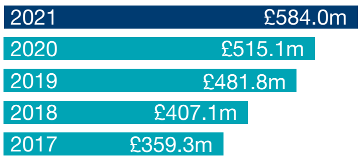
Paul Sandland
Chief Financial Officer
6 September 2021

Key Performance Indicators

1 Existing Revenue Growth

Year-on-year CER sales growth including new products and excluding revenue from acquired businesses.

16.2%



Commentary

Dechra's existing business grew by 16.7% in EU Pharmaceuticals (excluding third party contract manufacturing which declined), and by 16.7% in NA Pharmaceuticals.

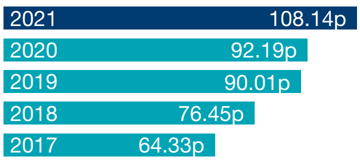
Relevance to Strategy

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

2 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.

19.4%



Commentary

This includes a 29.2% increase in underlying operating profit, offset by higher net finance costs, tax charges and the full year impact of the equity placing in June 2020.

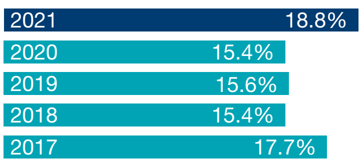
Relevance to Strategy

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

3 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).

340bps



Commentary

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

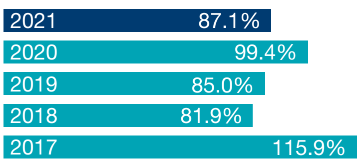
Relevance to Strategy

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

4 Cash Conversion

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

1230bps



Commentary

Cash conversion decreased during the year as a result of increased working capital. This was primarily due to increases in inventory as a result of additional stock cover due to the growth of the Group's trading activities including the acquisition of *Mirataz* and *Osurnia.*

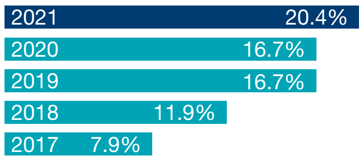
Relevance to Strategy

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

5 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 financial years.

370bps



Commentary

New product revenues reflect the strong market penetration of products launched in the year to 30 June 2021 and the previous four years, including the acquisitions of *Osurnia* and *Mirataz*.

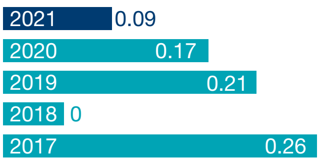
Relevance to Strategy

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

6 Lost Time Accident Frequency Rate (LTAFR)

All accidents resulting in the absence or inability of employees to conduct the 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.

47.1%



Commentary

The LTAFR decreased from 0.17 to 0.09. None of these incidents resulted in a work-related fatality or disability.

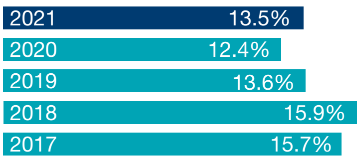
Relevance to Strategy

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

7 Employee Turnover

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

110bps



Commentary

We saw an increase in employee turnover in the period due to the planned closure of the Mexican manufacturing facility in October 2020.

Relevance to Strategy

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

Key to Strategic Growth Drivers:

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

Key to Strategic Enablers:

- Technology
- People
- Manufacturing and Supply Chain
- ESG

- Long Term Incentive Plan (LTIP) performance condition

Strategy in Action

Strategic Growth Driver

Acquisition

Acquisition and Launch of Mirataz: Transitioning a Product into the Dechra Operation

On 16 April 2020, Dechra completed the acquisition of the worldwide rights to *Mirataz* from Kindred Biosciences. *Mirataz* is the first and only FDA and EMA approved transdermal product for management of weight loss in cats; it is a complementary product to those already in the Dechra portfolio, which often treat illnesses complicated by feline weight loss.

With any acquisition, it is critical for Dechra to hit the ground running to convert purchased assets into value for the business quickly. In order to achieve this, our approach begins by establishing a cross-functional core project team with a dedicated project lead responsible for managing transition specific activities through to business as usual. This approach leads to high rates of transition success as the team is able to build and follow an end-to-end project plan collectively, there is a high level of cross-functional decision making and unexpected issues can be managed efficiently if or when they arise.

At the time of acquisition, *Mirataz* was in different stages of commercialisation in each territory, requiring a regional approach to transition. As such, each market (USA, EU, Canada) had a unique project plan tailored to meet the specific goals and challenges in that region. That said, there were several transition activities that were applicable globally. The core project team began the transition process by gaining a deep understanding of the product and its intricacies through document review and training sessions with Kindred Biosciences. Marketing Authorisation transfers were then completed for each region to bring regulatory ownership of the product under Dechra control. The Manufacturing team quickly initiated the relationship with the contract manufacturer to ensure continuity of supply. Marketing messaging was developed globally, but customised to each region based on knowledge of the market and the approved indication(s). Our Veterinary Technical Services and Pharmacovigilance teams completed

technical assessments, FAQs, reporting, and training so that the transition of the customer interface was seamless. Finally, regulatory and quality compliance with all relevant authorities was maintained throughout the transition and beyond.

In the United States, the key objectives for transition were to recognise sales for Dechra as soon as possible after close and to maintain continuity of supply. The first sale of *Mirataz* in the USA occurred within seven days of close due to collaborative efforts to transport and release purchased inventory. The core team partnered with the contract manufacturer to ensure timely delivery of the next inventory shipment in Dechra trade dress. Both objectives were achieved with zero backorders throughout the transition, and to date, *Mirataz* has exceeded budgeted sales estimates.

For the European market, in order to maximise the sales potential of *Mirataz* the team concluded that it would be necessary to launch the product in high-end, child resistant secondary packaging. Design, selection, regulatory approval and implementation of the secondary packaging configuration became a critical path to launch. The core team demonstrated a high level of collaboration and micromanaged each key task to ensure that the product would launch as quickly as possible. Due to these efforts, the team successfully launched *Mirataz* in the EU in February 2021 in the newly approved child resistant carton; to date sales have exceeded expectations.

In Canada, *Mirataz* was still under regulatory review at the time of acquisition. The team successfully fielded a round of questions from Health Canada which ultimately led to product approval in September 2020. As with any project, there were some unexpected challenges. In this instance, we encountered a change to the testing requirements for a raw material that required additional validation. Due to the team approach, we were able to identify this early and minimise the delay. The validation is currently in progress with launch inventory ready to be released once completed.

The purchase of *Mirataz* is an example of a highly complex global product acquisition with unique challenges that were successfully managed by the collective expertise and dedication of the core project team. Overall, we were extremely effective in achieving critical transition actions across the three regions and moving the product into Dechra's standard business procedures. Dechra is proactively applying the learnings from this transition process to hone and optimise our approach to product acquisitions further.

Geographic Expansion

Launching Dechra's endocrinology range into Brazil and Mexico

Brazil

One of the key strategic goals for Dechra Brazil, currently predominately a FAP business, is to utilise its regulatory, sales and marketing expertise to develop a bigger presence and reputation in the growing companion animal pharmaceutical market through selling some of the key Dechra brands.

The decision was made to start this process with Dechra's lead brand, *Vetoryl*, which had previously been registered and sold in Brazil, but due to a complex distribution structure had become too expensive for the pet owners and the product was discontinued. The first step was to unravel the distribution arrangements, transfer the *Vetoryl* files from the previous distributors and resubmit to MAPA (Ministry for Agriculture, Livestock and Food Supply) for approval as a Dechra registered and distributed product. After many months of communication with the regulators all four strengths of the product were finally approved in the middle of 2020, a process which takes over two years.

The next steps were to develop and approve packaging and schedule orders with manufacturing. Once the products were ready for shipment, the organisation of the distribution proved a challenge due to the pandemic. The products were finally air freighted from Uldum, Denmark in early March and arrived in Curitiba, the capital of the state of Parana. The products then had to pass through the necessary customs checks and were approved for sale and dispatched on 29 March to the Dechra distribution warehouse in Campinas, just north of Sao Paulo, a further journey of some 475km.

This arrival was perfectly timed with the planned launch programme for April 2021. The sales team, who are predominantly veterinarians, were the first to be introduced to the product and trained on its merits. The next audience was a pre-launch to the key opinion leaders (KOLs), followed by distributor training and then a webinar to veterinarians. These four events, which were online, resulted in the *Vetoryl* message being communicated to over 30,000 customers, demonstrating the huge interest for the product.

Dechra Brazil is at the forefront of utilising digital tools to support the launch of products, this included a platform to present the disease and product to the veterinarian, a podcast to deliver the messages to the KOLs and other social media and digital mechanisms to communicate case studies and videos. The *Vetoryl* training modules were made available in Portuguese on the Academy. All these activities have required a huge amount of skill and focus by the team to be able to bring this novel and clinically necessary product to the market.

Dechra Brazil will continue to adapt further support tools and services to build their position as the endocrine experts. Newly recruited specialist technical veterinarians will focus on supporting customers and expanding relationships with KOLs, while the marketing team will prepare for the next endocrine product launches of *Felimazole* and *Zycortal* later this year. The regulatory team are also busy with further planned submissions of *Forthyron* and *Cosacthen*. Looking to the future, a new business model is being created to support and build relationships with pet owners with the sole aim of helping veterinarians provide a service that recognises the importance of quality of life for the pet and how this transmits into quality of life for the pet owner.

Mexico

After the acquisition of Brovel in 2016, Dechra Mexico began to transform the business from a family laboratory focused on generics, to a specialised pharmaceutical business focused on niche, regulated products. Now under the name of Dechra Productos Veterinarios, the company's presence keeps growing and strengthening, becoming a pure commercial organisation in the 2021 financial year. It has become the fastest growing company in the Mexican animal health market in the last three years according to Kynetec (Animal Health market data).

The management team was tasked with introducing Dechra and our product range to customers. This required a significant amount of time and effort to educate veterinarians and distribution partners on the current product range and new Dechra products to be launched in Mexico. To enhance the company image and increase profitability, the team rationalised 57 low margin and non strategic products so they could focus on Dechra key products. An additional strategy was to optimise the distribution network and strengthening the relationship with strategic business partners (the distribution partners were reduced from 250 to 74). The current distributor partners are engaged and focused on increasing their business with Dechra through our specialised portfolio.

Key to sales and profit growth has been the approval of new products. 21 new marketing authorisations have been received from SADER (Mexican Regulatory Authority) throughout the last three years.

In order to raise the awareness of the relevant clinical conditions, educational materials and continuous education programmes are being developed in partnership with KOLs; these are being implemented by the sales force and through congresses and virtual training. Dechra is now recognised for introducing new and specialised products to the Mexican market, some of them to treat under diagnosed diseases and in our key therapeutic area, Endocrinology.

Strategy in Action

Strategic Growth Driver

Portfolio Focus

Nutrition Returns to Growth

Following a number of disappointing years, our companion animal nutrition range, *Specific*, experienced strong growth in the 2021 financial year. This was due to a change in the marketing mix and close management of the supply chain.

Marketing Mix Update

Product: Veterinary customer needs are changing and products have to clearly reflect a strong differentiation compared to the main players in the pet food market. To facilitate identification and recommendation by veterinarians, the range has been completely refreshed in two stages: cat diet products in 2018, and then dog at the beginning of 2020. The launch of the refreshed products were supported by a communication campaign to the veterinarians, who remain the key to developing the Specific range recommendation to pet owners, with the aim of obtaining new veterinary clients.

The main differentiation of *Specific* is that it is a premium range of veterinary pet food based on sustainability, due to the certified marine based raw material, mainly fish, which gives undeniable technical advantages for healthy diets but moreover a reduced impact on the environment compared to other protein sources.

At the beginning of 2021, this positioning was reinforced by the launch of the organic pet food range, which in addition to being the first organic pet food range launched by one of the main pet food players on the veterinary market, was also offered in recyclable packaging. A commitment has now been made to continue the transition of all *Specific* products to recyclable packaging by the end of 2023 and to continue to select raw materials certified as sustainable.

Price: The refresh of the *Specific* range has allowed us to reduce the price positioning in each market giving us a marketing advantage.

Promotion: Steps have been taken to increase the use of digital communication. Although the *Specific* range remains mainly dedicated to the veterinary channel, digital communications have also been geared to owners explaining the benefits of using *Specific* for their pets and directing them to veterinary practices that stock the product range.

Place: Historically, we have not actively sold the products online, however, due to the rapid digitalisation of the veterinary market, marketing support has been provided to veterinarian's websites to help veterinarians and pet owners find *Specific* products online when needed.

Supply Chain Management

The development of our relationships with suppliers, and new raw material sourcing as well as precise monitoring of inventory have drastically limited the impact of COVID-19 on the stock position. This accurate supply chain management gave *Specific* a clear competitive advantage that continues today compared to the main players in the veterinary market.

Unfortunately, the COVID-19 crisis occurred during the relaunch of the refreshed *Specific* range, but having secured the supply, new marketing actions and improved digital orientation have made it possible to successfully overcome this crisis. We have delivered additional benefits to the range in terms of visibility and reliability, and delivered solid sales growth in the year.

Technology

Creating a Global HR Platform

During the 2021 financial year the cross functional teams have been creating resilience in our global network by using technology to create a global HR platform.

ADP Celergo Global Payroll Project

In September 2020, Dechra embarked on a two year project to roll out a global payroll solution with ADP Celergo. Discussions around our global payroll solution commenced back in 2016 with the original project put on hold to prioritise the Oracle ERP roll out as both projects impacted the same teams internally.

Prior to the project, payroll services across Dechra were independently run in each country mainly through different outsource providers making global reporting more difficult, raising questions around data security and presenting difficulties when looking for solutions for newly acquired businesses. The decision to move to ADP Celergo globally was taken for a number of reasons, including:

- secure and controlled global payroll services framework to support any expansion plans;
- local in-country payroll expertise and support that can be engaged for any challenges;
- regular, as well as ad hoc, risk assessments to meet the requirements of the ever evolving regulatory landscape; and
- peace of mind in working with one of only a select few global businesses to have Binding Corporate Rules approval from the EU in respect of GDPR.

The ADP Celergo Project Office set up has been replicated within Dechra with two dedicated Project Managers and local in country support from Dechra employees who currently process the payroll.

All of Dechra's 25 countries are in scope for the project and to date we have implemented the solution in 16 countries. The remaining countries will go live in 2021 calendar year.

Diamond Integration

As part of the ADP Celergo global payroll system roll out, there is a significant amount of work ongoing in order to have Diamond (our Oracle HR Information System) ready and fit for purpose in each of the countries where we have employees.

Employees will be required to use the self-service functionality in Diamond in order to assist with accurate reporting, for example for address changes or for absence information, to our Payroll teams. In countries where we have 50 or more employees, there will be a direct interface between Diamond and the ADP Celergo platform. The interface will feed personal details, bank details, and pay changes directly to ADP Celergo.

The integration project commenced mid-November 2020 and is progressing with assistance being provided by Oracle and the ADP teams. We are continuing to test the first integration files for the UK, Australia, Denmark and France.

Time and Attendance Recording

We have also started a separate project to move from the various local time and attendance (T&A) solutions, where used, to a standard Oracle Time & Labour (OTL) application which will be embedded in our Diamond system. This project is being jointly implemented by HR, Payroll and IT.

Our teams within the UK, US, Australia and Germany are coming to the end of their User Acceptance Testing (UAT) as part of Phase I. Go live for Phase I OTL countries is expected to be completed by the end of September 2021. Our Phase II OTL implementation project has commenced for France, Denmark, Brazil, Croatia and the Netherlands and is expected to be completed by the end of the calendar year.

Group HR Team

Product Development

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

12
Projects in Feasibility

3
Projects in Research

13
Projects in Development

5
Projects in Registration

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

A product's return on investment can vary: novel developments 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.

In addition to developing new products, Dechra is also looking to improve existing commercial products to retain and grow market share. Lifecycle activities are varied but may include changing primary packaging or dose form for improving convenience for the user, treatment compliance for the patient or adding claims or species to widen the addressable market. These lifecycle projects can lead to substantial growth, even for established products.

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

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

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

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

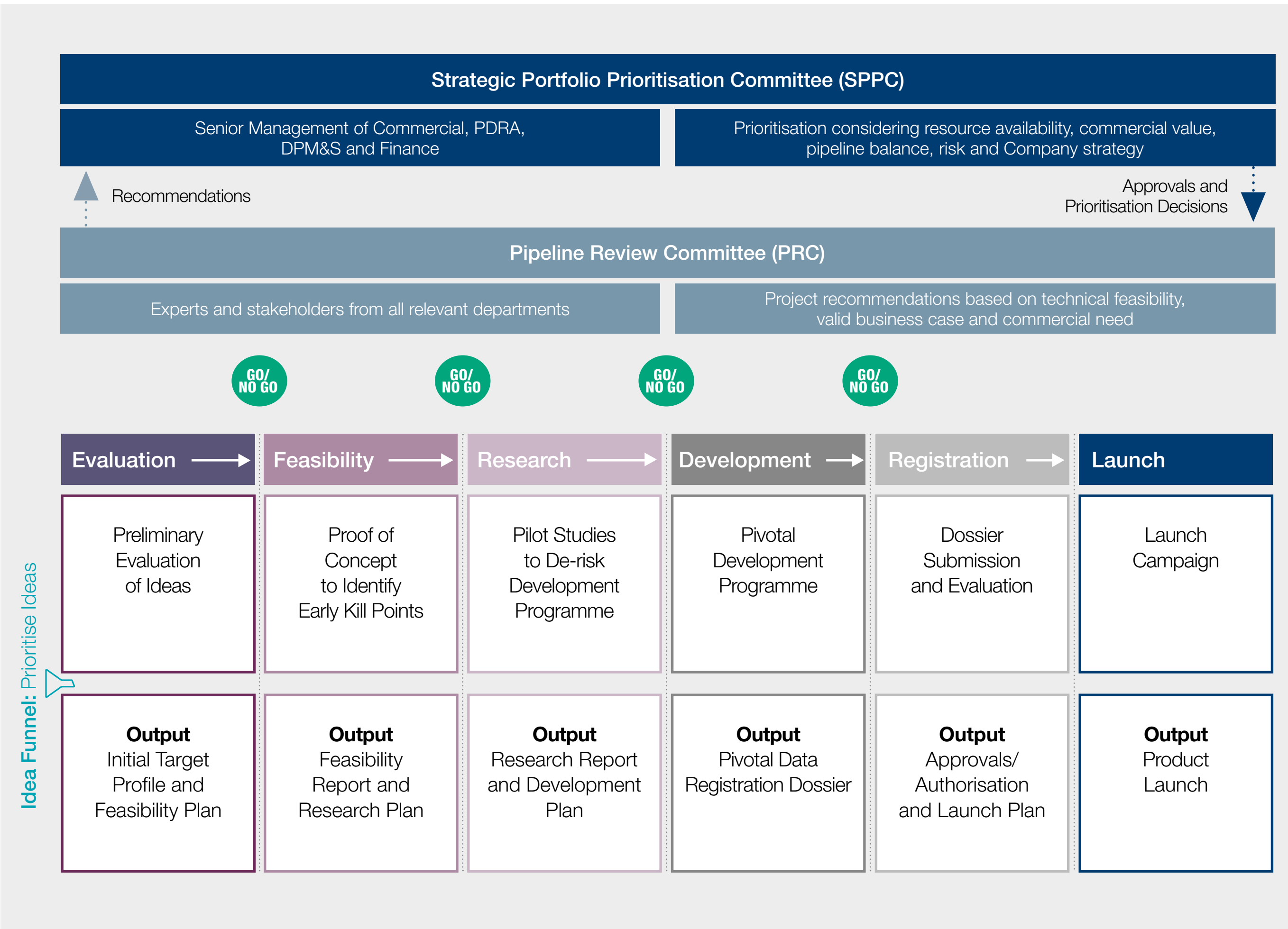
The main purpose of the Research phase is to de-risk the expensive, long and resource intensive Development phase. In addition, during the Research phase the formulation and manufacturing process are finalised, and the dose that is both safe and effective is determined. For some projects, this phase can be relatively straightforward, while for others it can be iterative, for example finding a formulation that gives the desired safety and efficacy profile.

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

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

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

Read more about Our Product Development on page 69.



Strategic Portfolio Prioritisation Committee (SPPC)
Senior Management of Commercial, PDRA, DPM&S and Finance
Prioritisation considering resource availability, commercial value, pipeline balance, risk and Company strategy
Recommendations
Approvals and Prioritisation Decisions
Pipeline Review Committee (PRC)
Experts and stakeholders from all relevant departments
Project recommendations based on technical feasibility, valid business case and commercial need
GO/ NO GO
GO/ NO GO
GO/ NO GO
GO/ NO GO
Evaluation
Feasibility
Research
Development
Registration
Launch
Preliminary Evaluation of Ideas
Proof of Concept to Identify Early Kill Points
Pilot Studies to De-risk Development Programme
Pivotal Development Programme
Dossier Submission and Evaluation
Launch Campaign
Output Initial Target Profile and Feasibility Plan
Output Feasibility Report and Research Plan
Output Research Report and Development Plan
Output Pivotal Data Registration Dossier
Output Approvals/ Authorisation and Launch Plan
Output Product Launch
Idea Funnel: Prioritise Ideas

Product Development continued

Product Pipeline

Delivering a strong and robust pipeline is one of the Group's strategic priorities. The chart outlines the status of the major projects. Owing to the nature of product development, the content of our pipeline will change over time as new projects progress from Evaluation to Launch or as projects are terminated. For competitive reasons, exact project details are not disclosed.

1 — Evaluation

CAP/Equine

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

2 — Feasibility

CAP/Equine

- Ophthalmic therapy for dogs
- Endocrine therapy for cats
- Endocrine therapy for dogs
- Endocrine therapy for dogs
- Gastrointestinal therapy for dogs
- Ophthalmic therapy for dogs
- Dermatological therapy for dogs

3 — Research

CAP/Equine

- Gastrointestinal therapy for horses
- Endocrine therapy for horses

4 — Development

CAP/Equine

- Analgesic therapy for horses
- Analgesic therapy for dogs
- Lameness therapy for horses
- Dermatological therapy for dogs
- Lameness therapy for horses
- Endocrine diagnostic
- Dermatological therapy for dogs
- Anaesthetic for dogs and cats
- Endocrine therapy for cats
- Endocrine for dogs

5 — Registration

CAP/Equine

- Anaesthetic for dogs
- Antibiotic for dogs and cats
- Analgesic therapy for dogs
- Gastrointestinal therapy for dogs

Key to Product Pipeline

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

FAP

Read more about The Evaluation Process on page 42.

FAP

- Poultry Vaccine
- Poultry Vaccine
- Antibiotic for pigs and poultry
- Swine Vaccine
- Anaesthetic for pigs

FAP

- Antibiotic for pigs

FAP

- Poultry Vaccine
- Paraciticide for poultry and pigs
- Antibiotic for cattle

FAP

- Antibiotic for cattle and pigs

Case Study

Clinical Studies during COVID-19: Creative solutions maintain product development progress

Members of the Product Development team recently presented to the European Medicines Agency and other pharmaceutical industry stakeholders on the challenges of conducting veterinary clinical studies during the pandemic. Attendees were fascinated to learn that the hurdles faced by animal health drug developers were almost identical to those experienced by teams developing human medicines.

When the pandemic struck in March 2020, Dechra had several studies in various stages of completion. It rapidly became apparent that COVID-19 was going to have a significant impact on the conduct of veterinary clinical field studies. Our immediate focus became how to adapt to the changing landscape to deliver on our timelines. For studies just starting, our relationship with sites willing to participate in studies was even more critical because a large list of study sites became unavailable for participation due to their stressed infrastructures as a result of illness, inability to identify critical study materials and/or closing their doors to pet owners. Inevitably, the participating clinics' first priority was to continue delivering veterinary services to sick animals in the face of lockdowns, while keeping staff and pet owners safe. Leveraging these long established relationships became imperative in asking our sites to take on more work.

As the veterinary world adjusted to new safe working practices, the Dechra teams had to act swiftly due to travel bans and quarantines, and create contingency plans. Study teams built new processes for training and monitoring, engaging in new ways to communicate and collect data effectively. Frequent and thorough communication was key in addition to accommodating individual study site challenges. Creative study marketing strategies at targeted clinics best able to continue study related activities and the identification of new study patients were required. Remote oversight and flexibility were important to ensure ongoing patients were not lost from the studies due to missed data or inability to comply with study demands. For critical data points requiring in person observation, study monitors local to the study location were hired to observe procedures for compliance to ensure good study conduct. Management of study drug and biological sample shipments required careful planning and oversight to overcome delays due to unreliable courier schedules.

Prior investment in a robust state of the art secure method to collect, store and review data allowed veterinarians to record patient data online and shift to a completely remote procedure for study oversight and closeout. This ensured that the extremely high level of data quality required for a clinical study was maintained. Paper study documents transitioned to more accessible electronic documents. Some novel process changes required advance discussions with the FDA.

Dechra was nimble enough to navigate through each of the hurdles that COVID-19 created and successfully adapted. Some of these alternative approaches will remain in our toolbox for future studies. Together with the ongoing excellent relationships with our participating veterinary clinics, Product Development delivered on its commitments.

Global Product Offering

Analgesia, Anaesthesia and Anti-inflammatory

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

Other products: Anesketin, *Bupredine, Euthasol, Fentadon, Intubeaze,* Ketamine, *Meloxidolor, Myorelax, Nerfasin, Pardale -V,* Relaquine, Rominervin, *Sedadex, Sympagesic, Tranquinervin, Willcain*

Antibacterial and Antibiotics

		COUNTRY																									INTERNATIONAL*			
Key Product	**Animal**	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Amoxi-Clav/*Clavubactin*	Cats, Dogs	●	●	●					●	●	●		●	●		●	●		●	●			●		●	●		4		
Cefpodoxime Proxetil/ *Cefpoderm*	Dogs																									●		4	7	
Doxybactin	Cats, Dogs	●	●	●		●		●	●	●	●	●	●	●		●	●		●	●		●	●		●			1	10	
Enroquin	Cats, Dogs	●		●		●			●	●			●	●		●	●		●						●	●		2	9	
Metrobactin	Cats, Dogs		●	●				●	●	●	●	●	●	●		●			●	●	●	●	●		●			5	10	5
Animax	Cats, Dogs																									●			6	

Other products: *GentaCalm, Marboquin,* Muricin

Dermatology and Care

		COUNTRY																									INTERNATIONAL*			
Key Product	**Animal**	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Canaural	Cats, Dogs	●	●	●			●		●	●	●		●	●	●		●	●	●	●	●		●	●	●			4		
Isaderm	Dogs	●	●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	●			4	7	
Malaseb/*Miconahex*	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	●	●		1	10	
Malacetic	Cats, Dogs						●								●		●									●		2	9	
Osurnia	Dogs	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		5	10	5
Triz Range	Cats, Dogs		●	●	●		●	●	●	●	●	●	●		●	●	●	●	●			●		●	●	●			6	

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

Endocrinology

		COUNTRY																									INTERNATIONAL*			
Key Product	**Animal**	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Felimazole	Cats	●	●	●			●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●		5	5	
Forthyron	Dogs	●	●	●					●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●			5	8	
Vetoryl	Dogs	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		7	9	
Zycortal	Dogs	●	●	●			●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		5	5	

Other products: *Cosacthen*

Lameness

Key Product	Animal	COUNTRY																									INTERNATIONAL*			
		Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Cyclospray	Cattle, Pigs, Sheep		●	●	●		●	●	●		●	●	●	●	●	●	●		●	●	●	●	●		●		2	6	11	1
Equipalazone	Horses	●	●	●					●		●	●	●			●	●	●	●	●		●		●	●			5	3	
HY-50	Horses			●			●		●	●		●		●		●	●	●					●	●	●			3	2	
Osphos	Horses	●	●	●			●		●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		4	3	
Phycox	Dogs, Horses						●								●											●		1		

Nutrition

Key Product	Animal	COUNTRY																									INTERNATIONAL*			
		Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Specific	Cats, Dogs			●					●	●	●		●			●			●		●	●			●			3	8	

Water Solubles

Key Product	Animal	COUNTRY																									INTERNATIONAL*			
		Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Altidox	Pigs, Chickens, Turkeys		●	●							●	●							●	●									1	
Centidox	Pigs, Cattle		●	●								●		●		●							●							
Octacillin/Solamocta	Pigs, Chickens, Turkeys		●	●					●		●	●		●		●			●		●		●		●		2	2	4	
Soludox	Pigs, Chickens, Turkeys		●	●	●			●	●		●	●	●	●		●			●		●	●	●		●		1	6	3	

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

Vaccines

Key Product	Animal	COUNTRY																									INTERNATIONAL*			
		Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Avishield ND	Chickens, Turkeys			●	●			●				●				●			●	●	●	●			●		5	5	5	
Excell 10	Cattle, Pigs, Sheep, Goats					●																								4

Other Brands

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

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

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

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 following case studies illustrate how the Board has considered their section 172 duty in making principal decisions.

Case Study

Expansion of Uldum Warehouse

s172 Considerations:

In September 2020, the Board considered the proposal to expand the Logistics hub in Denmark. The existing warehouse is based in Uldum, Denmark which is very close to the main nutrition markets, has good links to Germany and access to ports.

There are seven stages to the warehouse expansion plan and the first phase is to build a new warehouse with an underground cold storage facility. The underground cold storage facility will replace six refrigerated containers and external facilities. In addition the capex of €7.0 million will deliver 1,200 sustainable cold storage pallet spaces in the basement and 6,600 ambient pallet spaces on the ground floor, providing a strategic and cost effective solution for five to seven years.

In consideration of section 172 duties, it was agreed by the Board that the Uldum Warehouse expansion will provide:

- sufficient pallet spaces, reducing the need to rely on external facilities and will enable the warehouse to grow with the business. This will, in the long term, reduce costs and increase profitability for the business and the shareholders;
- continued and new employment opportunities for the local community;
- better motivation among current employees who see the increased investment in the site; and
- a sustainable solution for the cold storage requirements of the business.

The Board also considered the potential disruption to the existing business, but agreed that this would be minimal as the warehouse was being built on unutilised land away from the current site, meaning normal operations and traffic flows would be unaffected.

Outcome: The build commenced in January 2021 and we expect the warehouse to be ready in September 2021.

Section 172 Factors Key

- Likely consequences of decisions in the long term
- The interests of the Company's workforce
- The need to foster relationships with suppliers, customers and others
- Impact of operations on the community and environment
- High standards of business conduct
- The need to act fairly between members of the Company

Case Study

Implementation of an electronic Quality Management System

s172 Considerations:

As part of our continued investment in DPM&S, the Board considered in June 2020 the implementation of an electronic Quality Management System (eQMS) which would provide an integrated system for the information and processes in the life cycle of our products.

The Board considered the section 172 duties, noting that:

- Community: although there was no major impact expected, the reduction in the reliance on paper based systems (and associated storage) will assist further the sustainability agenda;
- Employees: the system will provide an information source which will enable easier collaboration for complex processes across DPM&S with a repository of information in one system. This will ultimately increase employee productivity and job satisfaction and these benefits will outway any short term disruption arising from the need to train employees in the use of the new system;
- Suppliers: the new system provides a harmonised and consistent platform allowing faster processing and improved communication related to the management of our suppliers;
- Customers: the use of an electronic system will provide wider visibility of the quality systems and data allowing us to be more agile which will maintain the consistency of supply of Dechra's products and reduce the overall cost of supply; and
- Shareholders: the improvements in regulatory and quality systems will enable faster and more consistent supply with lower cost; this will enhance shareholder value through better financial performance and a better reputation in the markets that we operate. The new system will also support future acquisition and growth, providing a Dechra platform and regulatory and quality framework (system and business processes) to integrate new products and entities. This will further enhance shareholder value.

The adoption of the eQMS system is clearly aligned with the Group's strategy to support growth by facilitating prior and future acquisitions to be integrated by using the new platform. Its adoption will harmonise and improve existing business processes, facilitating faster and more effective time to market for new products and market extensions. Crucially, it will make it easier to maintain our compliance standards around existing business processes and current products. It also allows the adoption of a cloud approach, which will future proof this major and critical investment for Group.

Outcome: The Board approved the project which commenced in July 2021.

Case Study

Skipton

s172 Considerations:

Following the acquisition of the freehold to Building 3 at Skipton, the DPM&S team have considered the long term site master plan and submitted for Board approval a capex request (of £5.5 million) as the first part of the project to develop the site, which would deliver a new state of the art QC laboratory, additional warehousing space, new canteen, reception and office space, and a pilot plant and training area. The Board considered their section 172 duties noting that the Skipton site master plan phase 1 project was in line with the manufacturing and supply chain enabler and would affect the following:

- Employees: enable the right flow of traffic and movement of goods on site making employees feel safer, providing an improved environment to perform their roles, in particular the QC department, a better training environment, a better canteen facility, and allows the next step of building the potency suite to further protect our employees from any potential harmful substances;
- Customers: allows the next steps of increasing capacity of the solid dose facility and maintaining the quality of the products through new equipment, improving supply reliability from the Skipton site, particularly with higher throughput testing in the QC laboratory, and creates additional space to bring in more products and be in control of the supply of these products to our customers;
- Shareholders: the improvement in supply reliability will enhance shareholder value through better financial performance and a better reputation in the markets that we operate; and
- Community: improves the traffic flow in the immediate area and provides long term security of the site to the local community.

Outcome: The Board approved the capex and it is anticipated that work will commence in the 2022 financial year.

Section 172 Statement and Stakeholder Engagement continued

The table below shows who the Board has identified as important stakeholders, why they feel it is important to engage, how they have engaged and where you can read more information on the Board's approach to their section 172 duty.

Employees: To make Dechra a great and safe place to work, and attract, retain and develop talent

How We Engage
- Group intranet
- Town Hall meetings
- Engagement surveys
- Employee Engagement Designated Non-Executive Director
- Performance Development Reviews, and employee development and training
- Direct communication to all employees from the Chief Executive Officer

Material Interests
- Development opportunities
- Making a difference
- Agile and friendly place to work

Where You Can Read More

Read more on pages 19, 58 to 64, 96, 97 and 102.

Veterinary Professionals: To improve animal health and welfare

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

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

Where You Can Read More

Read more on pages 19, 69 to 73 and 96.

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

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

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

Where You Can Read More

Read more on pages 19, 95 and 102.

Communities: To give back to the communities in which we operate

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

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

Where You Can Read More

Read more on pages 19, 74, 75 and 96.

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

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

Material Interests
- Fair Payment Terms
- Long term relationships

Where You Can Read More

Read more on pages 69 to 73, 96 and 102.

Regulatory Authorities: To meet high standards of product safety and efficacy

How We Engage
- Regulatory training for employees
- Manufacturing facility inspections
- Market authorisation applications
- Product safety update reports (PSURs)

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

Where You Can Read More

Read more on pages 42 to 45.

Non-Financial Information Statement

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

Reporting Requirement	Where to read more	Page number	Policies and Handbook
1 Environmental matters (including the impact of the Company's business on the environment)*	• Corporate Social Responsibility: Our Environment • Understanding our Key Risks	65 to 68 82	• Code of Conduct
2 Employees*	• Creating Value for Our Stakeholders • Chief Executive Officer's Statement • Corporate Social Responsibility: Our People • Section 172 Statement • Understanding our Key Risks	19 24 to 27 58 to 64 48 to 50 79 to 82	• Staff Handbook • Dignity at Work Policy • Health & Safety Policy • How to Raise a Concern Handbook • HR Policies
3 Social matters*	• Creating Value for Our Stakeholders • Corporate Social Responsibility: Our Community • Section 172 Statement	19 74 and 75 48 to 50	• Volunteer Service Toolkits for Large and Small Events • Donations Policy
4 Respect for human rights*	• Corporate Social Responsibility: Our Business	72 to 73	• Human Rights Policy • Modern Slavery Statement
5 Anti-Bribery and Anti-Corruption*	• Section 172 Statement • Corporate Social Responsibility: Our Business • Audit, Risk and Internal Control	48 and 50 72 and 73 112 to 118	• Code of Conduct • ABC Policy • Third Party Code of Conduct • How to Raise a Concern Handbook
6 Business Model	• Our Business Model • Creating Value for Our Stakeholders	16 to 18 19	
7 Principal Risks in relation to (1) to (5)	• How the Business Manages Risk • Understanding our Key Risks	76 to 78 79 to 82	
8 Relevant non-financial KPIs	• Key Performance Indicators	37	

* 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.

Corporate Social Responsibility

Making a difference through the sustainable improvement in global animal health and welfare

Our ESG Strategy

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

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

Our People

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

Our Environment

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

Dechra® Pharmaceuticals PLC

Our Community

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

Our Business

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

Our Leadership Structure

The Board takes ultimate responsibility for Corporate Social Responsibility and is committed to developing and implementing appropriate policies that create and maintain long term value for shareholders. During the year Paul Sandland, was nominated as the Executive Director responsible for ESG, and he took over the chairmanship of the ESG committee from the Company Secretary. A Group Sustainability Director was appointed in March 2021. The ESG Committee is made up of representatives from across the Group.

Our Board

Our ESG Committee

Health, Safety and Wellbeing Committee

Sustainable Packaging Committee

Global Transport Logistics and Waste

Regional Giving Committees

Science Based Targets

Responsible climate action – preparing for net zero emission 2050

Dechra has committed to set science-based emissions reduction targets across the entire value chain that are consistent with keeping global warming to 1.5°C above pre-industrial levels. Dechra has also committed to a long term target to reach net zero emissions by no later than 2050.

The Board is responding to an urgent call-to-action for companies to set emissions reduction targets in line with a 1.5°C future, backed by a global network of UN agencies, business and industry leaders.

Dechra will set verifiable science-based targets by June 2022 through the Science Based Targets initiative (SBTi), which independently assesses corporate emissions reduction targets in line with what climate scientists say is needed to meet the goals of the Paris Agreement.

Real progress requires real transparency, we will continue the effort to understand and disclose the risks posed to our business by climate change as well as the opportunities presented by transforming to a low carbon economy. We will also engage with our stakeholders, working with them to minimise our combined climate footprint.

During this important period of change, resources and effort will be invested in order to advocate and embed sustainability within the group at all levels. These are ambitious but achievable commitments and we believe It is an opportunity for every member of our business to contribute in the quest to reach net zero emissions by 2050.

Corporate Social Responsibility continued

Our People

Stakeholder	SDG	Focus Area
• Employees	16 Peace, Justice and Strong Institutions	Culture and Values
	4 Quality Education; 8 Decent Work and Economic Growth	Talent Management and Engagement
	10 Reduced Inequalities	Fair Employment Practices
	5 Gender Equality	Diversity and Inclusion
	3 Good Health and Well-Being	Safe Working Practices

Read more about **Our People** on pages 58 to 64.

Our Environment

Stakeholder	SDG	Focus Area
• Employees • Local community	12 Responsible Consumption and Production; 14 Life Below Water	Waste
	12 Responsible Consumption and Production	Energy

Read more about **Our Environment** on pages 65 to 68.

Policy	Objectives	Target	Status/Progress
A great and safe place to work	• strengthen and communicate the Dechra culture and strive to ensure our Values encompass our business ethics and standards;	• trust Index target of 85%	• trust Index of 77%
	• attract, retain and develop talent to build and maintain a top quality team;	• one day of training per employee per annum	• system in place to capture data
	• comply with national legal requirements regarding wages and working hours;	• Living Wage Employer or equivalent by 2022	• achieved in January 2021
	• value the difference and diversity of people, recognise that their skills and abilities are strengths that can help us to achieve our best; and	• reflect the markets and communities in which we operate	• applicant tracking system implemented
	• reinforce a culture of health and safety, with a culture of zero harm.	• zero lost time accidents	• three lost time accidents (a reduction from six)

Policy	Objectives	Target	Status/Progress
We are committed to minimising the impact of our operations on the environment by adopting responsible environmental practices and complying with applicable environmental legislations	• prudent use of all natural resources, the minimisation of waste in all activities, and the appropriate disposal of waste; and	• zero to landfill by 30 June 2025	• proportion of waste to landfill or incinerated with no energy recovery reduced from 17% to 14%
	• optimise the energy we use, improve energy effectiveness through initiatives on transport and reduce our greenhouse gas emissions.	• reach net zero emissions by no later than 2050. Initial target is 25% reduction by 30 June 2025. This will be refined through the collaboration and verification with Science Based Targets	• started to execute the Making Difference plan and committed to the Science Based Target initiative

Corporate Social Responsibility continued

Our Business

Read more about **Our Business** on pages 69 to 73.

Stakeholder	SDG	Focus Area
• Employees • Veterinary Professionals • Suppliers and Distributors • Universities and Key Opinion Leaders • Shareholders	2, 12, 14, 15	Ethical and Sustainable Products
	4	Veterinary Professionals
	16	Ethics

Our Community

Read more about **Our Community** on pages 74 to 75.

Stakeholder	SDG	Focus Area
• Local Community • Charities and non-profit organisations • Employees	3, 17	Community Activities
	2, 17	Community Donations

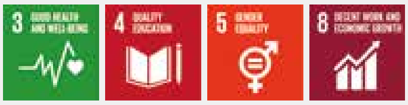
Policy	Objectives	Target	Status/Progress
• To provide sustainable innovative products that improve animal health and welfare	• develop and promote products to improve animal health and welfare ethically and sustainably;	• fund 5% to 6% of revenue on product development per annum	• Product Development spend 5.3% of revenue
		• all paper material to be FSC by June 2023	• review of all products and sites ongoing
		• Product Development process to include sustainability review by 2023	• project with Product Development initiated
		• sustainability review of existing products by June 2025	• to be initiated in the 2022 financial year
• Provision of technical and educational support to veterinarians	• maintain and improve the knowledge and skills of veterinarians who prescribe and use our products; and	• provide 100,000 CPD hours per annum	• 77,206 CPD hours
• We are committed to acting responsibly and with integrity	• act with honesty and with integrity.	• supply chain assessment of all suppliers' sustainability by June 2030	• project initiated

Policy	Objectives	Target	Status/Progress
• To contribute to the social and economic welfare of the local communities in which we operate	• contribute towards local charitable causes through the donation of time, products and skills; and	• 100,000 community hours between 1 July 2021 and 30 June 2030; and	• re-initiated in the 2022 financial year
	• establish Regional Giving Committee to allow our employees to make a difference in their local communities.	• £5 million donated in cash or products between 1 July 2021 and 30 June 2030	• £381,524 in the 2021 financial year

Corporate Social Responsibility continued

Our People

Linkage to UN SDGs



13.5% Employee Turnover

52% Females in workforce

0.09 Lost Time Accident Frequency Rate

We employ 1,975 employees in 25 countries in a wide range of working environments including manufacturing, logistics, laboratories, offices and mobile working. At Dechra, we acknowledge that our people are our greatest asset and know that an inclusive culture is beneficial for our business performance. Our ongoing objective is to continue to be a purpose focused business driven by high performing and committed teams.

We are committed to the following focus areas:

- Culture and Values: strengthening and communicating the Dechra Culture and striving to ensure our Values encompass our business ethics and standards;
- Talent Management and Engagement: attracting, retaining and developing talent to build and maintain a top quality team;
- Fair Employment Practices: complying with national legal requirements regarding wages and working hours;
- 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; and
- Safe working practices: reinforcing a strong culture of health and safety, within a zero harm environment.

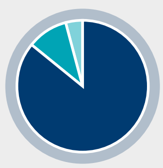
Our People Plan

1. **Accelerate Performance:** Align employee efforts and drive productivity through effective goal setting, feedback and focus on development.
2. **Grow Our Own Talent:** Attract, retain and develop the right talent in the right place at the right time.
3. **Strong Culture and Values:** How we do things around here.
4. **Engaged and Committed Workforce:** A great place to work.
5. **Healthy Safe Workplace:** Improving the working lives of our people in every location.
6. **Common Platforms and Ways of Working:** Efficient infrastructure supporting business operations and alignment over policy and practices.

Length of Service by Headcount – Global

<1 year	322
1–3 years	481
3–5 years	274
5–8 years	313
8–10 years	126
10 years+	459

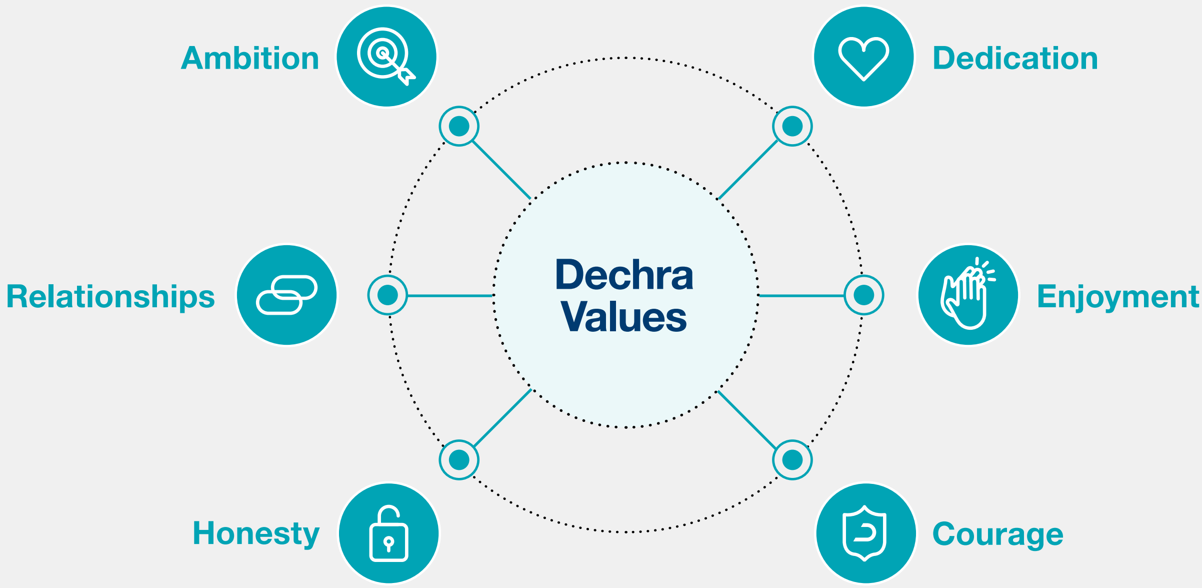
Employee Contract Type – Global



Full time	86%
Part time	10%
Contract	4%

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.



Read more on pages 04 to 05.

During the financial year we have found a number of ways to embed our Values into the daily life of our employees. We have:

- updated the look and feel of the Values with icons that help to signpost the Values on the new One Dechra intranet;
- significantly upgraded our approach to recruiting talent and partnering with leading external organisations to use contemporary instruments and interventions to allow recruiting managers to gain a greater understanding of the candidates potential during the recruitment process; and
- created a mandatory module, One Dechra, which facilitates a deep dive into the Company Culture and Values and encourages employees to consider what the Dechra Values mean to them in the context of their function.

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.

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. We currently offer four reporting channels for concerns to be raised: Line Manager; the Senior Management Team; Group Management Team; and a mailbox accessed only by the Company Secretary. Every effort will be made to protect confidentiality to encourage reporting. The How to Raise a Concern procedure has been translated into eight languages. During the

- 2021 financial year we provided training to 12 employees across the Group on investigation training; and
- 2022 financial year we are planning to implement a confidential third party hot line and provide investigation training to a further group of employees.

We will fully investigate reports and take appropriate actions to address these. 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.

Corporate Social Responsibility continued

Talent Management and Engagement

15
Interns

266
Delta courses

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

Training

Implemented in 2016, Delta is our internal e-learning management system, hosting all of our internal interactive and digital training courses.

The COVID-19 pandemic has been a significant driving force behind our Delta efforts over the past 12 months, not only in increased demand and reliance upon the site itself, but also the need for new educational and informative content, including health and wellbeing support.

We launched 70 new courses over the last year and have expanded our team to increase the support that we can provide to the business. New training processes and increased reporting functionality are empowering our employees to take ownership of their own learning needs. This year has also seen significant steps forward in digitalisation and consolidating our training efforts.

Our Digital Learning team are being recognised for their efforts in the education sector too and have been asked to speak at a number of learning and development events on the best practice use of a Learning Management System. Additionally the team have all been individually accredited by the Learning and Performance Institute.

This is only one element of the training that we provide, and although we do not currently collate training hours across the Group, we provide other forms of training to our employees, placement students and graduates. The next step in our continued investment in training will be to record and collate the hours each of our employees spends in training, enabling us to have a consistent process of development and provide a basis for employee self certification in development.

Case Study: Global Applicant Tracking System

As part of the Global HR Shared Services and Systems Strategy, we have recently invested in a global applicant tracking system. The chosen solution, TribePad (known internally as DASH), will allow for global alignment across our talent acquisition processes, as well as supporting the increasing obligations on reporting against our global recruitment practices.

DASH will allow us to track, report on and monitor key recruitment metrics, including time to hire, source of hire, number of open positions and in some countries (depending on local laws) the diversity of our applicants. It provides a platform in which we can build on our global talent brand so that we can continue to attract and retain the best talent into the organisation.

DASH gives us the ability seamlessly to control and select where our job advertisements are placed, retaining all applications in one single dashboard, streamlining the time taken to recruit. DASH also provides prospective applicants a platform to register their interest in future vacancies with Dechra and the option to ‘opt-in’ to job alerts, creating an active talent pool.

To support the Group’s diversity and inclusion policy further and to enable our core recruitment messaging to be as inclusive as possible, the system features a ‘gender bias decode’ tool which is capable of analysing the text within our job adverts to help us understand any hidden implications within the language that is used. Research shows that many words can be associated with masculine or feminine stereotypes. Having visibility of this data and information will help inform future recruitment spend, track cost savings and maximise the potential reach of our talent attraction campaigns, globally.

The global DASH roll out project is being led by our Group Talent Partner in conjunction with our third party implementation partner, PeopleHub. DASH has been live across our UK business since February 2021 and since June 2021 for our Australia, USA and Canada, The Netherlands, Croatia and Denmark businesses. France, Mexico, Brazil and Germany are scheduled to go live later this calendar year.

Leadership Programme

Following the successful roll out of the Leadership Programme to Dechra Pharmaceuticals Manufacturing & Supply (DPM&S), we have launched this programme to our Dechra Veterinary Products International and Corporate Leadership teams during the 2021 financial year. The development programme's strategic intent is:

- to develop fit for purpose 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 for the team 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.

As with DPM&S, the programme has been run via the virtual realm, for 12 people, across two time zones and six European locations. The launch of the programme took place at the start of May, commencing with psychometric and cognitive assessments of the team, and has been followed by online team business simulations, team and peer coaching and virtual content which will continue to be delivered during the rest of 2021.

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 we hope that the experiences of working with Dechra will support them in their future careers. We currently have 15 interns in Europe, one in Australia and 11 in Brazil.

Engagement

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

In July 2021, we will launch our new intranet OneDechra which includes improved two way communication encouraging comments, sharing and community participation.

In order to continue to retain our qualified and skilled employees, and to attract new employees, we conducted our second Employee Engagement Survey in April 2021 using the Great Place to Work (GPTW) survey. Further details are detailed below.

During the year, Lisa Bright, in her role as the Employee Engagement Designated Non-Executive Director, met with a number of employees across the business via virtual coffee mornings. Further information on this can be found on page 97.

Global Moving Annual Turnover (Employee Turnover)

It is three years since we last ran an all employee engagement survey, we had been due to run the survey in March 2020 but postponed it due to the outbreak of the pandemic. We had 1,720 respondents to the Great Place to Work (GPTW) survey, this equated to 90% of the organisation which is positive when compared to the average response rate for an organisation of our size (78%). Our high response rate provides us with a strong mandate for action based on the survey results. The survey asked about key areas that if done well can lead to a high trust and highly engaged workplace where people are treated well and work effectively together to drive up the bottom line.

There were some real highlights in the results. Across the Company, employee perceptions improved on all 75 survey statements. For example, 92% feel that Dechra is a physical safe place to work and 88% are 'proud to tell others you work at Dechra', which are eight percentage points above the average of the best organisations in the UK as awarded by GPTW.

Perceptions improved most of all about Reward, with a 20% increase in employees agreeing with the statements than over 2018. The improvement in employee experiences has extended across almost all of the Company. We are particularly pleased that:

- in our Group Manufacturing and Supply Chain division the Trust Index has risen by 12 percentage points, this team has worked on their sites throughout the pandemic and this is a measure of the dedication of staff and managers in DPM&S;
- our scores on the three statements on diversity put us on an equal footing with the Top 25 World's best workplaces; and
- our overall level of engagement measured in the survey by the Trust Index had risen by ten percentage points since the last survey to 77%. We will now receive recognition as a Best Extra-Large Workplace, 2021.

The results in Strategy & Direction, Career & Development and Recognition really stood out for us as strengths against best-in-class organisations as measured by GPTW. However, there were some areas that we identified as areas of focus for the year ahead. These were Collaboration, Communication and Wellbeing; we will be leading streams of work across the Group on each of these areas, in addition to this, each division will be invited to focus on one area of opportunity that is specific to them when compared with the organisation overall and the external benchmarks. Local HR teams will support managers to work with their teams over the coming months to understand the reasons behind the issues raised by the survey and to generate and implement action plans where progress can be tracked and communicated.

Corporate Social Responsibility continued

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.

Genera d.d., our Croatian Company, was selected as the best large employer for people with disabilities for 2020 in the Republic of Croatia by the Institute for Expertise, Professional Rehabilitation and Employment of Persons with Disabilities. The Institute awards recognition to employers who have recognised their role in achieving a more positive attitude towards the employment of persons with disabilities.

The Group does not tolerate bullying or harassment.

84% of our employees responded positively to the statement regarding diversity in the workplace in our employee engagement survey (2021 Engagement Survey). We firmly believe that our Dechra Values support the culturally diverse business that we have become, and although we are separated by time zones, geographically and by language, we share common goals and ways of working that are underpinned by our Values.

The Board, via the Nomination Committee, reviews the Diversity Policy and its implementation on an annual basis. Further details can be found in the Nomination Committee Report on pages 107 and 108.

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 is required to report under Gender Pay Gap regulations, and we are pleased to report that our gender pay median gap has reduced in year from 17.7% in 2017 to 5.5% in 2020. This reduction is largely driven by an increase in the number of women in senior and technical roles.

Following a business wide review of remuneration, we have increased the pay of our lowest paid workers globally with effect from 1 January 2021 to the Living Wage or where there is no equivalent we have used the OECD formulation, or pay at least twice the local/federal minimum wage. In addition to implementing our Living Wage Employer changes a year earlier than originally planned in the UK, and even earlier in the rest of the world, we paid all of our site based employees (all of our lowest paid staff work in manufacturing or logistics) a bonus to reward their commitment during the COVID-19 period. We successfully achieved the UK Living Wage accreditation in March 2021.

Furthermore, we have increased our employer pension contribution from 4% to 6% with effect from July 2021 in the UK and intend to increase the employer pension contribution again to 8% during the 2022 financial year.

Dignity at Work

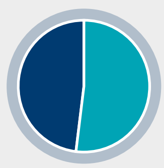
Our Dignity at Work Policy was drafted and launched within the UK in January 2020, and is now incorporated into the Code of Conduct. In accordance with the Dechra Values, we believe that our position on diversity and inclusion is key to providing a place of work that is free from bullying and harassment, and which is characterised by respect, collaboration, openness, safety and equality. One of our aims is to promote a climate in which employees feel able to raise complaints of harassment, bullying or discrimination without fear of victimisation.

After initially launching training to our UK managers in the 2020 financial year, we now provide online training to a wider audience using an externally hosted online training portal where licensed Dechra managers can deliver professionally developed training programmes globally using virtual classrooms.

In addition to this, we have developed a Diversity and Inclusion module which also covers unconscious bias which is one of three core modules that will be included initially in all Leadership and Management development programmes, but will later be rolled out more widely across our employee base.

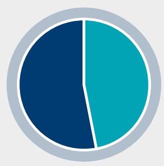
Headcount Per Country

Gender Split Across Group



Female 52%
Male 48%

Senior Leaders Gender % Split



Female 47%
Male 53%

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, therefore in January 2021 we established our new Group Health Safety and Wellbeing Committee (HSW Committee). This new 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 see 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 Health, Safety and Wellbeing strategies. Key achievements of the HSW Committee this year include updating the Group Health and Safety Policy, which extends our Safety Principles to the whole organisation. Our Health and Safety Principles are aligned to the Dechra Values. Each principle sets out our clear expectations in relation to protection of the health and safety of people and property at Dechra.

Dedication: We will never look away and always step in if we see someone in danger.
Enjoyment: Everyone has the right to work in safe and healthy conditions.
Courage: Everyone is empowered to stop any process or work that they feel is unsafe.
Honesty: No activity is so urgent or important that it cannot be done safely.
Relationships: Health and Safety is everyone's responsibility.
Ambition: We believe that work related injuries and ill health are preventable.

The extended H&S Policy applies to all employees, contractors and visitors to Dechra premises globally, as well as field-based and home based employees.

In addition to monitoring the activities within our existing Health and Safety Strategy, the HSW Committee has also overseen the development of our THRIVE Wellbeing Strategy, in order to keep our employees physically and mentally well.

Safety Alerts

The HSW Committee reviews 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. Last year 25 Safety Alerts were issued, many of these relating to COVID-19 safety learnings.

Engagement

This financial year we have launched our new online Health and Safety reporting system, Dechra Assure, to further open up the ways in which our employees can engage in our safety programme. The App based system has initially been launched across our Manufacturing sites, with roll out to Logistics and the wider business next year.

We encourage our employees to be vigilant at all times and to report anything they feel is unsafe, however minor, whether this be unsafe conditions (hazards) or working practices. We also empower our employees to take action immediately to make situations safe for themselves and their colleagues. In our Manufacturing Division, to understand how proactively our teams are involved in our safety programme, we monitor how many hazard reports are raised and also how effectively these are made safe and closed out, to ensure our workplaces remain safe at all times. Since 2019 we have more than tripled the number of hazards raised, which is an indicator of the ongoing strengthening of our culture. Through our communication campaign, employees have also developed a greater awareness of hazards and the number of near miss reports which have been raised, where accidents could have happened if circumstances were slightly different, have increased from 9 to 37. Next year we will continue to focus on proactive safety measures, including launching our behavioural safety programme for Manufacturing Leaders.

High Level Risk Assessments

The HSW Committee is also responsible for maintenance of the high level risk assessment which determines our priorities in the safety programme. Many high risk activities reside in Manufacturing and include Safety Critical Tasks such as Working at Height, Working with Electricity and Working and Confined Space Entry. However, through the work of the HSW Committee, other high risks such as business driving have also been identified. COVID-19 remains a high risk across the business; however, our COVID-secure Life Saving Rules have been effective in minimising any work related transmission.

Safe Working Practices

The Group HSE team have established Communities of Practice, drawing together subject matter experts from across the Group to develop Group HSE Standards. This year the standards prioritised for development focussed on safety critical tasks, including permit controls and the control of non-routine and high risk engineering and maintenance work. In addition to protecting our employees, these standards are also applicable to any contractors who work on Dechra sites such that they adhere to our high standards of Health and Safety. At the current time 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. A Group Audit schedule is now being established.

Corporate Social Responsibility continued

LTA

For a number of years the Group has reported Lost Time Accident Frequency Rate (LTAFR) as a non-financial key performance indicator (see page 37). In previous years, we reported any LTA where the employee was absent or unable to conduct their full range of normal working activities for a period of more than three working days after the day when the incident occurred. Using this definition over the course of the last 12 months, the LTAFR has reduced from 0.17 to 0.09. The number of incidents has reduced from six to three. Two incidents occurred in our manufacturing facilities and one in the sales and marketing organisations. There were no fatalities (employees or contractors). Two of the manufacturing facilities, Bladel and Melbourne, have now had over 36 months without an LTA and one of the manufacturing facilities, Zagreb, has had over 24 months without an LTA.

However, in order to improve transparency and increase learnings related to injuries across the business, we are now reporting all lost time accidents which resulted in any absence or inability to conduct the full range of normal working activities (not including the day of the accident). Using this new more rigorous reporting standard we have experienced 11 LTAs. Six of these accidents were caused by unsafe behaviours and this will be addressed throughout the coming year through the delivery of a Leadership Development module focusing on safe and unsafe behaviours and positive safety conversations. This will be initially launched across Manufacturing.

Any material health and safety issues or incidents that occur are discussed in detail by our Health, Safety and Wellbeing 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 PLC Board meeting by the Group HSE Director for discussion and review by the Directors.

Case Study: THRIVE

THRIVE aims to provide a global programme for Dechra employees which supports positive physical, mental, emotional and financial wellbeing, enabling employees to THRIVE at work by increasing employee energy, creativity and collaboration to drive personal and business success.

Wellbeing has never been so important and throughout the pandemic Dechra has supported the Wellbeing of all colleagues at both a local and global level. Supporting employees to be physically and mentally well brings benefits to individuals and the business therefore the Health, Safety and Wellbeing Committee has developed our THRIVE wellbeing strategy.

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

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.

Each pillar has three levels to reflect that although making healthy choices is up to each employee, there is some support that Dechra as an employer can provide that we believe is essential to employee Wellbeing.

- Foundation: providing consistent support across the business for issues that are fundamental to wellbeing at work. Many of these fundamental controls are contained in our HR Policies where we have established the expected standards across the business to achieve a consistently high level of support. In order to provide information, advice and support to employees through any life event we have established Employee Assistance Programmes (or local country equivalent) in all regions.
- Employee Choice: providing elements that are specific to regions or teams and for the forthcoming year will be developed from our employee feedback from the Great Place to Work Survey.
- Optional Elements: employee driven and include events that are organised locally, such as social events or local health promotions. Although potentially light in impact, these optional elements raise local awareness and can engage employees in the broader programme.

Our strategy recognises that achieving overall wellbeing is a shared responsibility where both Dechra and employees must work together. 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.

Our strategy will evolve throughout the 2022 financial year, with a focus on employee engagement to help rebuild employee confidence, health and wellbeing in the post pandemic work environment.

Our Environment

Linkage to UN SDGs

31%
of waste recycled or reused

27.8%
Electricity used by Zagreb by solar

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

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

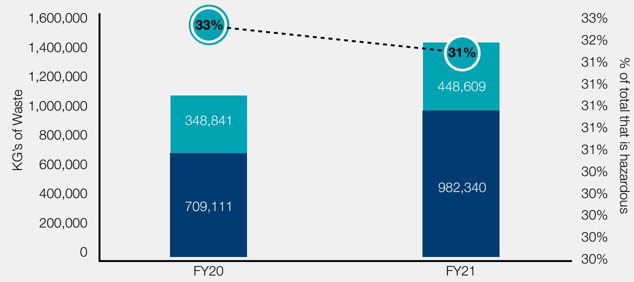
Our carbon emission software, in addition to energy usage, captures the impacts from waste generation, water use, effluent disposal and refrigerant gas losses from locations where this is likely to be material. The sites that have a material impact are our manufacturing and logistics facilities.

Waste

We are committed to the prudent use of all natural resources and the minimisation of waste in all activities from the specification of incoming raw materials, the use of materials in production activities and packaging, and the distribution of products into the supply chain. Where waste is unavoidably created we will manage its disposal in the most appropriate manner giving full consideration to environmental issues.

One of the most important impact areas for Manufacturing and Supply is waste generation, the management of which must be carefully controlled so that any hazardous substances or contaminated materials are disposed of correctly. Hazardous waste volumes increased by 29% mainly due to one-off finished goods disposals and raw material disposals. Despite this increase, the percentage of hazardous waste verses non-hazardous waste reduced to 31% (2020: 33%).

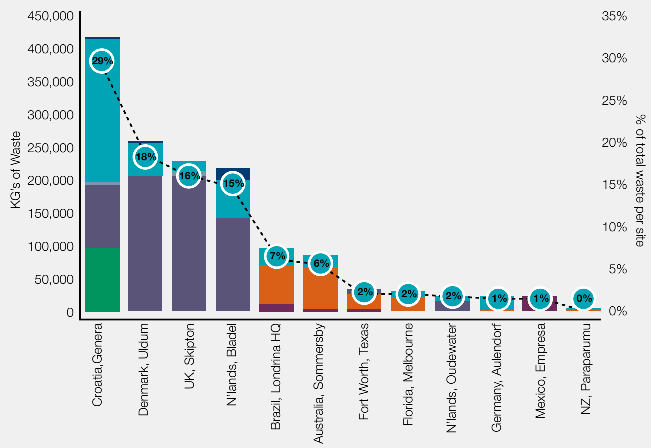
Total Waste – Fate of Waste



- Dechra non-hazardous
- Dechra hazardous
- % hazardous rate

Our ultimate aim is to be zero to landfill and to achieve this target all of our sites are encouraged to increase reuse, recovery, or recycling of waste (where locally available).

Total Waste – Waste Disposal Method



- Re-used – materials or components directly reused
- Recycling – materials recycling
- Recovery – solvent recovery
- Recovery – incineration with energy recovery
- Recovery – composting/anerobic digestion
- Landfill
- Disposed incineration (no energy recovery)
- .... % of total waste

During the financial year a Community of Practice was formed and a Group standard was developed. This standard implements the hierarchy for waste principles and encourages sites to select waste options which are higher on the waste hierarchy (not landfill or incineration with no energy recovery) and to monitor waste volumes regularly. For waste which cannot be eliminated we classify it according to the European Waste Classification codes. The gap assessment for this standard has now been completed by the sites and a focused improvement team has started to focus on sites who are disposing waste to landfill and incinerating waste with no energy recovery.

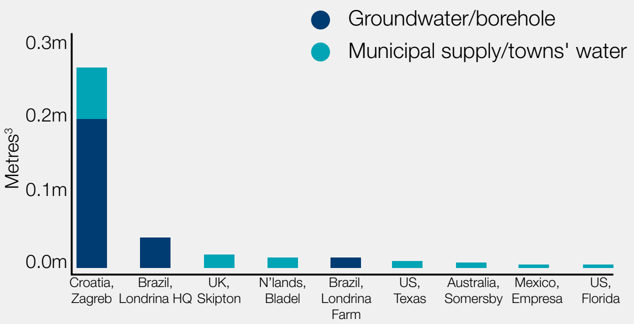
Corporate Social Responsibility continued

In the 2021 financial year the total volume of waste was 35% higher than 2020 financial year, however waste recovery, recycling and reuse rates improved from 83% to 86%. 14% (2020: 16%) of Manufacturing and Supply waste was landfilled or incinerated with no energy recovery.

Water

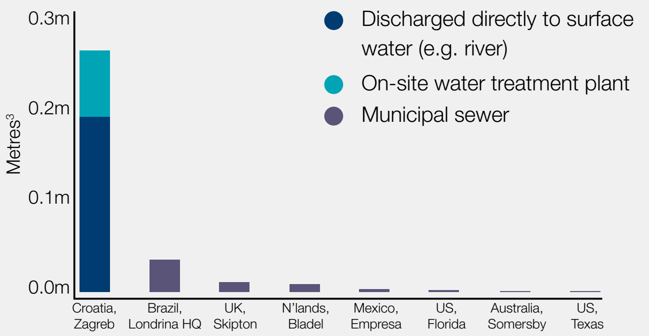
Our manufacturing sites aim to use water responsibly so that usage does not negatively affect the communities where they operate, by diminishing the supplies of clean water or degrading the quality of that water. Water consumption is low in comparison with other manufacturing sectors. Water is used from two sources as per below:

Water Consumption FY21 by Source of Water



Water withdrawal compared to the previous year was lower, this was mainly due to the lower production volumes of Mepron at Zagreb. Where water usage has increased this has been largely linked to increased production volumes. Water is used as an ingredient in products, for cleaning and general production, and for cooling equipment and in processes. Any contaminated water generated throughout the production process is disposed of as process effluent. Any waste water with the potential to adversely impact the environment is appropriately managed, controlled and treated prior to release. For Dechra Manufacturing sites, this includes all water used for cleaning purposes. In accordance with GMP requirements, to prevent cross contamination and to enable product reconciliation, used process equipment is generally drained, vacuumed or wiped clean prior to being washed. This reduces contamination washed to the effluent stream. During the 2021 financial year our Brazilian facility has started using water from a rain water collection system for cleaning open areas. Effluent is disposed of in a number of ways as shown below:

Water Effluent



At Zagreb there is an on-site effluent treatment plant where settlement and pH correction occurs prior to discharge. They also discharge cooling water directly back to the river. The most frequent route of disposal for waste water at the other sites is to the public sewer. In most countries a licence to discharge is required and Manufacturing sites must monitor the effluent quality and quantity to monitor that they are compliant with the requirements.

Energy

Greenhouse Gas Emissions

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. Any acquisitions during the year are included from the first full month that they become part of the Dechra Group. The disclosures below encompass:

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

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

Scope 3: includes emissions from vehicles and from purchased electricity (which are not included in Scope 2) and, in the case of the 2020 and 2021 financial years, water.

	1 July 2020 to 30 June 2021	**% relates to UK**	1 July 2019 to 30 June 2020	% relates to UK	1 July 2018 to 30 June 2019
Scope 1 (tonnes)	7,027	6.5%	6,747	6.0%	5,521
Scope 2 (tonnes)	5,261	12.4%	4,969	10.1%	3,712
Scope 3 (tonnes)	1,934	4.2%	2,347	7.4%	2,420
Total Carbon Footprint (tonnes of CO_2e)	14,222		14,063		11,653
Intensity Ratio (tonnes of CO_2e per £m)	23.3		27.3		24.2

Manufacturing
Our Manufacturing is the main contributor to our carbon footprint representing 89.6% of our total carbon footprint, and in particular the main contributors to Scope 1 are:

- Zagreb, due to the production of the nutrition supplement that is manufactured at Genera. The coating spray solution is ethanol based, and on completion of the coating, the ethanol vapour is extracted into a recovery plant which recycles 95% of the ethanol back into the production process. To meet environmental legislation, the site has an ethanol recycling unit which alone consumes approximately 60% of the energy utilised in this production area.
- Refrigerant gas losses contributed 21% of all Scope 1 emissions (1,477 tonnes) in the 2021 financial year, with our Londrina site in Brazil accounting for 86% of this total. This site produces vaccines, and equipment containing refrigerant gases is used to control the temperature of the working environment and is also necessary for freeze drying and general process cooling applications. The site is continually reviewing their strategy to manage equipment containing refrigerant gases, including equipment management to prevent leakages, renewal of older equipment and switching to refrigeration processes that have a reduced environmental impact. This year the site has installed a new boiler for industrial steam fuelled by liquid petroleum gas, reducing the use of diesel.

Offices
Offices include our sales representatives and Scope 3 (which includes vehicle emissions) account for 790 tonnes (2020: 1,159 tonnes) of the 827 tonnes total. The number of electric vehicles within our fleet is increasing year on year.

Warehousing
Our warehousing facilities contribute 618 tonnes of carbon (2020: 650 tonnes) and 67% of this is in relation to the fuel used in the buildings. Our main facility in Uldum, Denmark (Dechra Service Center) is looking at alternatives to fossil fuel, which have a lower environmental impact and other energy improvements. During the 2021 financial year, the Uldum warehouse handled 51,569 orders, an increase of 32% from 2020. The increased activity was mainly due to a large number of new products and incoming orders. The increased number of products has meant that the storing capacity at Uldum had reached its maximum leading to the use of external storage involving extra transportation and CO_2 emissions. Therefore, a 6,000 m^2 warehouse extension was commenced during the financial year. The warehouse will have a 2,000 m^2 basement floor, which will hold all cold store products at a constant temperature of two to eight degrees centigrade. The advantage of building the cold store below ground is the fact that the cooling process will be aided by the ground temperature of eight degrees centigrade which will significantly reduce the energy use of room cooling.

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.

	1 July 2020 to 30 June 2021	**% relates to energy consumed in UK**	1 July 2019 to 30 June 2020	% relates to energy consumed in UK
Scope 1	**31,522,041**	**6.3%**	33,509,013	6.3%
Scope 2	**17,185,952**	**16.2%**	16,647,278	11.7%
Scope 3	**6,610,981**	**0.9%**	8,444,662	6.1%
Total kWh	**55,318,974**	**8.7%**	58,600,953	7.8%

Sustainable Energy
Solar Panels
Dechra has one of the largest solar panel installations of its type in Croatia, and it has been operational since 28 June 2019. The solar panels have generated 27.8% (2020: 29.6%) of the electricity used at the site.

	2021 Total	2020 Total
HEP (kWh)	**5,021,820**	5,366,447
Solar power plant (kWh)	**1,933,695**	2,254,633
Total	**6,955,515**	7,621,080
% of solar	**27.80%**	29.58%

The management team at Zagreb have now taken a further significant step towards improving the energy efficiency at the site by successfully gaining accreditation to ISO 50001, the international standard for Energy Management.

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

The Global Transport team have identified the transatlantic shipments from Europe to North America, Mexico and South America, as an opportunity for significant reduction in CO_2 emissions by making DSC the central hub for all shipments in order to ship full container loads by sea rather than shipping single pallet orders by air. For future planning of transportation, the Global Transport team are working on a tool which can calculate the CO_2 emission on single order level, the new tool is expected to be ready in the new financial year and will be accompanied with a guidance for sustainable distribution planning and execution.

The increase in CO_2 per kg is due to the increase in pharmaceutical product shipments which are lighter in comparison to Nutrition products, and the majority of pharmaceutical products require shipments to be temperature controlled.

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

Corporate Social Responsibility continued

Taskforce for Climate-related Financial Disclosure (TCFD)

The TCFD was established to help identify the information needed by investors, lenders, and insurance underwriters to assess and price climate-related risks and opportunities appropriately. The Taskforce structured its recommendations around four thematic areas that represent core elements of how organisations operate: governance; strategy; risk management; and metrics and targets.

Recommendation	Dechra Approach	Further Information
Governance Disclose the organisation's governance around climate-related risks and opportunities.	The Board is accountable for approving our ESG strategy and overseeing the delivery of our climate-related objectives. Our Senior Executive Team (SET) are responsible for delivering on these objectives within their functional areas and business units. Each SET member will have an ESG objective as part of their personal objectives within the 2022 financial year annual bonus plan. The Board and the SET are supported by a cross-functional ESG Committee who work with them to define our ESG strategy, and set objectives and targets which are aligned with the United Nations Sustainable Development Goals. To enhance our commitment towards TCFD reporting further, a dedicated TCFD team has been appointed.	
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Our environment strategy and objectives are described in our Corporate Social Responsibility Report. Our policy is that we are committed to minimising the impact of our operations on the environment by adopting responsible environmental practices and complying with applicable environmental legislation. We are committed to setting ambitious Science Based Targets and help limit global warming to 1.5°C. We recognise the potential business opportunities of: • more efficient modes of transport and use of materials; • further improvements in packaging; and • exploring increased opportunities on sites with production of renewable energy (e.g. solar panels etc.).	Corporate Social Responsibility (pages 52 to 75)
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	We have identified the importance to acknowledge climate risks as part of our normal risk management process. During the 2021 financial year climate risk has been identified as a principal risk and has been discussed with each SET member. Currently our actions are focused on physical climate risks. We have created a risk assessment for completion by every internal site. The sites were asked to identify climate and natural disaster risks specific to their businesses now and over a 15 year period. The assessment was circulated in July 2021. The next step is for our dedicated TCFD team to assess the data and discuss scenario planning with key management looking at both physical and transitions risks.	How the Business Manages Risk (pages 76 to 78) Emerging Risks (page 77)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Our environmental metrics and targets are described in our Corporate Social Responsibility Report. The key targets are: • zero to landfill by 30 June 2025; and • commitment to set a science-based target through the Science Based Targets initiative, Ambitious Business Targets of 1.5 degree, reaching net-zero emissions by 2050.	Corporate Social Responsibility (pages 54 and 55)

Our Business

Linkage to UN SDGs

33
Product Development Projects

83,000
Academy Users

Our key focus areas are:

- Ethical and Sustainable Products: the development and promotion of products to improve animal health and welfare ethically and sustainably;
- Veterinary Professionals: maintaining and improving the knowledge and skills of veterinarians who prescribe and use our products; and
- Ethics: acting honestly and with integrity.

Ethical and Sustainable Products

Product Development

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. When we are required to conduct studies to achieve product registrations, we minimise the number of animals to achieve the necessary outcomes. Whenever possible, we will use information that can be derived from existing publications in an effort to limit the number of studies needed.

The scientific purpose of involving animals in the development of our products is reviewed and approved by Regulatory Agencies. For each individual study, an Animal Welfare Committee approves the protocol.

We are committed to the following principles:

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

The Animal Welfare Committee aims to use a minimal number of animals and that their treatment is humane, and Dechra inspects all facilities which perform testing to confirm proper care and treatment of animals is evident. Additionally, a full review of the study design will be approved by the Animal Welfare Committee for clinical studies. In all instances only animals with the disease the product is intended to treat will be used and for clinical field trials, owner consent for the trial is obtained.

Pharmacovigilance

All employees, except production and logistics operatives, receive pharmacovigilance training within one month of joining Dechra. This is then verified by the pharmacovigilance e-learning module on Delta. These employees undertake an annual pharmacovigilance refresher training. The pharmacovigilance training outlines the procedure that should be followed by all Dechra personnel if they are informed of a product complaint.

Any time that Dechra receives a report of an adverse event occurring after the administration of one of its products, the Company treats the report seriously and it is Dechra's obligation to review the case to determine whether its product may have caused or contributed to the adverse event. All suspect adverse reactions are reported to the appropriate regulatory authorities.

Sustainable Packaging

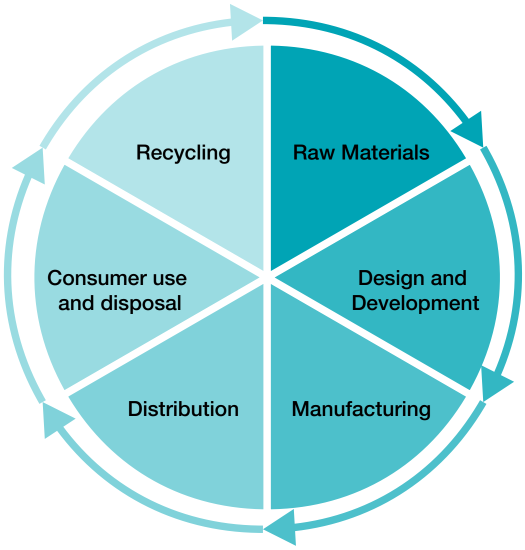
We have previously reported on the steps our logistics operations have taken to be more environmentally friendly. These steps have included using:

- 100% recycled paper for stuffing in shippers;
- cardboard packing made from 70% to 90% recycled material; and
- old newspapers as fillers in packaging.

In 2018 we changed the packaging of our cat food, reducing bag height, using thinner bags and introducing a flat bottom, and in 2020 we made the same changes to our range of dog food. In total these changes have saved 18,000 kg of plastic per year. All of our cardboard cartons for our dry diets are now FSC certified. In 2020, we launched a new range of organic diets including dry foods in recyclable bags. Our new organic dry food bags are made from layers of the same type of plastic but with a gas barrier between the layers. This gives packaging that is both lighter and stronger than conventional bags but because it is a single type of plastic, it can be recycled where collection systems allow. The organic diets are the start and we are committed to having all of our Specific diets in recyclable packaging by 2023.

During the 2021 financial year, Dechra has progressed the development of our sustainable packaging strategy and established a packaging committee, with representatives from research and development, HS&E, manufacturing, supply management, sales and marketing. The packaging strategy looks at each stage of the packing life cycle with the aim of understanding how Dechra can reduce its environmental impact when sourcing packaging materials through to the post consumer choices during disposal/recycling.

Corporate Social Responsibility continued



During the 2022 financial year, we will focus on safeguarding biodiversity and responsible forestry by implementing a framework to source FSC certified fibre/paper, which will help achieve sustainable forest management in the world, one of the targets of SDG 15 (Life on Land).

As a pharmaceutical company with a broad portfolio, our packaging decisions are more complex due to the necessity of regulation in securing product and administration safety as well as legal compliance. However, we will endeavour to reduce packaging, and reduce the use of more than one material in a dispensing carrier to improve recyclability and where possible, use recycled materials in our packaging. We will work together with our customers, veterinarians, as well as pet owners in order to advocate awareness of the importance to recycle all material correctly in order for it to be used again.

Sustainable Ingredients

All of the krill, fish oil and fish meal used in the dry Specific diets are certified by either Marine Stewardship Council (MSC), IFFO RS Standard or Friends of the Sea. We regularly review our top ten ingredients, assessing the risk of scarcity and putting in place plans if we feel there is a growing risk. We have recently started to use algae, in our new sardine cat food, this ingredient is a rich source of omega-3 and has a number of benefits:

- commercial algae production takes place onshore, so has no impact on the marine environment;
- it uses a highly controlled process that takes very little land and does not use valuable drinking water or arable soil; and
- directly using algae as an ingredient helps preserve fish stocks.

As well as monitoring the provenance of our ingredients we are also interested in how these ingredients are produced. The sardine used in our new cat food are caught, in MSC certified fisheries, using a low impact ring netting system. With trawl netting the nets are towed through the water, whereas with ring netting, a net is used to encircle a shoal of fish forming a deep curtain of netting suspended vertically through the water, with the net then being drawn in.

There are a number of advantages to ring netting, and they are:

- by-catch is reduced because if the wrong species are in the net, the whole catch can be released unharmed;
- less seabed impact as the net does not come into contact with the seabed; and
- lower fuel consumption as the ring net is not towed through the water and the vessels used are small inshore vessels.

Promotion of Products

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

We advertise and promote our products fairly using promotional materials which contain balanced, accurate and truthful information. We only promote based on the information included on the Summary of Product Characteristics (SPC)/Product Insert which is a document that is approved by the regulators as part of the marketing authorisation of each medicine. We are members of the industry associations in the majority of countries where we have our own sales teams, and follow the industry association's marketing and promotional guidelines in these countries. All our promotional material is approved internally by an appropriately qualified regulatory manager, technical product manager or veterinarian. In addition, we train all customer-facing employees so that they have sufficient product and disease knowledge to enable them to present information on our products accurately and responsibly. We promote our products to veterinary professionals and professional farming units, using promotional materials approved by authorised persons independent of the sales force.

Promotional compliance is monitored by our country managers and regional sales managers and the internal audit team also conduct a regular review of compliance processes, and corrective actions are taken to address any issues identified.

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. There are currently no regulatory or industry requirements to publicly disclose promotional violations or payments to healthcare professionals.

Our Products

Our products are all targeted at providing veterinary professionals with solutions for their customer needs. Our products can be divided into four categories: Companion Animal Products (CAP), Food producing Animal Products (FAP), Equine, and Nutrition.

We have developed a strong position in providing specialist and clinically necessary novel CAP products, especially in internal medicine and critical care products such as anaesthesia and analgesia, where we have a wide range providing the veterinarian with an optimal solution for most cases.

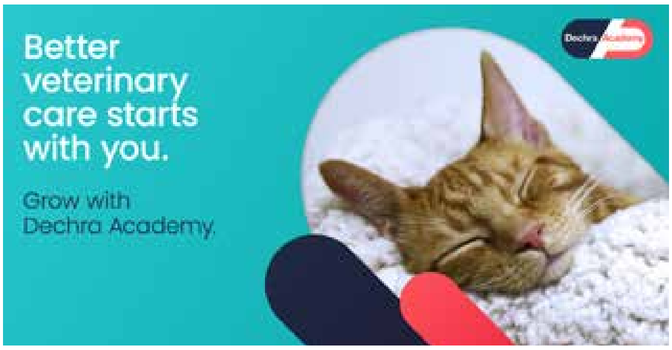
Our FAP products are positioned to match current best practice prescribing habits and to meet the growing awareness for the need for better animal welfare standards.

Veterinary Professionals

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

Education

We deliver education through many channels, including conferences and our online digital e-learning environment, the Dechra Academy.



During the year, the Dechra Academy undertook a rebrand. By listening to our customers' changing requirements we have developed a new brand identity that is now in line with what they need. This also enables our marketing and educational offering to be recognisable and consistent across the globe. We were awarded "Best in Class" for CPD that the veterinary community value by the UK CM research report. Together with our new platform and modern learning design principles we are consolidating our position as one of the best educational resources for veterinary professionals. The Dechra Academy remains a key differentiator for Dechra and our most important digital asset.

Noticeable achievements over the last 12 months are:

- courses available in 19 languages (2020: 18 languages);
- 83,000 registered users (2020: 68,000 registered users);
- 549 courses (2020: 334 courses);
- 2,400 average users per month (2020: 2,200 average users); and
- 19 local market domains (2020: four local market domains)

Our focus for the next 12 months will be the continued roll out of the local domains, celebration of our 10 year UK Academy anniversary and further integration with our other digital platforms. We are placing a greater emphasis on the educational aspect of the Academy, empowering our users and distinguishing ourselves from our competitors.

Case Study

Use of digital training during COVID-19

Due to the restrictions imposed by COVID-19, our DVP International business has been unable to visit and provide face to face training with its distributors, and has had to switch to virtual events. It has distributors in 68 countries, which has meant that the planning and preparation of these events is vital as it has the added complexity of offering training in different time zones, sometimes with language barriers.

The multitude of customers that have been supported and trained has varied from poultry veterinarians in South Africa, pig farmers in Indonesia to companion animal vets in South Korea to name a few. On top of this DVP International had to move its annual distributor meeting online.

Over the past year, DVP International's CAP team has conducted five external webinars, three internal webinars and 28 internal product trainings for its distributor partners. These sessions have focused on new product launches such as *Osurnia* and *Mirataz* as well as existing products like *Cardisure*, *Prevomax* and our endocrine and dermatology ranges. The business has reached 828 veterinarians with these external webinars. In April the first virtual CAP distributor meeting was held for South Korean veterinarians focusing on *Vetoryl*, *Zycortal* and *Cosacthen* from our endocrine portfolio. It was hosted by an external speaker Dr. Imogen Schofield from the Royal Veterinary College and speakers from Dechra.

All together 14 FAP training events have been held. The last event was a two day SoluStab Webinar held in May 2021, which had originally been planned as a live session.

Corporate Social Responsibility continued

CPD Events

During the financial year, we held 501 CPD events in North America with 24,091 attendees. Our *Mirataz* pan-European live webinar was translated simultaneously in eight languages, with 967 attendees across 15 countries, and 10,000 customers received training in Poland. Our International business:

- held two online distributor meetings, each spanning two days of technical and marketing training, providing education to 75 participants;
- in addition to local CPD activities, we have supported our distributors with 8 online seminars delivering live education to a further 591 veterinarians; and
- held the equivalent of 110 hours of distributor training.

Technical Support

With the wide range of products we offer, which includes those that treat complex and less frequently occurring disorders such as Cushing's and Addison's, the provision of a 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 our smaller markets we will have a veterinarian responsible for providing veterinary support. This compares to our larger markets where we have more veterinarians that will collaborate across all sectors of the industry. The UK has one of our largest teams, and in the last financial year this team handled around 7,200 customer enquiries, 54% of which were related to our endocrine treatments *Vetoryl* and *Zycortal.* In 2021, the US Veterinary Technical Support team provided technical support for 9,740 new cases, with close to 40% specific to *Vetoryl* and *Zycortal* products. In addition, these larger markets will also have field-based veterinarians providing technical support and carrying out 'lunch and learns'.

Ethics

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

Honesty and Integrity

We are committed to acting responsibly and with integrity. This is reflected through our Values. We expect our third parties to trade with honesty and integrity, and to support this we have a Third Party Code of Conduct, which 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 has been updated during the financial year, and an exercise has been completed to simplify and align the Group Policies with the Code of Conduct which has resulted in the development of a set of simple, one page policy documents. A Code of Conduct e-learning course has been developed and was rolled out in English at the end of June, it will be translated into eight languages by the end of this calendar year. It will be a global mandatory course to be completed on an annual basis.

Our employees are encouraged to report behaviours that are contrary to our Code of Conduct via our How to Raise a Concern Procedure.

Anti-Bribery and Anti-Corruption

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, and continues to be, an area of key risk focus for Dechra. Our continuous growth in new markets through product launch and relationship development drives us to review and develop our policies and procedures in this area on a continual basis.

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

All employees, officers and consultants are required to comply with the Dechra ABC Policy and Code of Business Conduct, both of which were updated during the 2021 financial year as part of an annual review. 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 Group Legal 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. A new course was launched in February 2021, the content for which will be reviewed and refreshed each year alongside our annual review of Group wide policies. By June 2021, three months after its launch, 88% of our employees had completed this course, which focuses on the principles behind ABC laws and assists employees in identifying and mitigating ABC risks.

Our third party onboarding programme is reviewed and developed regularly throughout the year, taking into account feedback from the business and the growth in our activities. Compliance with this programme is monitored through regular audits. We continue to utilise, and see the benefits of, our ABC and Sanctions screening software which assesses Dechra's new and existing third party network on a continuous basis. In the next financial year we will develop a new platform which will streamline the ongoing due diligence review of existing third parties, thereby allowing resource to be dedicated to the more detailed analysis and mitigation of ABC risk across the Group.

Human Rights

Dechra is committed to upholding and respecting human rights both within our business and from our suppliers. During the year, the Board approved a Human Rights Policy, a copy of which can be found on our website. The following 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.

We do not use forced, bonded or indentured labour or involuntary prison labour or take part in human trafficking. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships. We are also committed to implementing and enforcing effective systems and controls to prevent modern slavery from taking place anywhere in our own business or any of our supply chains. Our Modern Slavery Statement can be found at www.dechra.com.

- We do not use child labour. We comply with international standards on the minimum age for employment. The minimum age for employment is 16 years of age. However, if the local minimum age law stipulates a higher age for work or mandatory schooling, then the higher age will apply.
- 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.
- We provide a workplace free of harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers, and no threat of any such treatment.
- 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 committed to fair employment practices and comply with national legal requirements regarding wages, including minimum wages, overtime hours and mandated benefits, and working hours.
- We provide a safe working environment for those who work for us or with us. We reinforce good safety management practices and maintain awareness of safe ways of working.

Corporate Social Responsibility continued

Our Community

Linkage to UN SDGs

2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
17 PARTNERSHIPS FOR THE GOALS

£72k
Cash Donations

£310k
Product Donations

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

- Community Activities
- Community Donations

Community Activities

We encourage our employees to engage in community activities, in particular, volunteering in the fields of animal welfare, human service and environmental stewardship. There is a particular focus on animal welfare driven by the passion of our employees. We have committed to giving our employees one day per year in the community. Unfortunately, a lot of our community activities this year have been postponed due to the social distancing restrictions imposed by COVID-19. However, the following activities were undertaken:

- employees in Kansas and Portland, USA held two remote activities early in the year; a walk to raise money for Not One More Vet (NOMV) who support the mental wellbeing of veterinary professionals and students, organised by the Veterinary Technical Services team in Kansas, and a telethon to raise money for Good Shepherd Food Bank in Portland;
- in Fort Worth, USA approximately 60 hours of volunteer hours were spent distributing essential personal care items during COVID-19 to clients of the Fort Worth Hope Center;
- a group of 25 volunteers from the Nordics connected virtually while Plogging, an event that combines exercise jogging with picking up rubbish, and collected 197 kilos of rubbish;
- a community day for 25 employees from our Den Bosch office providing much needed general maintenance at Oosterhoeve, a farm caring primarily for older animals that is a safe haven; a place that offers positivity, support and relaxation to those who need it; and
- in Belgium, employees held a community day in a retirement centre for horses. The team helped out cleaning the pastures, building a hay rack, and groomed the horses.

Community Donations

For the last ten years we have operated a Group Donations scheme, whereby we encourage all employees to nominate a charity or non-commercial organisation for a charitable donation. We decided that we would give the 2021 financial year's donation to charities related to the effects of COVID-19. A sum of money was allocated to each country in which we have a manufacturing organisation as Simon Francis, Group Manufacturing and Supply Director, sadly passed away from COVID-19 last year.

Our teams in Skipton, Zagreb, Bladel, Londrina and Australia/New Zealand were each awarded the local equivalent of £10,000 and Melbourne and Fort Worth were awarded the local equivalent of £5,000. Donations included monetary contributions and the supply of food parcels, pet food and hygiene products.

We have also donated €10,000 to Tour de Fundacja, a charity that funds the holiday rehabilitation of children with disabilities in Poland.

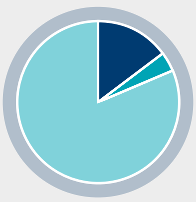
In addition to the annual Group Donations, each business unit has the discretion to allocate funds and/or products to local community charities and/or animal welfare charities.

Dechra Veterinary Products (DVP) EU donated €10,000 to Voedselbank Den Bosch, in the Netherlands. The charity helps more than a million people who live below the poverty line, by temporarily providing them with food parcels. Dechra Veterinary Products (DVP) North America donated $10,000 each to two area food banks, Harvesters Community Food Network serving the greater Kansas City area, and Good Shepherd Food Bank serving the greater Portland area.

For the 2022 financial year, we will no longer run a centralised donations programme instead we will allocate funds to our sites to enable decisions to be made by Regional Giving Communities. During the 2021 financial year, we ran a pilot in the USA to establish and test the framework of Regional Giving Committees. The US Regional Giving Committee was made up of 23 employees, representing the various businesses within the USA. Committee members offered suggestions of their own, and then voted to narrow the selections to a reasonable number of organisations given the budget. Three organisations were awarded $3,000 each, and five organizations were awarded $1,200 each. Selections covered each of the three community pillars, Animal Welfare, Human Service, and Environmental.

The majority of other product donations are short dated product which otherwise would have had to be destroyed.

Group Donations



Group cash donations	£56,564
Business units cash donations	£15,365
Business units product donations	£309,595

Case Study: Earthquake, Croatia

Dechra provided vermin control products to support public health in affected areas

On 29 December 2020, an earthquake of magnitude 6.4 Mw hit central Croatia, with an epicenter located roughly 3 km (1.9 mi) west-south west of Petrinja – the strongest recorded in the region in 140 years. The earthquake was also felt in the Croatian capital, Zagreb, as well as in neighbouring Bosnia and Serbia and as far away as Italy.

In Petrinja and neighbouring towns, there were unfortunately seven deaths and many more injured and left homeless due to structural damage with the loss of electricity and water supply.

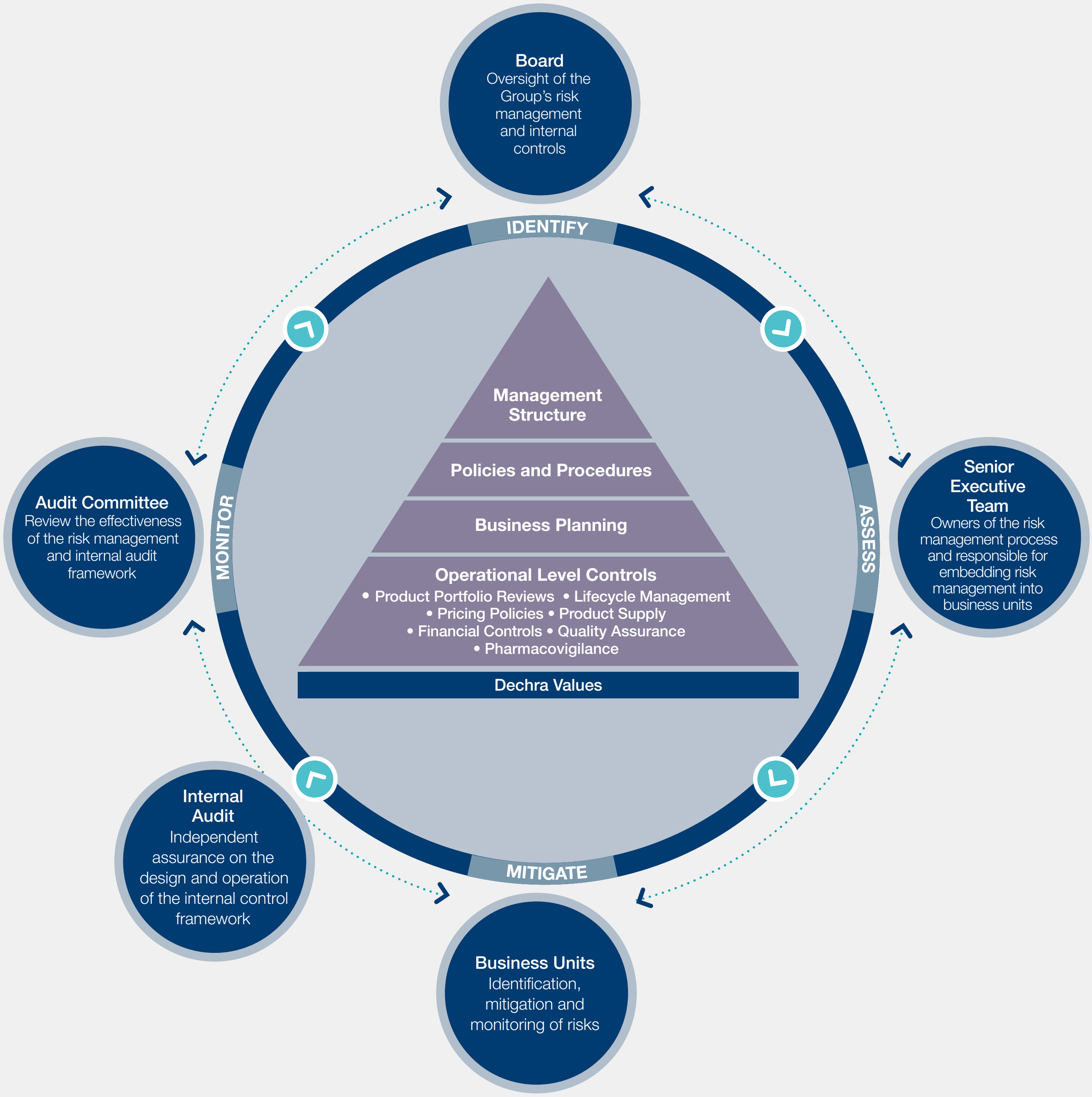
One of the key challenges post an earthquake is vermin control. This is to ensure public health is not adversely affected through the use of contaminated water supplies. In response, our Croatian team submitted a suggested list of products to donate to the Croatian Government's department of agriculture, who coordinated the crisis response by reviewing suggested donations, letting each donor know what would be beneficial and which recipients would benefit.

The net result was a Dechra donation of 38 pallets of stock, the majority of which was Brodolin Blok, a vermin control product, between the months of March and June. We hope our contribution in this significant crisis helped in a small way to support a return to normal life for the affected population.

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.



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

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

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

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

SET members present their risks, controls and mitigation plans to the Board for review on a rolling programme throughout the year, whilst the Board undertake 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 coordinate 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 rapidly 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.

COVID-19
We have continued to operate our risk management and control processes effectively throughout the COVID-19 pandemic, including a formal assessment of emerging risks, climate risk and the potential longer-term impact of COVID-19 on the business.

The operational impact of COVID-19 on the business during the last financial year and the actions we have taken in response are described in various parts of the Strategic and Governance Reports. Whilst the virus has had an impact on how we conduct our operational activities, we have continued to operate successfully throughout the pandemic in all of our worldwide locations. We have not needed to use any government support or job retention schemes, and have maintained and in some cases increased our headcount during the year.

Sales have continued to grow throughout the financial year against the backdrop globally of COVID-19 limiting the impact on business performance, whilst recognising that risks around our people and travel restrictions still exist. Given the developing global responses to COVID-19 we remain cautious and will continue to monitor and respond to further changes where needed.

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

Internal Control Framework
Our internal control framework is designed to ensure:

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

The key elements of the control framework are described below:

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

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

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

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

How the Business Manages Risk continued

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 to 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 79 to 82. 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 2021

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

- New governance and oversight processes to provide transparency of performance, decisions and actions across the manufacturing and supply network.
- Recruitment of a new Group Quality Director to review and coordinate the Group approach to quality.
- Recruitment of a new Internal Network Director to strengthen the management of our internal manufacturing sites.
- We have continued to make improvements to our manufacturing, quality and supply processes, with additional investments in people and production facilities.
- Refreshed and relaunched our Code of Business Conduct, with a commitment to host our How to Report a Concern Procedure externally.
- Expansion of our financial control framework ahead of the proposed government BEIS report on audit and corporate governance, with a working group established to shape our preparation; and
- Our Environmental, Social and Governance (ESG) strategy has been enhanced with the appointment of a Group Sustainability Director, with an assessment underway to assess our climate risks further.

Plans for 2022

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 2022.

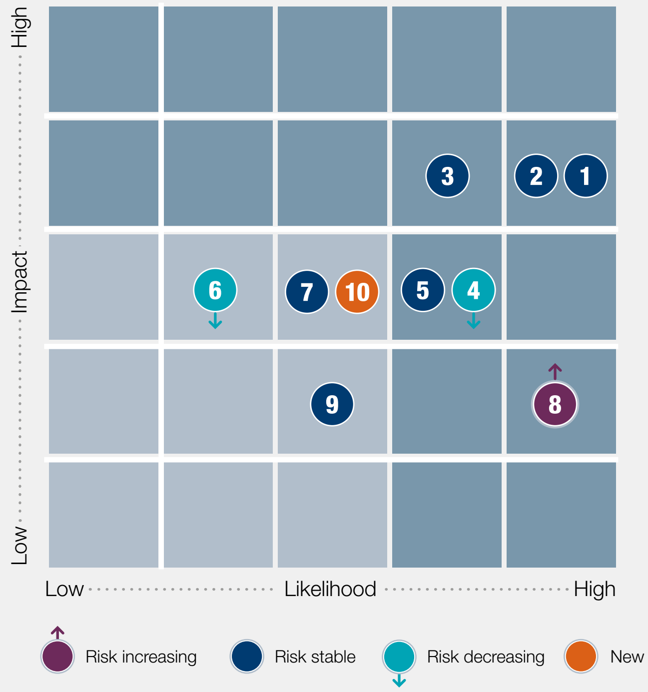
We also plan to make further improvements and enhancements to our financial control framework and our Group policies.

Understanding Our Key Risks

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, cybersecurity, IT systems failure 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.



Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	1 Market Risk: The growth of veterinary buying groups and corporate customers impacts the distribution landscape. We sell and promote primarily to veterinary practices and distribute our products through wholesaler and distributor networks in most markets. In a number of mature markets, veterinarians have established buying groups to consolidate their purchasing, and corporate customers are continuing to expand.	The growth of corporate customers and buying groups represents an opportunity to increase sales volumes and revenue but may result in reduced margins.	We manage and monitor our national and European pricing policies to deliver equitable pricing for each customer group. Our relationships with larger customers are managed by key account managers. Our marketing strategy is designed to support veterinarians in retaining customers by promoting the benefits of our product portfolio in our major therapeutic areas.	→
	2 Competitor Risk: Competitor products launched against one of our leading brands (e.g. generics or a superior product profile). We depend on data exclusivity periods or patents to have exclusive marketing rights for some of our products. Although we maintain a broad portfolio of products, our unique products like *Vetoryl* and *Felimazole* have built a market which continue to be attractive to competitors.	Revenues and margins may be adversely affected should competitors launch a novel or generic product that competes with one of our unique products upon the expiry or early loss of patents. Costs may increase due to defensive marketing activity.	We focus on lifecycle management strategies for our key products such that they can fulfil evolving customer requirements. Product patents are monitored, and defensive strategies are developed towards the end of the patent life or the data exclusivity period. We monitor market activity prior to competitor products being launched and develop a marketing response strategy to mitigate competitor impact.	→

Understanding Our Key Risks continued

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	3 Product Development and Launch Risk: Failure to deliver major products either due to pipeline delays or newly launched products not meeting revenue expectations. The development of pharmaceutical products is a complex, risky and lengthy process involving significant financial, R&D and other resources. Products that initially appear promising may be delayed or fail to meet expected clinical or commercial expectations or face delays in regulatory approval. It can also be difficult to predict whether newly launched products will meet commercial expectations.	A succession of clinical trial failures could adversely affect our ability to deliver shareholder expectations and could also damage our reputation and relationship with veterinarians. Our market position in key therapeutic areas could be affected, resulting in reduced revenues and profits. Where we are unable to recoup the costs incurred in developing and launching a product this would result in impairment of any intangible assets recognised.	Potential new development opportunities are assessed from a commercial, financial and scientific perspective by a multi-functional team to allow senior management to make decisions on which ones to progress. The pipeline is discussed regularly by senior management, including the Chief Executive Officer and Chief Financial Officer. Regular updates are also provided to the Board. Each development project is managed by project leaders who chair project team meetings. Before costly pivotal studies are initiated, smaller proof of concept pilot studies are conducted to assess the effects of the drug on target species and for the target indication. In respect of all new product launches a detailed marketing plan is established and progress against that plan is regularly monitored by a new product launch team. The Group has detailed market knowledge and retains close contact with customers through its management and sales teams which are trained to a high standard.	→
a-b-c	**4 Supply Chain Risk:** Inability to maintain supply of key products due to manufacturing, quality or product supply problems in our own facilities or from third party suppliers. We rely on third parties for the supply of all raw materials for products that we manufacture in-house. We also purchase many of our finished products from third party manufacturers.	Raw material supply failures may cause: • increased product costs due to difficulties in obtaining scarce materials on commercially acceptable terms; • product shortages due to manufacturing delays; or • delays in clinical trials due to shortage of trial products. Shortages in manufactured products and third party supply failures on finished products may result in lost sales. We have now addressed the majority of our in-house quality and supply challenges which contributed to an increased supply chain risk last year, and our enhanced Governance and controls in this area have seen a reduction in the risk here.	We monitor the performance of our key suppliers and act promptly to source from alternative suppliers where potential issues are identified. The top ten Group products are regularly reviewed in order to identify the key suppliers of materials or finished products. A dedicated external network team exist who manage and support our CMOs to deliver quality products to our regulatory specifications. Demand forecasting and supply planning processes, with monthly reviews of demand and production forecasts, inventory levels, and remediation plans for products that are out of supply. We plan to increase our working capital and carry higher levels of safety stock on critical raw materials, and finished products. 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. A business continuity plan is in place at Skipton, Zagreb and Uldum, and similar plans are being developed for other sites. A project is in progress to review and improve our supply planning processes.	↓

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	5 Regulatory Risk: Failure to meet regulatory requirements. We conduct our business in a highly regulated environment, which is designed to ensure the safety, efficacy, quality, and ethical promotion of pharmaceutical products. Failure to adhere to regulatory standards or to implement changes in those standards could affect our ability to register, manufacture or promote our products.	Delays in regulatory reviews and approvals could impact the timing of a product launch and have a material effect on sales and margins. Any changes made to the manufacturing, distribution, marketing and safety surveillance processes of our products may require additional regulatory approvals, resulting in additional costs and/or delays. Non-compliance with regulatory requirements may result in delays to production or lost sales.	The Group strives to exceed regulatory requirements and ensure that its employees have detailed experience and knowledge of the regulations. Manufacturing and Regulatory teams have established quality systems and standard operating procedures in place. A dedicated External Network Quality Director supports our CMOs in complying with our regulatory specifications. Regular contact is maintained with all relevant regulatory bodies in order to build and strengthen relationships and facilitate good communication lines. The Regulatory and Quality teams update their knowledge of regulatory developments and implement changes in business procedures to comply with new requirements. Where changes are identified which could affect our ability to market and sell any of our products, a response team is created in order to mitigate the risk. External consultants are used to audit our manufacturing quality systems.	→
	6 Acquisition Risk: Identification of acquisition opportunities and their potential integration. Identification of suitable opportunities and securing a successful approach involves a high degree of uncertainty. Acquired products or businesses may fail to deliver expected returns due to over-valuation or integration challenges.	Failure to identify or secure suitable targets could slow the pace at which we can expand into new markets or grow our portfolio. Acquisitions could deliver lower profits than expected or result in intangible assets impairment.	We have defined criteria for screening acquisition targets, and we conduct commercial, clinical, financial, environmental and legal due diligence. The Board reviews acquisition plans and progress regularly and approves all potential transactions. The SET manages post acquisition integration and monitors the delivery of benefits and returns through a defined process. Whilst acquisition activity has reduced across the year, our defined processes and acquisition team strength have seen a reduced risk against a backdrop of no global travel.	↓
	7 People Risk: Failure to resource the business to achieve our strategic ambitions, particularly on geographical expansion and acquisition. As Dechra expands into new markets and acquires new businesses or science, we recognise that we may need new people with different skills, experience and cultural knowledge to execute our strategy successfully in those markets and business areas.	Failure to recruit or develop quality people could result in: • capability gaps in new markets. • challenges in integrating new acquisitions; or • overstretched resources. This could delay implementation of our strategy and we may not meet shareholders' expectations.	The Group HR Director reviews the organisational structure with the SET and the Board twice a year to confirm that the organisation is fit for purpose and to assess the resourcing implications of planned changes or strategic imperatives. A development programme is in place to identify opportunities to recruit new talent and develop existing potential. A new talent acquisition team and applicant tracking software have been embedded in the year.	→

Understanding Our Key Risks continued

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
Geographical Expansion; Portfolio Focus	**8 Antimicrobials Regulatory Risk:** Continuing pressure on reducing antimicrobial use. The issue of the potential transfer of antibacterial resistance from animals to humans is subject to regulatory discussions globally. In the EU new veterinary regulations are likely to come into force in January 2022 to reduce the use of antimicrobials in animals.	Reduction in sales of our antimicrobial product range. Our reputation could be adversely impacted if we do not respond appropriately to government regulations and recommendations.	Regular contact is maintained with relevant veterinary authorities to enable us to have a comprehensive understanding of regulatory changes. We strive to develop new products and minimise antimicrobial resistance concerns. We communicate appropriate antimicrobial use in line with best practice.	↑
Pipeline Delivery; Portfolio Focus; People	**9 Retention of People Risk:** Failure to retain high calibre, talented senior managers and other key roles in the business. Our growth plans and future success are dependent on retaining knowledgeable and experienced senior managers and key staff.	Loss of key skills and experience could erode our competitive advantage and could have an adverse impact on results. Inability to attract and retain key personnel may weaken succession planning.	The Nomination Committee oversees succession planning for the Board and the SET. Succession plans are in place for the SET together with development plans for key senior managers. Remuneration packages are reviewed on an annual basis in order to help ensure that the Group can continue to retain, incentivise and motivate its employees.	→
Pipeline Delivery; Portfolio Focus; People	**10 Climate:** Severe weather patterns caused by climate change or natural disaster causes damage to manufacturing or distribution facilities impacting our ability to meet customer demand.	Damage to our facilities as a result of climate change could impact our abilities to both 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.	The Sustainability Director and Risk team are engaged identifying the current risk threats and opportunities across the Group sites. Whilst there has been previous work in this area, the Group has a renewed focus and commitment towards its ESG responsibilities.	N

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

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

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

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 20 to 23 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 2021 and considered the Group's current position, its future prospects and reaffirmed the Group's stated strategy.

Assessment of Viability and Time Period
The Board has determined that a three year period to 30 June 2024 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 risks is described on pages 79 to 82 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 the top ten products, and loss of key high margin products alongside acquisition spend. A combination of the individual scenarios and an overall reverse stress test on the Group's borrowing facilities and covenant commitments have also been considered.

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

Viability Statement
Based on the results of this analysis and the assumptions used in the Group's planning process, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period from 30 June 2021.

Our FAP portfolio is positioned to match current best practice prescribing habits

Read more about Food producing Animal Products on page 14.

Our Governance

Letter from the Chairman on Governance

Tony Rice | Non-Executive Chairman

"The Board remains committed to maintaining high standards of corporate governance."

Dear Shareholder
On behalf of the Board, I am pleased to present Dechra's Governance report for the year ended 30 June 2021.

Board Appointments
We welcomed Denise Goode as a Non-Executive Director in April 2021. Denise brings a wealth of financial, commercial and life science industry experience, both from her extensive career as a senior executive and from board roles held since 2008. It is intended that Denise will be appointed as Chairman of the Audit Committee upon the retirement of Julian Heslop as Audit Committee Chairman following the 2021 Annual General Meeting. Julian will remain on the Board as a Non-Executive Director. Denise's biographical details can be found on page 89. Denise has been appointed as a member of the Audit, Nomination and Remuneration Committees.

You will have seen the notification in the preliminary results announcement of my intention to step down as Chairman once we can appoint a successor. It has been my privilege and pleasure to work with Ian, his management team and the Board these past five years as Dechra has continued to evolve and grow and deliver great products and service to our customers and strong returns to our shareholders. This is a suitable time for me to leave to devote more time to my family and my other business and charitable activities.

Purpose and Culture
Our Purpose is clearly defined and underpinned by our Culture and Values. Further details can be found on pages 4 and 5, and 93 and 94. 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 support them by providing clear guidance on expectations.

During the year, the OneDechra training module has been developed to facilitate a deep dive into our Culture and Values, providing a platform for employees to explore how the Values underpin everything that we do and drive decision making.

Our Values are supported by our Code of Conduct, which has been updated to include a set of simple one page policy documents. A Code of Conduct e-learning course has been developed and is ready to be rolled out globally on an annual basis.

Stakeholders and Section 172 Companies Act
The impact of our decisions on our key stakeholders has always been prevalent 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 48 to 50 and 95 to 97.

COVID-19
The measures that were put in place to enable front line employees to operate safely in our 2020 financial year have remained; this has allowed all manufacturing sites, logistic sites and laboratories to remain open and continue to function effectively. All employees who can work from home have done so successfully. Our employees are now slowly returning, where it is safe to do so, to our offices initially on a cohort basis and to meeting our customers in their practices.

The continuity of product supply and support for our customers has remained a key priority for Dechra during the pandemic. We invested significant resources to maintain an adequate supply of raw materials and finished goods to meet the needs of our customers. In addition, we expanded our webinar programme in our Academy and provided CPD events and conferences virtually.

Board Activities

The current financial year has been busy for Dechra operationally and we have approved important investments in both manufacturing and logistics. We have secured the rights to market Tri-Solfen® in Australia and New Zealand and we have acquired a further 1.5% of the issued share capital of Medical Ethics Pty Ltd. As a result, Dechra now has the rights to sell Tri-Solfen®, an important pain management product, in all markets globally as the product becomes approved.

Compliance with the Code

The UK Corporate Governance Code 2018 (the Code) establishes the principles of good governance for companies; this Governance section of the 2021 Annual Report describes how the Company has applied these principles and complied with the provisions, as well as how it meets other relevant requirements, such as the provisions of the Listing Rules and Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority.

In the opinion of the Directors, the Company has complied with the Code throughout the period, with the exception of provision 38 of the Code. In respect of this provision, the steps intended to be taken to ensure more effective alignment of Executive Director's pension contributions to those available to the workforce are set out on page 125. From 1 July 2021, two of our Executive Directors' pension contributions will be at 8%, and the Chief Financial Officer's pension contribution will be at 6% matching the minimum offered to our UK workforce. The Chief Financial Officer and UK workforce pension contributions will increase to 8% on 1 July 2022.

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

Relations with Shareholders

The Annual General Meeting will be held in Northwich on 21 October 2021. All members of the Board are scheduled to attend the Annual General Meeting (the Meeting) and the Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting.

Looking Forward

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

Tony Rice
Non-Executive Chairman
6 September 2021

Board Leadership and Company Purpose

The Board recognises that excellence in corporate governance is important in order to generate and protect value for our investors. Our governance structure is designed to maintain effective control and oversight of our business whilst at the same time promoting the entrepreneurial spirit that has underpinned Dechra's success to date. Details in relation to our prudent and effective controls can be found on page 94, stakeholder engagement on pages 95 to 97 and culture, purpose and values on pages 93 and 94.

Division of Responsibility

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

Composition, Succession and Evaluation

The report from our Nomination Committee on pages 103 to 111 sets out the appointment process, its approach to succession for appointments to the Board and SET, the implementation and progress of the Group's diversity policy. Details in relation to our succession planning and the external Board evaluation can be found on pages 103, 110 and 111.

Audit Risk and Internal Control

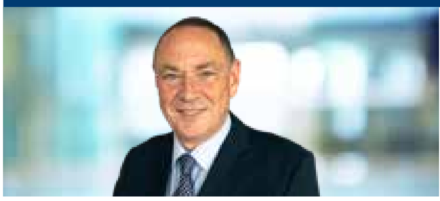
The report from our Audit Committee Report on pages 112 to 118 contains details on how it has assisted the Board in reviewing the financial reporting and internal financial control effectiveness, and the monitoring of the effectiveness of the external audit process and internal audit function. Further details in respect of the Group's risk management and internal control processes are provided on pages 76 to 82 of the Strategic Report, along with the principal risks, controls and mitigating actions, and emerging risks.

Remuneration

Our Remuneration Policy is designed to promote the long term success of the Group and to reward the creation of long term value for shareholders. The Remuneration Committee has taken into account the pay and principles applied to the wider workforce and the culture of the Company when setting the remuneration of both the Executive Directors and the SET. During the year, we have undertaken a shareholder consultation on the remuneration of our Executive Directors. Further details can be found on pages 119 to 124

Board of Directors

Executive Directors



Ian Page
Chief Executive Officer

Appointed:
June 1997

Committee Membership:
Disclosure (Chairman).

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

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

External Appointments:
None.

Pets:

Paul Sandland
Chief Financial Officer

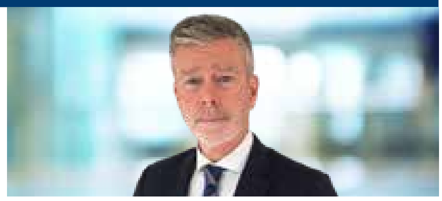
Appointed:
October 2019

Committee Membership:
Disclosure.

Skills and Experience:
Paul qualified as a Chartered Certified Accountant in 2005. He spent five years post qualification at KPMG, during which time he was part of the team which advised the Group on its acquisition of VetXX in 2008. Paul joined Dechra in January 2010 and has worked both in Corporate as Group Financial Controller and in our sales and marketing organisation as the Group's Dechra Veterinary Products EU Finance Director. Paul is the Board nominated Director responsible for health, safety and environmental matters.

External Appointments:
None.

Pets:



Tony Griffin
Managing Director,
Dechra Veterinary Products EU

Appointed:
November 2012

Committee Membership:
Not applicable.

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

External Appointments:
None.

Pets:

Non-Executive Directors

Tony Rice
Non-Executive Chairman

Appointed:
May 2016

Committee Membership:
Nomination (Chairman), Remuneration.

Skills and Experience:
Tony has extensive board level experience across a range of sectors, including aerospace, healthcare, telecommunications and retail in both UK and international markets.

External Appointments:
Tony is currently the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee at Halma plc, and Chair at Ultra Electronics Holdings plc.

Pets:
None.

Ishbel Macpherson
Senior Independent Non-Executive Director

Appointed:
February 2013

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

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

External Appointments:
Ishbel is Non-Executive Director at Lloyd's Register Group Limited.

Pets:

Julian Heslop
Non-Executive Director

Appointed:
January 2013

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

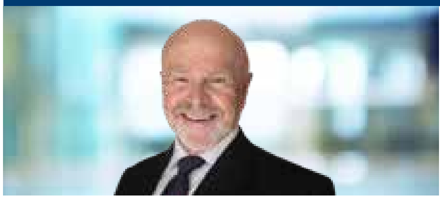
Skills and Experience:
Julian has considerable financial experience as a result of the senior finance roles he has held in the pharmaceutical, food, property and brewing sectors.

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

External Appointments:
None.

Pets:

Non-Executive Directors



Dr Lawson Macartney
Non-Executive Director

Appointed:
December 2016

Committee Membership:
Audit, Nomination and Remuneration.

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

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

Pets:

Lisa Bright
Designated Non-Executive Director for Employee Engagement

Appointed:
February 2019

Committee Membership:
Audit, Nomination and Remuneration.

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

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

Pets:

Alison Platt
Non-Executive Director

Appointed:
March 2020

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
Alison has extensive international and leadership experience in customer-driven organisations in the healthcare, insurance and property sectors. Alison was awarded a CMG for services to the Foreign Office in 2011 after six years on the FCO Board.

External Appointments:
Alison is a Non-Executive Director at Tesco PLC, Chair of Legal & General Financial Advice and Spectrum Life.

Pets:
None.

Denise Goode
Non-Executive Director

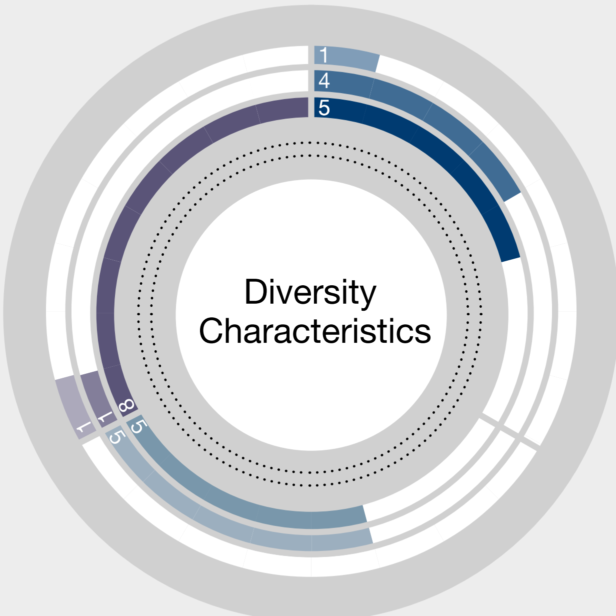
Appointed:
April 2021

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
Denise brings a wealth of financial, commercial and life science industry experience, both from her extensive career as a senior executive and from board roles held since 2008. She has a deep understanding of the pharmaceuticals sector and is highly experienced in business development. She is a Fellow of the Institute of Chartered Accountants in England and Wales.

External Appointments
Denise is currently a Non-Executive Director of Abliva AB, a NASDAQ Sweden listed company and Vice President, Business Development at AnaMar AB, a Swedish based private company.

Pets:
None.



Age	
41–50	1
51–60	4
61–70	5

Education	
University	5
Vocational	5

Country of Residence	
USA	1
Netherlands	1
UK	8

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

Senior Executive Team

Senior Executive Team

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

Giles Coley

Dechra Veterinary Products International Group Director

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

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

Pets:

Mike Eldred

President North America

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

As our first employee in the USA, he has built the USA, Mexican and Canadian teams to 245 people and has grown sales revenue to £219.5 million. Mike has also been involved in several commercial agreements and acquisitions for the Group including Pharmaderm, DermaPet, Phycox Animal Health and Putney. Mike has a BA in Business, and an MBA. He is located in Kansas, USA.

Pets:
None.

Dr Susan Longhofer

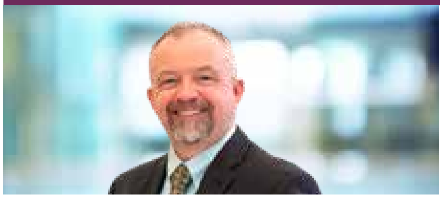
Chief Scientific Officer

Background:
Susan joined the Group in June 2005. A veterinarian with over 30 years' experience in the industry, she leads a team of approximately 150 staff around the globe responsible for product development, registering new products and maintaining the registrations of our existing products. She has assumed the Business Development role in 2015, searching out new products to continue to fill our product development pipeline. Susan was appointed as Chief Scientific Officer in January 2020, bringing together Business Development, Product Development and Regulatory Affairs.

Prior to joining Dechra, Susan worked for Virbac Corporation, Heska Corporation and Merck Research Laboratories. Susan holds an MS and a DVM in Veterinary Science and is a Diplomate, American College of Veterinary Internal Medicine. She is located in Kansas, USA.

Pets:

Senior Executive Team



Dr Anthony Lucas
Group Product Development Director

Background:
Anthony joined Dechra in 2016 following the acquisition of Putney Inc. where he was Senior Vice President of R&D. Anthony is originally a veterinarian from Australia with five years in clinical practice including a residency in emergency and critical care. Following a Masters in veterinary pharmacology, PhD in human pharmacology and post-doc at the University of Kansas, he spent six years at Elanco in early drug development, technology acquisition and has a Six Sigma blackbelt.

In his six years at Putney, Anthony built the R&D team, which delivered ten FDA product approvals.

As the Group Product Development Director, Anthony leads a team of around 80 scientists across five global research centres, to efficiently deliver the pipeline of products to meet Dechra's growth needs. He is located in Maine, USA.

Pets:

Milton McCann
Group Manufacturing and Supply Director

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

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

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

He is located in Skipton, UK.

Pets:
None.

Katy Clough
Group HR Director

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

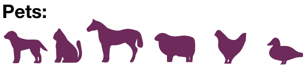
She has strong international, leadership and M&A experience and has taken responsibility for driving the global people agenda for the Dechra Group. She is located at Head Office, Northwich, UK.

Pets:

Allen Mellor
Group IT Director

Background:
Allen joined Dechra in April 2012 and has developed and implemented the Group IT strategy during this time. During the last 26 years, Allen has gained a breadth of experience from the implementation of diverse business solutions across multiple industry sectors including Justice, Education, Energy, Distribution and Retail. He has held several senior management positions encompassing software development, IT service provision and IT departmental management. His last role was as Head of IT for the BSS Group PLC, a leading plumbing and heating distribution company. Allen is currently responsible for all Group IT support to a multitude of internal customers. He is located in Sansaw, 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 Institute of Chartered Secretaries and Administrators. She is located at Head Office, Northwich, UK.

Pets:

Board Leadership and Company Purpose

Board Leadership and Company Purpose

Effective and Entrepreneurial Board

The Board's primary responsibility is to promote the long term success of the Company by the creation and delivery of sustainable shareholder value.

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

The Board oversees the effective delivery of the Group's strategy as set out on pages 20 to 23 of the Strategic Report. Dechra has consistently delivered on its strategic objectives resulting in a strong track record of growth as can be illustrated by the dividend growth on page 19, underlying diluted earnings per share growth on page 36 and our Total Shareholder Return performance on page 137.

Strategy

The Group's strategy remains unchanged and is set out on pages 20 to 23 of the Strategic Report. The key factors supporting the Group's prospects are explained throughout the Annual Report and are summarised below:

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

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

The Board undertook a review of the Strategy in December 2020, which included high level discussions to challenge whether the strategy remains fit for purpose and responsive enough to the market and environment. Some of the main topics discussed by the Board during its strategy review included:

- our market strategy for the next five to ten years;
- our vaccines strategy;
- our ESG and People strategy;
- centralisation verses decentralisation; and
- routes to market.

KPIs have been designed to measure progress and delivery of the strategic plan and our four growth drivers. Further details are provided on pages 36 and 37.

Case Study

Collaborative and Entrepreneurial

During the financial year, our DVP International team and Digital team created a Distributor Hub, which will sit within the new Dechra.com website. The aim of the hub was to create an intuitive area on our website to help our international partners find key information about our products and services. The Distributor Hub's focus is on our existing distributors, potential new partners and global veterinarians.

Our hub is unique and offers a tailored experience not seen on any competitor websites. The hub identifies the location of a website user and only displays information on products available in that territory. The Hub in phase two will also offer the partners the opportunity to access:

- Marketing asset database;
- Virtual calendar; and
- Blogs.

Case Study

Collaborative and Enthusiastic

The market authorisation for Rexxolide® was issued on 3 December 2020. This has been a demanding project from start to finish with challenges in Product Development, Manufacturing, QC, QA, and Regulatory, all of which have been solved through teamwork. The Marketing Authorisation would not have been achieved without the contributions from the very large project team of over 100 people from our sites in Bladel, Skipton, both US locations, as well as Central Marketing. This accomplishment was the result of the joint efforts of this cross-functional team which truly demonstrates the One Dechra culture.

It is Dechra practice to pay an approval gift to the project team. However, the *Rexxolide* team decided to donate the €2,000 gift to the Stichting Voesdselbank, a Bladel based foodbank, in order to support their mission of feeding the local community. This act of kindness exemplifies our employees' continued focus and commitment to our core Values.

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 to ensure 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*

Moving Annual Turnover of Employees	Lost Time Accidents	Employees who completed GPTW survey
13.5%	3	90%

* Please see page 94 for full details of the measures the Board use to monitor Culture.

Board Leadership and Company Purpose continued

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	Provide an update on employee views and any concerns raised
Raise a Concern Reports	The How to Raise a Concern procedure encourages any individual who has genuine concerns about any form of malpractice, including any breaches of the Values, within Dechra (or in relation to its business) to report these concerns. Summaries of these are then discussed with the Board along with the mitigating actions taken as well as updates on the actions taken
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

Prudent and Effective Controls

Internal Controls and Risks

The Board retains overall responsibility for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives.

The Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems, and confirms that:

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

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

Further information on internal control and risk management can be found in the Governance Report on page 116 and the Strategic Report on pages 76 to 78.

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 2020 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.

Key Stakeholders

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

As disclosed above our Delegation of Authority Policy outlines who is authorised to make decisions and financial commitments throughout the Group. This also supports our entrepreneurial nature and agile approach. Therefore a lot of decisions relating to the business and stakeholder engagement are carried out below Board level. However, all material decisions are discussed and approved by the Board and the following provides an outline of some of the matters that the Board had 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 48 to 50.

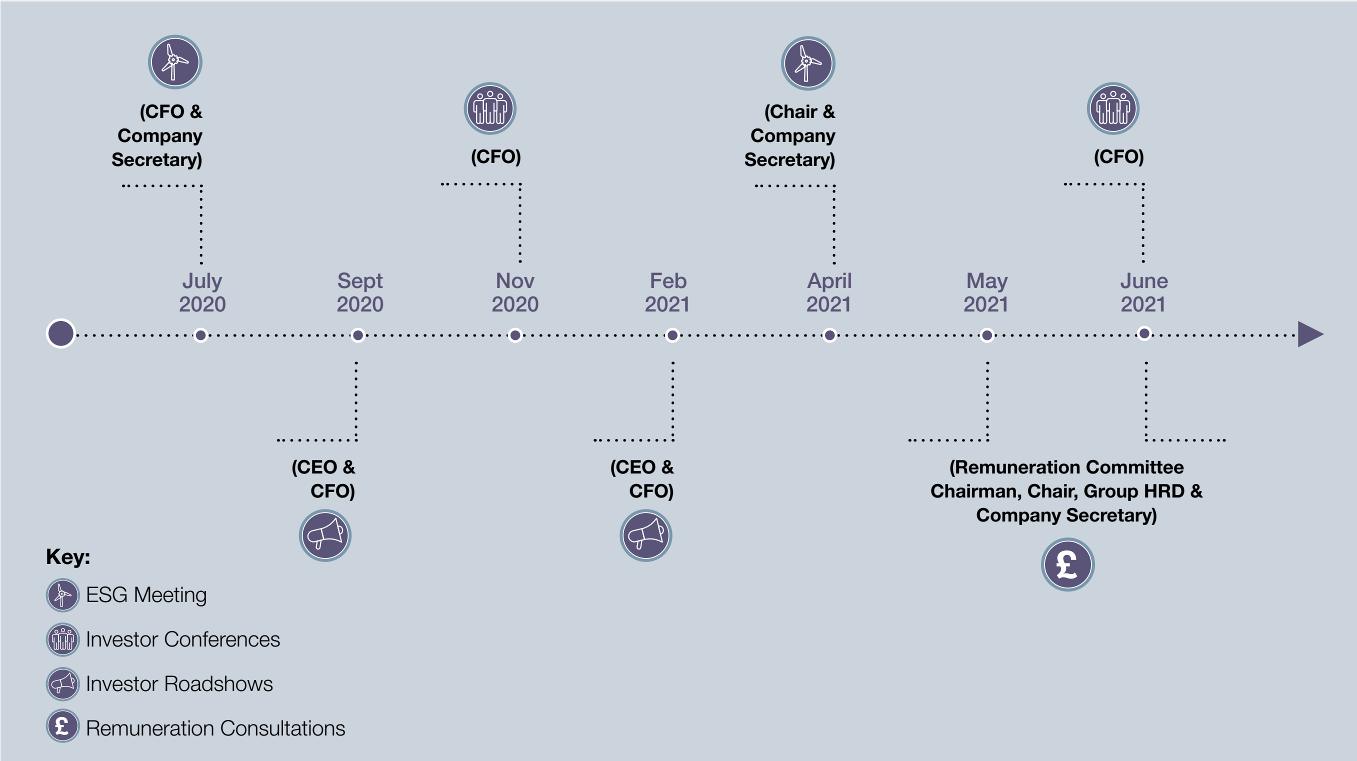
Shareholders

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 is kept informed:

- Relationships with shareholders receive high priority and a rolling programme of meetings between institutional shareholders and the Chief Executive Officer and Chief Financial Officer have been held throughout the year (a summary of the main events is shown below). These meetings seek to foster a mutual understanding of both the Company's and shareholders' objectives. Such meetings are conducted in a format to protect price sensitive information that has not already been made generally available to all the Company's shareholders;
- The Board reviewed and considered feedback, collated by the Company's brokers, after investor roadshows;
- 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 regard to the proposed changes in the salary of the Chief Executive Officer, Chief Financial Officer and the Chairman;
- Board approval is required for significant announcements;
- The Board reviewed and approved the Investor Relations Manager recruitment; and
- The Chairman and Senior Independent Director are available to meet shareholders upon request, and all Directors normally meet shareholders at the Annual General Meetings.



Board Leadership and Company Purpose continued

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 is kept informed:
- The Board was provided with the results of the GPTW survey;
- The Group HR Director provided an update to the Board in June 2021 on the actions taken by teams throughout the Group on the agreed priority areas emerging from the 2021 employee engagement survey. In addition, the results of the pulse survey relating to employees perceptions of how the Group dealt with the pandemic and Group-wide agile working policies were presented to the Board. The Group HR Director is now reviewing Working from Home policies and guidelines for line managers with the view of offering more flexible working from home on a permanent basis;
- 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;
- The Board was provided with updates from the Corona Committee on actions taken in respect of employees' welfare and safety during the pandemic and the slow return to offices and travelling; and
- Lisa Bright, the Non-Executive Director designated for employee engagement, provided three reports to the Board.

Due to COVID-19, the scheduled Board meeting at a business unit was postponed.

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

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 is kept informed:
- Twice a year a report of the Group's CO_2 emissions are provided to the Board for its review;
- The Chief Financial Officer provided an update of the progress of the ESG Committee in implementing the ESG strategy including the various working groups, the setting of targets and the approach taken with regards to the recommendations of the Taskforce for Climate-related Financial Disclosures; and
- The Board is informed of the Group donations made to local communities and these are made subject to our Group Donations and ABC policies.

Suppliers

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

How the Board is kept informed:
- The Board reviewed and approved the Modern Slavery Statement and Human Rights Policy;
- The Audit Committee receives update 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; and
- The Group Manufacturing and Supply Director presented to the Board and this included a discussion on the Contract Manufacturing Organisation strategy.

Lisa Bright

Employee Engagement Update

Areas of Focus this Year

- Employee support during COVID-19
- Key learnings from COVID-19 in relation to our customers
- Retaining our Culture during rapid growth

Remote Meetings with Employees

- Skipton (UK): to follow up on the 2020 meeting
- US: a cross functional group from manufacturing, product development and regulatory affairs to, sales and marketing
- Europe: Four group calls representing Country Managers, Sales and Marketing leaders and three individuals calls with UK sales representative

Our Approach

The Board approved an approach which allows us to complete a cycle of engagement, discussion with management and the Board of topics arising followed by feedback to employees on action taken over the financial year. Whilst all of our meetings this year have been remote, in smaller groups (usually six to eight), it has provided an unexpected benefit of connecting people from across different parts of the business who may not usually work together.

Key Themes Emerging

The key themes emerging from the discussions are:

- appreciation of the support for employees and the innovation that has flourished during COVID-19;
- maintaining and nurturing the Dechra Values as the Company grows in size and complexity;
- creating more opportunities for personal and career development;
- identifying the optimal balance of face-to-face versus remote customer interactions from clinical trials through to commercial;
- amplifying the customer voice throughout the Company; and
- communicating the broader Dechra story to customers including our commitment to ESG.

Key Highlights

Employees have voiced strong appreciation of the support provided by the Company during COVID-19, including from new employees who joined during lockdown. The decision not to furlough staff was seen as a very positive reflection on the strength of the business. Morale is high and pride in the Company is palpable.

The process is having tangible results. As a result of the feedback last year, we will be building a new Quality Control lab in Skipton, following Board approval in June 2021.

Plans for 2022 Financial Year

The plans for the forthcoming year include:

- focused discussion on specific areas identified through the Great Place to Work employee survey;
- broadening engagement beyond US and EU;
- resuming scheduled site visits;
- retaining remote informal conversations with delegates across functions and geographies; and
- updates to the Board and employees.

Board Leadership and Company Purpose continued

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.

The Code of Conduct was updated, simplified and aligned with the Group Policies which has resulted in the development of a set of simple one page policy documents following the overarching Code of Conduct. Our Code of Conduct can be found on our website. A Code of Conduct e-learning course has been developed and is ready to be rolled out globally on an annual basis.

Dechra had largely focussed its Health and Safety activities in manufacturing which had been identified as the highest risk. During the financial year, the Group established a Health, Safety and Wellbeing (HSW) Committee, whose 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 have launched a wellbeing strategy, THRIVE, which provides centralised guidance with local deployment with:

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

Further details of which can be found on 64.

Employees have been encouraged to consider their physical and mental wellbeing during the pandemic. Regular communications around employee-wellbeing have been posted to the Group's intranet and our confidential Employee Assistance Programme has remained available to all. Strategies to promote wellbeing include sanctioned additional time off during daylight hours to allow employees to get out of their homes to take exercise safely during the winter months.

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.

We offer four reporting channels for concerns to be raised: Line Manager; the Senior Management Team; Group Management Team; and a mailbox accessed only by the Company Secretary. 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.

Further, we are planning to launch a third party confidential hot line in the 2022 financial year.

Constructive use of the Annual General Meeting

Unfortunately due to the pandemic the Board were unable to meet shareholders at the 2020 Annual General Meeting as it was held as a closed meeting. 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. No questions were submitted.

This year it is hoped that, subject to no further restrictions, all members of the Board will attend the Annual General Meeting (the Meeting) and the Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting. A live webcast will be available to enable shareholders to watch the Meeting virtually subject to prior registration.

The Notice of the Meeting is dispatched to shareholders at least 20 working days before the Meeting. The information sent to shareholders includes a summary of the business to be covered, with a separate resolution prepared for each substantive matter. When a vote is taken on a show of hands, the level of proxies received for and against the resolution and any abstentions are disclosed at the Meeting. The results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Company's website.

Conflicts of Interest and External Board Appointments

Under the Companies Act 2006 (the Act), all Directors have a duty to avoid a situation in which they have, or could have, a direct or indirect conflict of interest with the Company. As permitted under the Act, the Articles of Association of the Company enable the Directors to consider and, if appropriate, authorise any actual or potential conflict of interest which could arise.

The Board has established procedures for the disclosure by Directors of any such conflicts, and also for the consideration and authorisation of these conflicts. Directors are required to submit any actual or potential conflicts of interest they may have with the Company to the Board. The non-conflicted Directors are able to impose limits or conditions when giving or reviewing authorisation. The Board reviews the Conflicts of Interest register annually and on an ad hoc 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.

Tony Rice
Non-Executive Chairman
6 September 2021

Division of Responsibilities

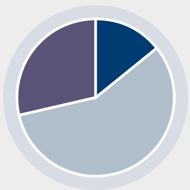
Division of Responsibilities

The Board oversees the effective delivery of our strategy which is developed and implemented by the SET. Further details of the Board and SET can be found on pages 88 to 91.

Board Membership

Details of the Directors' together with details of their respective Committee membership, skills and experience, backgrounds and external appointments can be found on pages 88 and 89, and/or the website. As detailed in the pie chart below, the Board consists of one Non-Executive Chairman, six independent Non-Executive Directors and three Executive Directors. Therefore, in line with the Code, at least half the Board, excluding the Chairman, is determined by the Company to be independent. The Chairman was deemed independent on appointment in accordance with provision 10 of the Code.

Board Membership



- Non-Executive Chairman **10% (1)**
- Non-Executive Directors **60% (6)**
- Executive Directors **30% (3)**

The Board has determined, following the results of the external 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. Denise Goode's position as Vice President, Business Development at AnaMar AB is equivalent to a consultancy role and involves a commitment of one day a week.

The Board has formally delegated specific responsibilities to Committees, namely the Audit, Remuneration, Nomination and Disclosure Committees. The Disclosure Committee members are the Chief Executive Officer, the Chief Financial Officer, the Corporate Development Director and the Company Secretary. The full terms of reference for each of these Committees are available on the Company's website (www.dechra.com) or on request from the Company Secretary. Other matters have been delegated to the SET and other committees such as the Data Protection Committee, ESG Committee, Strategic Portfolio Priortisation Committee and Treasury Committee.

The SET is led by the Chief Executive Officer and is comprised of the three Executive Directors and the Business Directors responsible for leading each of the Group's key functions. The SET is scheduled to meet formally four times a year to discuss the implementation of the strategy, share best practice and provide updates on their business or function as well as sharing market trends which impact the business. During the height of the COVID-19 pandemic in the 2020 financial year it met weekly to discuss the impact of the pandemic on the business, in relation to suppliers and customers, and received reports from the Corona Committee, which was established to implement policies and procedures for the safety of our employees. It was agreed to reduce these meetings in the 2021 financial year to seven as the Group had adopted safe working practices and procedures and the impact of COVID-19 on the business had settled. The Board was provided with regular updates on the work of the Corona Committee.

Board Meetings

The Board is scheduled to meet seven times per year. During the year, three additional meetings were held to discuss the 2021 financial year Budget and proposed acquisition targets. Attendance at the Board meetings during the year to 30 June 2021 is set out in the table below.

Where Directors cannot attend a meeting, the Board papers are still provided allowing the Director to raise any queries or discussion points through the Chairman.

The Non-Executive Directors normally meet informally before every meeting; however, all meetings have been held virtually due to the pandemic, with the exception of the meeting in June 2021. They normally also meet once with the SET on an informal basis during the year, however, due to the pandemic this was not possible in the 2021 financial year.

Number of Board Meetings and Attendance

Tony Rice Joined: 5 May 2016	10 10	**Julian Heslop** Joined: 1 January 2013	10 10
Ian Page Joined: 13 June 1997	10 10	**Lawson Macartney** Joined: 1 December 2016	10 10
Tony Griffin Joined: 1 November 2012	10 10	**Ishbel Macpherson** Joined: 1 February 2013	10 10
Paul Sandland Joined: 30 October 2019	10 10	**Alison Platt** Joined: 1 March 2020	10 10
Lisa Bright Joined: 1 February 2019	10 10	**Denise Goode** Joined: 26 April 2021	3† 3

† Denise Goode has attended all meetings since her appointment.

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 continued

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.

Details relating to the formal schedule of matters reserved for the Board can be found on page 94 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 112 to 118

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 Executive Team, and oversee the development of a diverse pipeline for succession.

Read more on pages 103 to 111

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 Chairman, Executive Directors and Senior Executive Team.

Read more on pages 119 to 146

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

Established to implement and monitor compliance with Treasury Policies as approved by the Audit Committee and the Board.

Data Protection Committee

To oversee and implement the Data Protection Policy and accompanying policies, handbooks and procedures.

To monitor compliance with the GDPR and other data protection laws, and with the Policies.

ESG Committee

Oversee the development of and to make recommendations to the Board regarding the Group's ESG 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

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.

The Board has delegated the day-to-day management of the Group's operations to the Senior Executive Team

Senior Executive Team

- Leads the development and implementation of the business strategy; and
- Manage day-to-day operations of respective functions.

1
Non-Executive Chairman

- Leads the Board in the determination of Group strategy and achievement of its objectives;
- Drives the effectiveness of the Board in all aspects of its role;
- Facilitates the effective contribution of the Non-Executive Directors, enabling all decisions to be subject to constructive debate and supported by sound decision making processes; and
- Arranges for shareholder views to be brought to the attention of the Board.

2
Chief Executive Officer

- Manages day-to-day operations of the Group and leads the Senior Executive Team (SET);
- Drives performance and results of the Group;
- Proposes strategy; and
- Executes strategy agreed by the Board.

3
Chief Financial Officer

- Responsible for financial planning and reporting for the Group;
- Manages financial risk;
- Develops and executes the strategic plan in conjunction with the Chief Executive Officer;
- Secures funding as required; and
- Nominated Director for health, safety and environmental matters.

4
Managing Director Dechra Veterinary Products (DVP) EU

- Management of the segment which contributes the majority of Group revenue; and
- Development and execution of strategy in the EU.

5
Designated Non-Executive Director for Employee Engagement

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

6
Company Secretary

- Advises the Board on matters of procedure and governance;
- Provides all required information to the Board on a timely basis;
- Enables information flows between the SET, the Board and its Committees;
- Provides support to the Chairman and Non-Executive Directors; and
- Responsible for compliance with relevant statutory and regulatory requirements.

7
Non-Executive Director

All of the Non-Executive Directors:
- are considered independent;
- are free of any business or other relationship which could materially interfere with, or compromise, their ability to exercise independent judgement;
- are considered to have a breadth of experience which adds value to the decision making of the Board as well as the formulation and progression of the Dechra strategy;
- provide an independent and constructive challenge; and
- evaluate strategy and risks.

8
Senior Independent Non-Executive Director

- Provides a sounding board for the Chairman 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 Chairman by the Non-Executive Directors; and
- Chairs the Nomination Committee when it is considering the succession of the Chairman.

Division of Responsibilities continued

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.

Topic	Key activities and discussions in 2020/2021	Stakeholder
Strategy and financial performance	• Full Strategy Review	Customers, People, Shareholders, Suppliers
	• Approval of five year plan	People, Shareholders
	• Bi-annual update on product pipeline and product development	Customers, People, Shareholders
	• Various acquisition and licensing agreements approvals, including the increased investment in Medical Ethics Pty Ltd	People, Shareholders
	• Post acquisition review of *Osurnia* and *Mirataz*	Customers, People, Shareholders, Suppliers
	• Approval of 2021 Half-Yearly Results and interim dividend	Customers, People, Shareholders, Suppliers
	• Approval of 2020 Full Year Results and final dividend recommendation	Customers, People, Shareholders, Suppliers
Risk management and internal controls	• Approval of Half Year and Full Year principal risks and emerging risks	Customers, People, Shareholders, Suppliers
	• Presentations from the SET on their respective risks	Customers, People, Shareholders, Suppliers
	• Risk Assessment Review and Viability Statement review	Shareholders
	• Review of Schedule of Matters and Delegation of Authority	People, Shareholders
	• Insurance renewal update	Shareholders
Governance and Culture	• Review of Disclosure Terms of Reference	Shareholders
	• Review of 2021 External Board Evaluation	Shareholders
	• Approval of Non-Executive Director appointment and Committee membership	People, Shareholders
	• Review of the bi-annual Health and Safety Report	People
	• Review of Modern Slavery Statement	People, Suppliers
	• Review of How To Raise Concern Procedure and Reports	People
	• Employee Engagement updates	People
	• Review of Group Policies such as the Code of Conduct and Approval of the Anti-Trust Policy and Group H&S Policy	Customers, People, Suppliers
Oversight of the Group's operations	• Functional presentations from the SET, Head of Legal, Business Development Director, Regulatory Affairs Director and DPM Internal Sites Director	Customers, People, Shareholders, Suppliers
	• Quality Updates	Customers, Suppliers
	• Approval of the 2021/2022 budget and capital expenditure projects	People, Shareholders
	• Review of the people strategy and employee engagement	People
	• Approval of Uldum warehouse expansion and Skipton site master plan	Customers, People, Shareholders, Suppliers
	• COVID-19 Update	Customers, People
	• Review of the Group's ESG strategy and updates	Customers, People, Shareholders, Suppliers

Key

Customers People Shareholders Suppliers

More details on the approval of the Uldum Warehouse and the Skipton site master plan can be found in the Section 172 statement on page 48 to 50.

Tony Rice
Non-Executive Chairman
6 September 2021

Composition, Succession and Evaluation

Tony Rice | Non-Executive Chairman

Letter from the Nomination Committee Chairman

4 Nomination Committee Meetings Held

Areas of Focus this Year

- Diversity
- Board appointments and succession planning
- SET succession planning and leadership needs of the Group
- Board and Committee Evaluation

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

Committee Membership and Attendance

Tony Rice Joined: 5 May 2016	4 / 4	**Lawson Macartney** Joined: 1 December 2016	4 / 4
Julian Heslop Joined: 1 January 2013	4 / 4	**Lisa Bright*** Joined: 1 February 2019	3 / 4
Ishbel Macpherson Joined: 1 February 2013	4 / 4	**Alison Platt** Joined: 1 March 2020	4 / 4
Denise Goode Joined: 26 April 2021	1 / 1		

* Lisa Bright was unable to attend one meeting due to a prior commitment.

Dear Shareholder

On behalf of the Board, I am pleased to present this year's Nomination Committee (the Committee) report.

Succession Planning

The Committee has continued the work it commenced last year to address the Board succession plans in relation to Non-Executive Directors, and during the year Denise Goode was appointed as a Non-Executive Director. She brings a wealth of financial, commercial and life science industry experience, both from her extensive career as a senior executive and from board roles held since 2008. Denise will replace Julian Heslop as Audit Committee Chairman following the conclusion of the Annual General Meeting and prior to his retirement from the Board.

The Committee regularly considers succession and emergency planning both for the Executive Directors and the Senior Executive Team (SET). Following the death of Simon Francis, we have appointed Milton McCann, previously Group Supply and Procurement Director, to the role of Group Manufacturing & Supply Director.

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.

External Evaluation

During the financial year, I have led the annual board evaluation, which was an external evaluation, with the support of the Company Secretary and Senior Independent Director as appropriate. Independent Audit Limited undertook an objective, tailored and rigorous evaluation, the details of which can be found on pages 110 and 111 of this report.

The following report provides an overview of the work carried out during the year under review.

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

Tony Rice
Nomination Committee Chairman
6 September 2021

Composition, Succession and Evaluation continued

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 above. Denise Goode joined the Committee on her appointment to the Board in April 2021. All Committee members are Non-Executive Directors, all of which were deemed to be independent. Other attendees at the meetings include the Chief Executive Officer, the Group HR Director and the Company Secretary (who acts as secretary to the Committee).

The Chairman does not chair the Committee meeting if it is dealing with the appointment of his successor. The Senior Independent Director, Ishbel Macpherson, takes the chair when required.

Effectiveness of the Committee
The Committee's performance was evaluated as part of the 2021 Board and Committee External Evaluation (further details of which are provided on page 110 of the Governance Report). The findings of the external evaluation were presented to the Committee for discussion at the June 2021 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 Senior Executive Team succession needs to remain a key focus of the Board.

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 2021 financial year this took place at the February meeting and they were amended to include additional wording around the Committee's duties and in particular the widening of their remit to include senior management. Additional wording has also been included in relation to induction and training of Directors and the requirement to consider diversity in any appointments. An overview of the terms of reference is detailed on pages 100 and 103 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 four times since the last Annual Report was issued, three of these meetings were scheduled and one was ad hoc and dealt with the nomination of a Non-Executive Director. The Committee Chairman 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 104)	• Review of the Committee's terms of reference	• Review of the effectiveness of the Committee
Composition (see pages 105 and 106)	• Review of Board skills, knowledge and experience	• Recruitment of Non-Executive Director
Succession (see pages 109 and 110)	• Consideration of Non-Executive Directors' tenure	• Review of SET succession plans and leadership needs
Evaluation (see pages 110 and 111)	• Review of composition of Board	• Review of Director effectiveness
Diversity and Inclusion (see pages 107 to 109)	• Review and approval of Diversity Policy	• Review of the Dignity at Work Policy

Composition

The Board seeks to ensure that both the Board and the Committees have an appropriate composition to manage their duties effectively and manage succession issues. It supports diversity in its broadest sense and considers it an essential driver of Board effectiveness. The Board recognises it is important that its composition is sufficiently diverse and reflects a wide range of knowledge, skills and experience. The Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least once a year and usually at the June meeting. Both the Audit Committee and Remuneration Committee undertake an annual review of their composition, and any concerns would be reported to the Board.

Board Skills, Knowledge and Experience

Following the review of the Board, the Committee concluded that the Board had a combination of skills, experience and knowledge as illustrated in the diagram above. 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 good 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, as the temporary increase in size was of benefit in the short term for effective succession, and to allow for the wealth of knowledge and experience of the outgoing Non-Executive Directors to be shared with the new Non-Executive Directors. The external evaluation found that the Non-Executive Directors provide an excellent range of relevant and complementary skills, with the most recent Non-Executive Directors providing fresh thinking and contribution.

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. During the year, DLA Piper LLP provided training on Director's duties, which included ongoing responsibilities and obligations, to Denise Goode. The Remuneration Committee has been provided with updates from Deloitte LLP. In addition all new Directors are encouraged to enrol on the Deloitte Academy, which provides a wide-ranging programme of technical briefings and education.

Paul Sandland is currently taking part in the Wavelength Connect programme, which focuses on the future of businesses. This programme allows Paul to meet and interact with a wide range of leaders from other successful innovative companies with the opportunity to share experiences and learnings from them.

Each Director is entitled, upon request, to receive information to enable them to make informed judgements in order to discharge their duties adequately. In addition, all Directors have access to the advice and services of the Company Secretary and senior managers, and may take independent professional advice at the Company's expense in connection with their duties.

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. Due to COVID-19's restrictions on travel, the Board has been unable to visit any of the Group's operations during 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. During the 2020 financial year, the Committee commenced the recruitment of an additional Non-Executive Director who would both further strengthen the Board and also have the relevant experience required for the role of an Audit Committee Chairman. The search, conducted by Robert Walters, produced two outstanding potential candidates who went through the full scrutiny process. We were pleased to appoint Denise Goode to the Board on 26 April 2021.

The Committee recommended the appointment of Denise due to her wealth of financial, commercial and life science industry experience. She also has a deep understanding of the pharmaceuticals sector and is highly experienced in business development. In addition, her appointment will provide continuity for the Board in light of the forthcoming retirement of the Audit Committee Chairman in 2022.

Robert Walters were previously retained in 2020 in relation to the recruitment of the DVP EU Finance Director, and have no other connection with the Company or individual Directors.

Composition, Succession and Evaluation continued

Appointment Process

1 Nomination Committee

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

2 Engage

Robert Walters was appointed.

3 Meet

To assist Robert Walters with the understanding of the requirements of the role, they met with the Group HR Director, Chief Executive Officer and the Audit Committee Chairman.

4 Consider

The long list of candidates was circulated to the Committee for comments before a short list 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 Chief Executive Officer and Group HR Director, the second interviews were held with the Audit Committee Chairman, and successful interviewees met with the remaining Non-Executive Directors and the Chief Financial Officer prior to appointment.

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

7 Appoint

Denise Goode was appointed to the Board on 26 April 2021. Further details relating to her background and experience can be found on page 89.

8 Induct

See case study on page 107.

Induction

Any 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. Due to the impact of COVID-19, there has been some restrictions around Denise's induction, however, during the initial couple of months we scheduled a number of one-to-one virtual meetings with the Senior Executive Team, Corporate Development Director, Head of Internal Audit and Risk Assurance, Group Financial Controller, Group Treasury Manager, Group Legal Director and the Group Sustainability Director. She also attended the Group Finance Lead Team meeting and director's duties training. In addition Denise has met with the Audit Committee Chairman and the Lead Audit Engagement Partner.

It is hoped that in the Autumn we will be able to recommence a more traditional induction and enable both Denise and Alison, whose induction was also disrupted due to the pandemic, to complete step four of our induction process as our teams start to return to offices and we are able to allow visitors to our manufacturing and warehousing facilities.

Induction Process

1 Understanding the Business

Key documentation is provided such as a schedule of Board and Committee dates, Schedule of Matters and Delegation of Authority, Programmes of Business, Articles of Association, and Group Policies and Procedures.

2 Meeting the Management Team

Meet the SET informally and formally.

Meet key management at Head Office and leadership teams at the main sites.

3 Director and Committee Responsibilities

Receive induction/training on Director and Committee responsibilities (if applicable).

Market Abuse Regulations online training course.

4 Visit the Business

Visit a key site for each function (PDRA, Manufacturing, Sales and Marketing, and Head Office).

Case Study

Denise Goode's Induction

I formally joined the Dechra Board in April this year. Dechra's Company Secretary and her team put together a very well appreciated induction programme for me. This programme was arranged entirely by digital means and, after a year of us all embracing the technology, this worked seamlessly and, importantly, safely for all. My discussions have been not only with the internal team but also with key external advisers, including investment, legal and audit. Internally, it included all members of the Senior Executive Team and also members of their teams, and I truly appreciate the time that has been given.

From the support and professionalism of this induction process I have learnt more about the animal health market dynamics, its key trends, and the competitive landscape. There are clear overlaps with my experience with human pharma, but also some important differences. I have been able to better understand the organisation and I have seen a purpose and strategy being well executed, clearly underpinned by Dechra Values and Culture. I have been given the time to ask my questions to clarify my understanding of Dechra's business direction, its opportunities, its challenges and its governance structures. I am a curious person and will fill the gaps in my knowledge by continuing this process.

I plan to visit the sites and meet the wider teams. It's important to me to meet the Dechra people in person and that will happen as we emerge from restrictions around the world and as the year progresses. However, it has indeed been an efficient and comprehensive introduction, allowing a concentration of focused 'one-to-one' sessions with Dechra people into just two months. I do wonder whether so much could have been achieved so quickly with travel and the challenges of diary management!

My key takeaways have been of a healthy, focused business being delivered by in-depth experience and expertise, with a commitment by each person I have met to driving Dechra's success as part of one motivated team. It's a real privilege to have joined the Board.

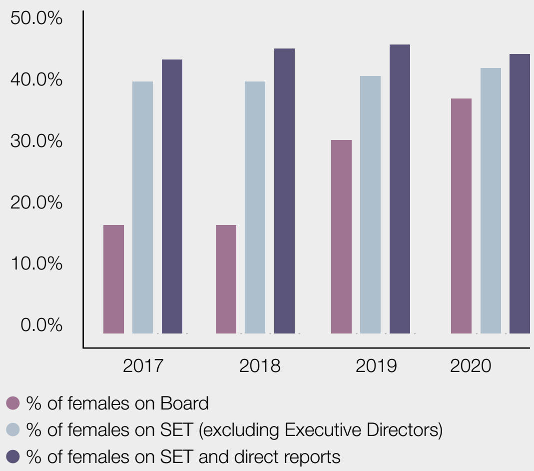
Diversity and Inclusion

The Committee reviews the policy on diversity and its implementation every year and, during 2021 this review took place in June. The Group recognises that the diversity of thinking and skills and an inclusive culture is beneficial for the Dechra business, its processes, and its performance. Our objective is to continue to be a high performing business driven by highly skilled and committed teams. In the market in which we compete, we believe that the diversity of our workforce contributes significantly to developing strong relationships with veterinarians, a significant and growing proportion of whom are women, in the many markets and cultures in which we trade.

As a global company with operations in 25 countries, we recognise that a rich and diverse employee base is key to our continued success. We are committed to providing an inclusive culture at Dechra and in the last 12 months have developed two core modules that will be included in all our company development programmes; Diversity and Inclusion in Dechra and OneDechra; an exploration of our Company Culture and Values and what they mean to our people.

The chart on page 89 illustrates the diversity characteristics of our Board.

Hampton Alexander Review



Dechra excludes the Executive Directors from the Senior Management data as per guidance from Hampton Alexander. 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.

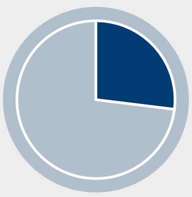
Composition, Succession and Evaluation continued

Progress on Diversity Policy

Policy	Progress
Dignity at Work	Our Dignity at Work Policy was drafted and launched within the UK in January 2020, and is now incorporated into the Code of Conduct. In accordance with the Dechra Values, we believe that our position on diversity and inclusion is key to providing a place of work that is free from bullying and harassment, and which is characterised by respect, collaboration, openness, safety and equality. One of our aims is to promote a climate in which employees feel able to raise complaints of harassment, bullying or discrimination without fear of victimisation. After initially launching training to our UK managers, we are now able to provide online training to a wider audience using an externally hosted training portal. In addition to this, we have developed a Diversity and Inclusion module which also covers unconscious bias which is one of three core modules that will be included initially in all Leadership and Management development programmes, but will later be rolled out more widely across our employee base. 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. In the forthcoming year we aim to launch an externally hosted ‘whistle-blowing’ hotline to facilitate this process further and to provide further reassurance to employees. We have also trained 12 employees across the Group to be able to investigate any concerns raised formally through this procedure.
Fair Pay	In the UK, only one of our subsidiaries, Dechra Limited, has to report under the Gender Pay Gap regulation. Dechra Limited employees sit within our UK manufacturing, product development and regulatory affairs businesses. We are pleased to report that as a result of our proactive management, the gender pay gap has reduced from 9.2% in 2018 to 7.4% in 2019 and further again to 5.5% in 2020. This is something that we are looking to continue to build upon as we continue to make Dechra an increasingly attractive place to work. We are very pleased to report that in March 2021, we were accredited with being a Living Wage employer in the UK. This was following a review of our Group pay principles, whereby we implemented pay increases globally with effect from 1 January 2021 for all our lower paid employees. In countries where there is no equivalent of the Living Wage, we have used the OECD low pay formulation, or pay at least twice the local/federal minimum wage.
Applicant Tracking System	Our applicant tracking system allows us to track, report on and monitor key recruitment metrics, including time to hire, source of hire, number of open positions and in some countries (depending on local laws) the diversity of our applicants. It provides us a platform in which we can build on our global talent brand such that we can continue to attract and retain the best talent into the organisation. To support the Group’s diversity and inclusion policy further and check that our core recruitment messaging is as inclusive as possible, the system features a “gender bias decoder” tool which is capable of analysing the text within our job adverts to help us understand any hidden implications within the language that is used. Research shows that many words can be associated with masculine or feminine stereotypes. During the forthcoming year, we will accurately analyse our metrics relating to diversity both relating to gender and ethnicity and potentially identify areas for improvement.
Board and Senior Executive Directors	We recognise that gender and ethnic diversity at Board level offers a competitive advantage to our organisation, as a global company with a very wide range of stakeholders we are committed to greater alignment with our customer base at home and overseas as our growth continues. Our approach to recruiting at Board level has always been based on our stated policy; that everyone should be recruited and promoted on the basis of their personal ability, contribution and potential. However, we acknowledge that we need to work harder to make sure that we are attracting a wider and more diverse talent pool to these roles. To this end, we are working at Board level with the recruitment company, Robert Walters, on an exercise to identify future potential candidates from a wide range of backgrounds, culture and experiences that we can open dialogue with as part of our succession planning.

The Board
as at 30 June 2021

Senior Executive Team (including Executive Directors)
as at 30 June 2021

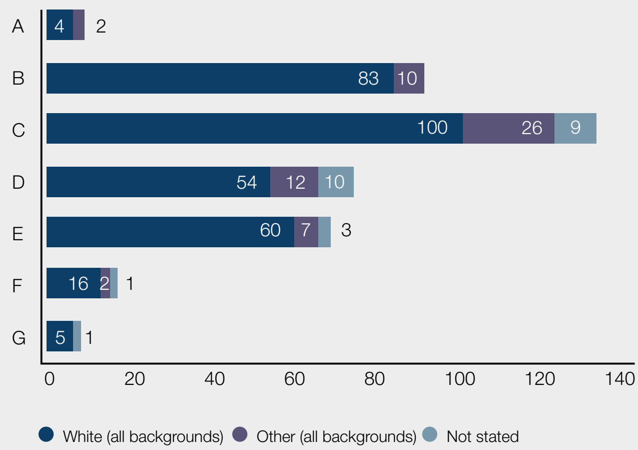


Employees at Senior Leadership Level
as at 30 June 2021

Overall Workforce
as at 30 June 2021

Numbers in brackets represent the number of females and males.

UK Employee Ethnicity by Grade



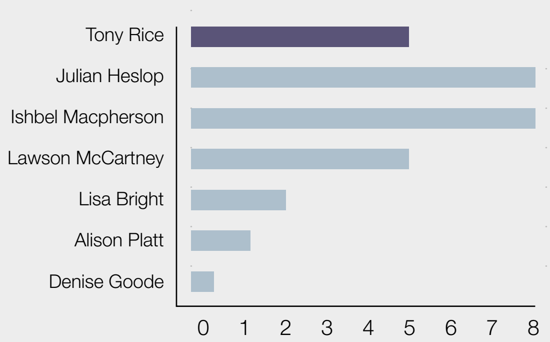
Board Succession Planning

Non-Executive Directors

As reported in previous Committee reports, two of the Non-Executive Directors (the Audit Committee Chairman and Senior Independent Non-Executive Director) will be retiring in 2022. The Committee has now concluded the recruitment process for the replacement Non-Executive Directors with sufficient time to enable the wealth of knowledge to be shared.

After five years of successfully chairing the Group, Tony Rice has indicated that he has decided to step down to devote more time to his family and his other business and charitable activities. We will commence the search for his replacement; at this time no specific date has been set for his departure. He will continue as Chairman of the Group until a successor has been appointed.

Non-Executive Directors' Tenure
as at 30 June 2021



Composition, Succession and Evaluation continued

SET Succession Planning (including Executive Directors) and Leadership Needs of the Group
Two of our key risks are people focused and they are the failure to:

- have robust succession plans in place leading to gaps in knowledge and experience in key roles in the business; and
- adequately resource the business to meet strategic ambitions, including geographical expansion, and acquisitions.

To assist with this, the Group HR Director presents to the Committee on the Group's succession planning annually. The Committee discusses the succession plan for the SET, which includes the Executive Directors, and the Non-Executive Board. Plans are in place for sudden, unforeseen absences, for medium term orderly succession and for longer term succession. For each SET member, we have either identified an internal candidate who is in the pipeline for succession, or we accept that for some roles, where we have no successor we will need to approach the open market. In these cases, we aim to build strength and depth in the team below to allow a smooth transition to the new leader. Over the next few years the Committee will prepare for a potential generational shift of the Senior Executive Team, in particular the Chief Scientific Officer (CSO) is scheduled to retire at the end of this year. Work has commenced on recruitment of her successor.

The Committee has reviewed the emergency succession planning, which clearly identified individuals capable of covering key management roles on an interim basis. All these individuals will receive, or have received, the necessary coaching to assist them in obtaining the required skills to provide any critical support when needed. This planning has facilitated the Group Supply Chain and Procurement Director for Dechra Pharmaceuticals Manufacturing & Supply (DPM&S), Milton McCann, being appointed as the Group Manufacturing & Supply Director, following 12 months as Interim. Furthermore, a forward looking review of the future anticipated shape of the organisation has been undertaken to identify any potential gaps that may emerge, and plans have been outlined to enable the organisation's structure to remain fit for purpose.

We encourage regular contact between members of the SET and the Board, with all SET members presenting to the Board at least once a year, leading site visits of their respective businesses and attending one-to-one sessions with Non-Executive Directors to discuss specific issues when applicable.

Evaluation

Annual Evaluation
The 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 111. This year's evaluation was externally facilitated. The Committee's review of the structure, size and composition of the Board can found above on page 105.

Board Evaluation
The Chairman 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.

The 2020 Internal Board Evaluation
Below is an update from the actions arising from the 2020 internal evaluation:

Action	Progress
Succession Planning	Non-Executive Directors succession planning actions completed. An in depth update on the succession plans for the SET was presented which showed that 60% of the SET roles now have an internal successor identified.
Strategy	The last strategic update covered the areas under debate, however it is acknowledged that further discussion/understanding was required on routes to market.

The 2021 External Board Evaluation
The last external evaluation was in 2018. In October 2020, the Committee invited three companies to tender for the evaluation, which resulted in Independent Audit Limited (Independent Audit) being engaged to carry out the external evaluation of the Board and its Committees. This was the third time that Independent Audit has been engaged to undertake the external evaluation, with this in mind a new team were appointed to undertake the evaluation. Independent Audit has no connection with the Company or individual Directors.

Overall, the review once again indicated that the Board has many strengths, including:

- collegiate and inclusive dynamics fostered by the Chairman;
- strong contributions to the Board from the executive team;
- well functioning committees;
- a commendable focus on workforce engagement; and
- a Company Secretarial function providing high quality support to the Board.

The review noted that the following should be areas of future focus:

- Planning succession for SET members and strengthening diversity;
- Providing opportunities for the Board to consider major strategic themes as the Company emerges from the pandemic;
- Gaining further insight into stakeholders and in particular customers and routes to market;
- Continuing the focus on optimising the assurance framework to mitigate non-financial risks; and
- Reviewing speak up channels.

Progress made on these action points during the forthcoming year will be reported in next year's Annual Report. The Board has agreed that an internal evaluation will be undertaken during the 2022 financial year. The results of the 2022 internal Board evaluation will be reported in next year's Annual Report.

External Board Evaluation Process

The process of the External Evaluation of the Board and its Committees were as follows:

1 Agree Scope

The Chairman and Company Secretary met with Independent Audit to agree objectives, scope and the interview list.

2 Review Documents

Independent Audit reviewed the Board papers to assess the ways information is communicated and assist them with understanding the issues the Board is tackling.

3 Interviews

One-to-one meetings with each member of the Board, the Group HR Director, Head of Internal Audit and Assurance, the 2020 financial year External Audit Partner and the Company Secretary. Prior to the meetings a list of ‘focus items’ was forwarded to each interviewee which included the role of the Board and its Committees, focus on strategic versus operational matters, the Chairman’s leadership, relationships between Executive and Non-Executive Board members along with areas for discussion such as risk, Board composition and succession planning and how the Board dealt with the challenges presented by the pandemic.

4 Observe

Independent Audit observed a Board, and Audit, Nomination and Remuneration Committee meetings.

5 Report and Discussion

Independent Audit provided a draft report to the Chairman and Company Secretary, which was discussed at a meeting so that all suggestions were clear. Separately, the Senior Independent Director had a meeting with the Chairman to discuss the feedback from the draft report.

6 Meet with Board

Independent Audit presented their report to the Board at its April meeting and answered questions to enable the Board to consider its next steps.

7 Interviews

The Chairman held one to one interviews with the Executive Directors, Non-Executive Directors and Company Secretary on the general themes raised by the evaluation, and any other evaluation points they wished to discuss.

8 Outcomes

Following an initial review of the responses, the Chairman discussed with the Executive and Non-Executive Directors at the June 2021 Board meeting the general themes raised by the evaluation, and any other survey-related points they wished to discuss. The Senior Independent Director discussed with the Board (excluding the Chairman) the feedback from the evaluation with regards to the Chairman’s performance.

Effectiveness of Directors

Following the external evaluation, which concluded that the Board as a whole has responded well to the pandemic and is working smoothly in the virtual world (further details of which, including the outcomes and actions, are provided on page 110 of the Governance Report), the Committee has concluded that each of the Directors continues to perform effectively and demonstrates commitment, not only in respect of their roles and responsibilities, but also in relation to the Group and its shareholders. At the forthcoming Annual General Meeting, Denise Goode, who was appointed to the Board on 26 April 2021, will offer herself for election, and all of the remaining Directors will retire and offer themselves for re-election.

In addition, the Board has evaluated and determined that each Non-Executive Director has sufficient time to meet their Board responsibilities and any proposed new appointments are disclosed to enable the Board to assess whether there are any conflicts of interest or time. The Chairman, at the time of his appointment on 5 May 2016, met the independence criteria as set out in the Code.

Tony Rice
Nomination Committee Chairman
6 September 2021

Audit, Risk and Internal Control

Julian Heslop | Audit Committee Chairman

Letter from the Audit Committee Chairman

4 Audit Committee Meetings Held

Areas of Focus this Year

- Appointment of new Audit Committee Chairman
- Appointment of a new Head of Internal Audit and Risk Assurance
- COVID-19 changes to working practices and impact on financial reporting and internal control environment
- Cyber Security
- BEIS Consultation

Key Responsibilities

- To review and oversee the Group's financial and narrative reporting processes and to monitor the integrity of the financial statements, and advise the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable
- To review the effectiveness of the Group's internal financial control systems and the work of the internal audit function
- To oversee the relationship with, and review the effectiveness of, the external auditor, monitor their independence and objectivity, and set the policy for non-audit work

Committee Membership and Attendance

Julian Heslop Joined:1 January 2013	4 4	**Lisa Bright** Joined: 1 February 2019	4 4
Ishbel Macpherson Joined: 1 February 2013	4 4	**Alison Platt** Joined: 1 March 2020	4 4
Lawson Macartney Joined: 1 December 2016	4 4	**Denise Goode** Joined: 26 April 2021	1 1

Dear Shareholder

On behalf of the Board, I am pleased to present this year's Audit Committee (the Committee) report, which will also be my last. During the year, in addition to our regular duties, we focused on the following matters:

Committee Membership

As disclosed in last year's Annual Report, a recruitment process commenced for an Audit Committee Chairman and I am pleased to report that this resulted in the appointment of Denise Goode, who brings a wealth of financial, commercial and life science industry experience, both from her extensive career as a senior executive and from board roles held since 2008. Denise joined at the end of April to allow a smooth and orderly transition. It is intended that Denise will be appointed as Chair of the Audit Committee upon my retirement as Audit Committee Chairman following the 2021 Annual General Meeting.

Head of Internal Audit and Risk Assurance

During the year, the Head of Internal Audit and Risk Assurance, John Wilson, gave notice of his intention to pursue an opportunity outside the Group. Simon Hoolihan has been appointed to succeed John in the role and took up his post in June 2021. To provide continuity in the role we appointed an experienced Interim Head of Internal Audit and Risk Assurance, Gareth Edwards, who will remain with Dechra until September 2021 to facilitate an orderly handover.

Cyber Security

Due to the increasing importance of cyber security the Committee focused on the Company's adoption of the National Cyber Security Centre (NCSC) 10 Step Framework. We have made progress with implementing the recommendations from the framework during the year.

BEIS Consultation

The Committee reviewed a high level impact analysis on the Group from the measures proposed in the BEIS consultation and also agreed that a response would be submitted by the Group.

COVID-19

The finance team adapted well and quickly to home working for the balance of our 2020 financial year and we made relevant changes to our management and governance processes to maintain financial reporting and internal controls. These controls have continued to operate effectively in the 2021 financial year and the Committee continues to be provided with comprehensive information to assist it in its duties.

Annual Report 2021

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 specifically reviewed, at the request of the Board, whether the 2021 Annual Report was fair, balanced and understandable and concluded that it was. The basis supporting our conclusion is set out on page 116.

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

Julian Heslop
Audit Committee Chairman
6 September 2021

The Purpose and Function of the Audit Committee (the Committee)

Purpose

The Committee's key role is to review and report to the Board on financial reporting and internal financial control effectiveness, and to monitor the effectiveness of the external audit process and internal audit function.

Membership, Meetings and Attendance

The membership of the Committee, together with appointment dates and attendance at meetings, are detailed on page 112. Denise Goode joined the Committee on her appointment to the Board in April 2021. All Committee members are Non-Executive Directors.

The Board considers that all members of the Committee are independent and have competencies relevant to the sector in which the Company operates. Both Julian Heslop and Denise Goode have recent and relevant financial experience as a result of their financial backgrounds and qualifications, and Ishbel Macpherson also brings financial experience to the Committee following her career as an Investment Banker. Alison Platt provides international commercial experience, and Lawson Macartney and Lisa Bright provide product development and commercialisation of pharmaceuticals experience which support the Committee in meeting its objectives. 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 Chairman 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. In addition, the Committee Chairman meets with the Chief Financial Officer, the Head of Internal Audit and Risk Assurance and the External Audit Engagement Partner outside of the Committee meetings in order to understand fully the key topics to enable these subjects to be discussed meaningfully at the meetings.

The Committee usually meets with the external and internal auditors without management being present, after each scheduled meeting, to discuss their respective areas and any issues arising from their audits.

The Committee provides a report to the Board on its activities at the Board's next scheduled meeting.

Neither the Company nor its Directors have any relationships that impair the external auditor's independence.

Effectiveness of the Committee

The Committee's performance was evaluated as part of the externally facilitated review that took place in 2021 (further details of which can be found on page 110 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 2020 meeting and these were updated to include additional wording around arrangements for employees, contractors and external parties to raise concerns, the criteria governing compensation of individuals performing non-audit services and the Committee Chairman's engagement with shareholders. The main responsibilities of the Committee are summarised on pages 100 and 112 of the Governance Report.

Major Activities of the Committee During the Year

The Committee met four times since the last Annual Report was issued. These meetings were scheduled meetings, and are generally timed to coincide with the financial reporting timetable of the Company. The Committee Chairman 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.

The Committee have reviewed a high level impact analysis on the Group from the proposals in the BEIS consultation. The Group's response to the BEIS consultation was reviewed and approved by the Committee and the Board prior to its submission.

Audit, Risk and Internal Control continued

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

Purpose and Function (see page 113)	• Review of the Committee's terms of reference • Review of the effectiveness of the Committee	• BEIS Consultation 'Restoring trust in audit and corporate governance: proposals on reforms'
Financial and Narrative Reporting (see pages 114 to 115)	• 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 2021 and management presentation to investors	• Consideration of the Audit Memorandum prepared by the external auditor, including: – review of accounting treatment of non-underlying items – assessment of acquired intangible assets and goodwill including impairment assessments undertaken – commentary on the general control environment across the Group • Fair, balanced and understandable recommendation of the Annual Report • Review of Viability Statement process • Review and commend the Going Concern and Viability Statements • Review of the dividend policy and interim and final dividend proposals
Internal Controls and Risk Management (see page 116)	• Review of Anti-Bribery and Anti-Corruption (ABC) and Sanctions Policies • ABC and Sanctions compliance update • Half-year and full year review of internal financial controls • Review of tax strategy and policy framework • Review of treasury policy and practice	• General Data Protection Regulation (GDPR) compliance update • Review and approval of the internal control and risk management statements • Review of cyber security and adoption of NCSC 10 Step Framework
Internal Audit (see page 117)	• Review of the annual Internal Audit Plan, completed projects and effectiveness of Internal Audit	• Review of Internal Audit Charter
External Audit (see pages 117 and 118)	• 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) • External Audit Engagement Partner Rotation • Review of findings from the external audit	• Review of the external audit effectiveness • Review of external auditor's independence and level of non-audit fees • Review of the non-audit fee policy • Discussion in relation to the Company's expectations of the external auditor and audit process

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 £715.8 million, which represents 59.0% of total Group assets.	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. In respect of assets not subject to amortisation, it reviewed the papers provided by management and noted the headroom between the value in use and the carrying value of goodwill. In addition, it considered the ongoing viability of capitalised R&D projects compared to their carrying value. Finally, it reviewed the process adopted by management to review amortised assets for impairment. It endorsed management's conclusion that no impairment of these assets had taken place. The Committee considered PwC's report on these matters.
Review of the remeasurement of the intangibles and associated contingent consideration for the licensing transactions, which were remeasured during the year.	The Committee reviewed the accounting basis of the adjustments which supported the remeasurement and considered the appropriateness of the accounting treatment.
Valuation and accounting for the acquired commercial licensing agreement intangibles of £134.5 million together with the related contingent consideration.	The Committee reviewed the calculations and and agreed the accounting treatment for the assets acquired and their useful economic lives. The Committee also reviewed the headroom existing between the carrying value of *Osurnia*, the largest of the assets acquired, and its valuation.
Review of the corporate tax rate for the year being a charge of 25.0% (21.7% on underlying operations).	The Committee discussed the key risks in respect of corporate tax and reviewed that appropriate controls were in place to confirm that taxation calculations were not materially misstated. Areas where significant judgements, such as uncertain tax positions, had been applied were reviewed and challenged and external audit work and conclusions were considered. It reviewed progress in settling outstanding transfer pricing and other matters.
In order to assist investors with a better understanding of the underlying performance of the business, management present within the financial statements figures for underlying profit and earnings. These measures are reconciled to the figures provided in the financial statements and exclude items such as impairment and amortisation of acquired intangible assets and related contingent consideration, acquisition costs, manufacturing rationalisation restructuring costs, and the fair value uplift on inventory acquired through business combinations.	The Committee reviewed the basis for calculating the underlying figures and its consistency with the previous year's figures. It also sought confirmation from the external auditor, PwC, that they were satisfied that the application of the accounting policy relating to this treatment was appropriate. The Committee also reviewed any material one-off income and costs within the underlying results, and required that these were clearly disclosed within the financial statements and notes.

Audit, Risk and Internal Control continued

Going Concern and Viability Statements

The Committee reviewed the Group's Going Concern and Viability Statements set out on pages 35 and 83 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 external auditor reviewed management's assessment and discussed this review with the Committee.

Fair, Balanced and Understandable Assessment of the Annual Report

At the request of the Board, the Committee considered whether the 2021 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance (pages 28 to 35), business model (pages 16 to 18) and strategy (pages 20 to 23).

The Committee based its assessment on a review of the processes and controls put in place by management. This 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 conformation 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 a full printed draft copy 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 2021 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 Senior Executive Team'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 152 to 160.

This assessment was carried out by the Committee on 31 August 2021, following which the Committee reported to the Board that it was satisfied that, taken as a whole, the 2021 Annual Report is fair, balanced and understandable.

Internal Controls and Risk Management

The Board retains overall responsibility for the management of the Group's risk management and internal control framework, and has delegated the ongoing monitoring and review of the effectiveness of the Group's internal financial controls to the Committee.

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

- confirmation that the rolling programme of risk and control reviews by the Board has been completed;
- a review of the SET's assessment of material internal control effectiveness;
- a review of the Going Concern and Viability Statements together with the financial stress testing conducted to support these statements; and
- a review of baseline financial controls and management representations on their effectiveness across the Group.

COVID-19 measures required the Group's finance teams to work remotely for part of the 2020 and all of the 2021 financial years. The Committee reviewed the measures put in place to satisfy itself that the Group's internal control environment and financial reporting processes were operating effectively given these changes. Due to the increasing importance of cyber security, the Committee reviewed an internal audit report on the Group's cyber security arrangements, and received an update from the Group IT Director on progress in the Group's adoption of the NCSC 10 Step Framework, and other mitigating actions. The Committee was provided with management assurances on the key risk areas and concluded that the mitigating controls were appropriate, and that the financial control framework remains effective.

Further details in respect of the Group's risk management and internal control processes are provided on pages 76 to 78 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 94 of the Governance Report.

Review of Policies and Procedures

During the year, the Committee undertook the annual review of the Group Tax Policy and Strategy, the Group Treasury Policy, the Sanctions Policy the Anti-Bribery and Anti-Corruption Policy and the Third Party Code of Conduct. The Third Party Code of Conduct was updated to bring it in line with the Pharmaceutical Supply Chain Initiative (PSCI) principles.

The Committee is provided with regular updates on the outcomes of the risk assessments as part of both Anti-Bribery and Anti-Corruption and Sanctions due diligence processes, as well as updates to procedures. During the year, the internal Anti-Bribery and Anti-Corruption e-learning course has been rolled out across the Group as compulsory training.

During the year, it was highlighted to the Committee that whilst the How to Raise a Concern Procedure was fundamentally strong, which was supported by a positive culture and openness across the organisation, awareness could be improved across all areas of the business. The points raised are being addressed via the new Code of Conduct training, the provision of investigator training and during the 2022 financial year the implementation of a third party managed confidential hot line.

Internal Audit Function

The Internal Audit and Risk Assurance function provides objective assurance and advice on the management of the Group's risks and its systems of internal control. Internal Audit operates a co-sourced arrangement with KPMG LLP (KPMG) 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 five year plan to develop the Internal Audit function in line with projected business growth, an additional in-house resource has been recruited during the year.

Following the resignation of John Wilson in February 2021, a recruitment process has taken place to appoint a new Head of Internal Audit and Risk Assurance. We are pleased to confirm the appointment of Simon Hoolihan, who started on 28 June 2021. In the meantime, the Interim Head of Internal Audit and Risk Assurance, Gareth Edwards, has maintained continuity of the function and will remain with the Group until September 2021 to enable a full handover and smooth transition.

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 calendar year, is developed from the three year plan. The annual plan for the year to June 2022 was approved by the Committee in April 2021.

The Internal Audit process was amended in the 2020 financial year due to COVID-19, and all of the audits are currently being delivered virtually where practicable, which has significantly increased the time spent on each audit, and lead to delays in the completion of the work originally planned.

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

- Financial: Treasury, Baseline financial control framework, Tax Governance;
- Operational: IT Disaster Recovery and Resilience, Global Payroll implementation, Governance in Manufacturing and Supply Chain, Sales and Operational Planning, post-acquisition review processes; and
- Compliance: Group policy framework, Data Privacy, ABC third party programme together with South America Monitoring, Pharmacovigilance and a review of the How To Raise a Concern Procedure and controls.

Internal Audit recommendations are communicated to relevant business leaders, appropriate control improvements agreed with them, and implementation of agreed actions is monitored monthly. Audit reports are provided to the Committee together with regular progress reports on management's implementation of control improvements.

Independence and Effectiveness of Internal Audit

During the year, the Committee reviewed the Internal Audit Charter and based on an assessment of the Internal Auditor's work, agreed that:

- the Internal Audit findings and reporting had well defined rating scales and were clear and concise;
- the function added value and additional assurance;
- Internal Audit constructively challenged management and displayed independence in providing their opinion and recommendations;
- the dual reporting lines into the Chief Financial Officer and Audit Committee Chairman worked well;
- the Internal Audit delivery was based on clearly defined audit plans which were adapted when relevant;
- the Internal Audit resources were lean but sufficient at the present time; and
- a clear Internal Audit plan, based on the major risks approved by the Board, was presented annually to and agreed by the Committee, as being well updated at each Committee meeting.

The Committee, based on this, concluded that the Internal Audit function was effective and independent.

External Auditor

Following a competitive tender in 2015, PwC were appointed as the Company's external auditor effective from the 2016 audit. The Company complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services.

Audit Plan

PwC agreed their audit plan with the Committee, which included their audit scope, key audit risk areas and materiality. The Committee discussed the audit plan with PwC and approved it, together with the fees proposed.

Independence, Effectiveness and Objectivity of the Audit Process

The Committee conducted a review of the external auditor's independence, effectiveness and objectivity based on:

- the Committee's own assessment of the quality of the audit plan, the rigour of the audit findings and conclusions, the extent to which the External Audit Engagement Partner understands the business and constructively challenges management and the quality and clarity of the technical and governance review provided;
- the results of a questionnaire on external auditor effectiveness and efficiency (further detail on which is provided below);
- a report prepared by PwC setting out its processes to ensure independence and its confirmation of compliance with them; and
- the level of non-audit fees as a percentage of the audit fees paid to the external auditor, which were 7.6% (2020: 5.5%) 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.

Audit, Risk and Internal Control continued

The questionnaire covered a number of areas, including:

- quality of the audit team;
- 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 31 August 2021.

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 takes into account EU guidance and the Competition and Markets Authority (CMA) Order on mandatory audit tendering. Dechra will be required to retender its audit no later than for the 2026 financial year. The Committee will complete this process well before the start of the year preceding the 2026 financial year to maximise the firms able to tender and to permit the firm selected to have sufficient time to meet the required independence regulations.

External Audit Engagement Partner Rotation

In line with the FRC Ethical Standard, the External Audit Engagement Partner is rotated every five years. Following the 2020 financial year, the previous External Audit Engagement Partner, Andrew Hammond, stood down and Mark Skedgel was appointed by the Board on the recommendation of the Audit Committee.

Non-Audit Assignments

With respect to non-audit services undertaken by the external auditor, the Company's policy is that the provision of such services does not impair their independence or objectivity.

Since May 2018, the policy for the use of the auditors, PwC, for non-audit work, 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 2021 with the only change being the inclusion of a requirement for Audit Committee approval before appointing any employee who had worked on an audit of the Group in the previous two years. Previously, this had required the approval of the Chief Executive Officer, Chief Financial Officer and Audit Committee Chairman.

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 7.6% (2020: 5.5%) of the annual audit fee. The 2021 other non-audit fees relate to the engagement of PwC (as statutory auditor) to provide an annual attestation to NOMA (the regulator in Norway) and to provide attestation of the R&D tax relief claim for Dechra Veterinary Products Srl (Italy), as such the services were permitted under the non-audit fee policy.

	2021 PwC	2020 PwC	2019 PwC	2018 PwC	2017 PwC
Audit fees including related assurance services (£m)	**1.4**	1.1	0.89	0.80	0.57
Non-audit fees (£m):					
Review of Half-Yearly Report	**0.1**	0.06	0.04	0.04	0.04
Other work	**0.006**	0.002	0.002	0.52*	0.05
Ratio of non-audit fees to audit fees	**7.6%**	5.5%	6.7%	70.0%	15.8%

* The 2018 Audit Committee Report sets out the reasons for the engagement of PwC.

Julian Heslop
Audit Committee Chairman
6 September 2021

Directors' Remuneration Report

Ishbel Macpherson | Remuneration Committee Chairman

Letter from the Remuneration Committee Chairman

8 Remuneration Committee Meetings Held

Areas of Focus this Year

- Review of compensation across the Group including the Executive Directors
- Review of Chairman fee
- Shareholder consultation
- Executive Director and 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 Chairman and Senior Executive Team.
- To oversee any major changes in employee benefit structures.
- To approve the design of any employee share scheme.

Committee Membership and Attendance

Ishbel Macpherson Joined: 1 February 2013	8 8	**Lawson Macartney** Joined: 1 December 2016	8 8
Tony Rice Joined: 5 May 2016	8 8	**Lisa Bright** Joined: 1 February 2019	8 8
Julian Heslop Joined: 1 January 2013	8 8	**Alison Platt** Joined: 1 March 2020	8 8
Denise Goode Joined: 26 April 2021	2 2		

Dear Shareholder
I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2021.

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

- Our Pay Principles, which we adopted in 2020, together with a summary of the market reference points considered by the Committee and our approach to wider workforce remuneration.
- Remuneration Philosophy: The link between our Directors' Remuneration Policy and our Strategy.
- Governance: How our Remuneration Policy is aligned with the requirements of the UK Corporate Governance Code.
- Remuneration at a glance: Summary of Executive Director Total Remuneration for the 2020 and 2021 financial years.

There then follows the two principal sections of the Remuneration Report: the Annual Report on Remuneration followed by an abbreviated form of the Directors' Remuneration Policy (the full version can be found at www.dechra.com). The Annual Report on Remuneration provides details of the amounts earned in respect of the 2021 financial year and how the Directors' Remuneration Policy (the Policy) will be implemented in the 2022 financial year.

The Directors' Remuneration Report (excluding the Policy) will be subject to an advisory vote at the 2021 Annual General Meeting.

Our Directors' Remuneration Policy
The Policy was approved by shareholders at the Annual General Meeting on 27 October 2020, with 90.81% of all votes cast in favour, and will remain in force until 2023. We review the application of this Policy regularly, with a view to it remaining appropriate, linked to strategy and reflective of developing market practices. No changes to the Policy are proposed for the forthcoming year.

Further details on how the Policy was implemented during the 2021 financial year and our approach to the implementation of the Policy in the 2022 financial year, including our approach to performance measures for the annual bonus and LTIP awards are described later in this letter.

Directors' Remuneration Report continued

Remuneration Committee Decisions in 2021

In last year's Remuneration Report we reported that we had decided to postpone the next remuneration review until later in the 2021 financial year to allow the Committee time to review any impact on the business of COVID-19. We are pleased to report that the business has continued to perform strongly and successfully managed to remain operational throughout the COVID-19 period. In the 2021 financial year, the Group has delivered revenue of £608.0 million, representing an increase of 21.0% (at constant exchange rates) on the prior year, and underlying operating profit of £162.2 million, which represents an increase of 29.2% (at constant exchange rates) on the prior year. In addition, we have:

- not furloughed any of our employees;
- not taken advantage of, or utilised, any government assistance in any country; and
- not undertaken any redundancy programmes related to the pandemic.

Remuneration Review

The Committee has been concerned for some time that certain of our senior executives' base salaries have not kept up with the growth of the Group and its complexity and have become uncompetitive. As a result of this concern the Committee resolved to undertake a business wide review of remuneration, focusing in particular on the lowest paid in our organisation and the top 60 Senior Leaders (the Review).

By way of context, in the last four years:

- underlying operating profit has grown by 18.8% on a compound annual growth rate basis;
- dividends have grown by 17.2% on a compound annual growth rate basis; and
- market capitalisation (12-month average) has increased by 315% (September 2016 to August 2021); and
- acquisitions have been made including manufacturing activities in Brazil and in the US, as well as of products, most recently *Osurnia* and *Mirataz.*

The Group has operations in 25 countries; markets products in 68 other countries; has over 5,600 product registrations; and has a market capitalisation of over £5.7 billion (as at 27 August 2021). The scope and complexity of the Executive Director roles have therefore increased significantly.

Over this period, Ian Page, our Chief Executive Officer, has had one base salary increase of 4% in the 2020 financial year. Ian Page's salary had not previously been increased since 2016. Ian's decision to waive increases in line with the workforce, combined with the increased complexity of the role means that his current base salary is significantly below the lower end of the market competitive benchmark reference points.

We considered the conclusions of the Review in the context of the Dechra Pay Principles, which we adopted in 2020. See page 125 for further details.

Our Lowest Paid

The Review identified where our pledge to become a Living Wage Employer required increases in employee pay. This has been implemented globally with effect from 1 January 2021 for all of our lower paid employees. In countries where there is no equivalent of the Living Wage, we have used the OECD formulation, or pay at least twice the local/federal minimum wage. In addition to implementing our Living Wage Employer changes a year earlier than originally planned in the UK and even earlier in the rest of the world, we paid all of our site based employees (noting that the majority of our lowest paid staff work in manufacturing or logistics) a bonus to reward their commitment during the COVID-19 period. In March 2021, we were pleased to be accredited as a Living Wage Employer in the UK.

We have increased our employer pension contribution from 4% to 6% with effect from July 2021 in the UK and intend to increase the employer pension contribution again to 8% on 1 July 2022.

Executives below Board Level

The Review of our top teams (which includes the Senior Executive Team and their direct reports) revealed that a number of them were not on a competitive level of base pay. The affected executives were almost all longer serving colleagues, whose base pay had not kept pace with the business' growth nor the marketplace. In order to honour our Dechra Pay Principles commitment (as set out on page 125), and to satisfy ourselves on internal integrity, 40 Senior Leaders below Board received increases in base salary above the average 3% awarded to the wider workforce (other than those impacted by our Living Wage pledge). These increases were between 5% and 20% of basic salary and effective from 1 January 2021. The approach adopted when setting these base salary levels was to pay 90% of the benchmarked median base salary level.

In addition, we have decided to increase the annual bonus potential of the direct reports of the Chief Executive Officer from 50% to 75%. This will still leave them behind the benchmark median, but we feel takes this group to the level which will mitigate the risk of flight.

Executive Director Remuneration Decisions

The Review highlighted that the base pay of our Chief Executive Officer, Ian Page, and our Chief Financial Officer, Paul Sandland, was significantly below the lower end of the market competitive range (looking at companies ranked 51 to 150 in the FTSE350 and companies with a market capitalisation of £2.5 billion to £4.5 billion. The base salary of our third Executive Director, Tony Griffin, which was also benchmarked locally, is already at a competitive level.

The Committee believes that the base salary of our top Executives should be positioned appropriately for a number of reasons:

- we are fortunate to have an exceptional top management team and wish to lock in continuity for at least the next three years;
- unless we raise salaries to an appropriate level, we are at risk of salary compression below Board level, which will impact our ability to recruit successfully, particularly in the US and Europe;
- appropriate remuneration for our top executives is important to our succession planning, at and below Board level; and
- the Committee, having embraced Dechra's Pay Principles, believes that these principles should apply at every level in the organisation.

With this in mind we undertook extensive engagement with our shareholders to discuss:

- increasing the base salary for our Chief Executive Officer and Chief Financial Officer with effect from 1 January 2021 in order to bring their base salaries closer to the market median (consistent with the approach being adopted for executives below Board level as described above); and
- increasing the bonus potential for the Executive Directors to 125% of salary for the 2022 financial year. This is below the maximum of 150% of salary approved by shareholders when our Policy was approved last year.

Although we have used benchmarking as a guide; this is not the primary driver for the increases. As detailed above, over the last four years the Group's business has not only increased significantly in scale and profitability but has also increased in complexity. The scope and complexity of the Executive Director roles have therefore increased significantly.

Furthermore, on his appointment in October 2019, the base pay for our Chief Financial Officer, Paul Sandland, was set at circa 19% less than that of his predecessor. This was deliberately set at below market to allow him to prove himself in the role. It is the unanimous view of the Board that Paul has excelled as our Chief Financial Officer, particularly during the COVID-19 period. In addition, he has taken on additional responsibility for IT and our ESG strategy.

Responding to Shareholder Feedback

The consultation period with our largest shareholders has been important to us. Over a four month period we had a number of conversations with investors and we had feedback from 35 shareholders, representing over 60% of our share capital. I am pleased to report that the vast majority of shareholders consulted were supportive of the proposed increases.

Responding to the feedback received, the Committee decided to phase the base salary increases for both our Chief Executive Officer and Chief Financial Officer over two financial years as detailed in the table below.

	Previous base salary	**1 January 2021***	**1 January 2022****
Ian Page – Chief Executive Officer	£520,000	12% to £582,400	circa 5% to £612,000
Market positioning for Chief Executive Officer	Significantly below lower quartile	Around lower quartile	Around 90% of market median
Paul Sandland – Chief Financial Officer	£300,000	20% to £360,000	12.5% to £405,000
Market positioning for Chief Financial Officer	Significantly below lower quartile	Below lower quartile	Around 90% of market median

* The increases were effective 1 January 2021, but were paid post year end following the end of the consultation with our shareholders.
** Subject to continued strong performance of the Group and excellent individual performance.

Directors' Remuneration Report continued

The table below summarises the implementation of the Policy for Executive Directors in respect of the 2021 financial year.

Element	Implementation
Salary	As set out on page 121, Ian Page's salary has been increased to £582,400 and Paul Sandland's to £360,000. The increases were effective from 1 January 2021, but were paid post year end following the end of the consultation with our shareholders. The 2021 base salary increase for Ian Page moves his base to around the lower quartile of the market range. The 2021 increase for Paul Sandland moves his base towards (albeit below) the lower quartile. Tony Griffin's salary was increased by 2.9% to €373,830 which was broadly in line with the average range of increases awarded to employees throughout the Group.
Retirement Benefit	Company pension contribution/cash in lieu of pension of 14% of salary for Ian Page, 11% for Tony Griffin, and 4% of salary for Paul Sandland. In line with the commitment made in our 2020 Remuneration Report, these are being aligned to that of the workforce by the end of 2022 (this includes enhancing the UK wider workforce rate alongside a reduction in the rate for Executive Directors). Paul Sandland's pension is already aligned with the wider workforce, and reflects a reduction in the contribution rate on his appointment to the Board.
Annual Bonus	Maximum opportunity for the 2021 financial year of 100% of base salary. The bonus for the 2021 financial year was based on underlying profit before tax (as regards 85% of the opportunity), personal objectives (10%) and ESG measures (5%). We have delivered underlying profit before tax during the year of £150.1 million, an improvement of 27.2% at constant exchange rates (25.0% at actual exchange rates) on the prior year. Reflecting the performance of the Group in relation to profit targets and the performance of Executive Directors against personal objectives and ESG measures as described on page 131, bonuses for the year equal to 100% of salary have been earned by Ian Page and Paul Sandland. The profit element of Tony Griffin's bonus is calculated by reference to the underlying operating profit of Dechra Veterinary Products EU (50%) and Group underlying profit before tax (50%). His bonus for the year is 83% of salary which reflects the financial performance, his personal objectives and ESG measures. The Committee considers the level of payout is reflective of the overall performance of the Group in the year and is appropriate. The annual bonus is subject to malus and clawback provisions.
Long Term Incentive Plan	Awards of 200% of base salary for Ian Page, 150% of base salary for Paul Sandland and 100% of base salary for Tony Griffin were granted during the 2021 financial year. All of these awards are subject to a two year holding period. LTIP awards granted to Ian Page and Tony Griffin on 26 October 2018 are scheduled to vest on 6 September 2021: • as to 100% of the TSR element (one third of the total award) reflecting upper quartile performance; and • as to 60.7% of the underlying diluted EPS element (two thirds of the total award) reflecting that the compound annual growth in the underlying diluted EPS at 13.2% was below the maximum threshold of 19% (with the assessment of EPS taking into account the Akston licensing agreement, as referred to below). In aggregate, taking into account the ROCE underpin (reflecting that the ROCE at 18.8% had not fallen below 10.0%), the LTIP awards will vest as to 73.8%. 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 2021 and is appropriate. See page 132 for further details. Awards made under the LTIP are subject to malus and clawback provisions.

Performance Conditions for LTIP Awards

As detailed in the Directors' Remuneration Report last year, the impact of the Akston licensing agreement is relevant for the 2019 Grant (three year performance period to 30 June 2021) and 2020 Grant (three year performance period to 30 June 2022). In order to measure performance on a fair and consistent basis, the Committee has adjusted the final year EPS for the 2019 Grant to reflect the actual Akston R&D costs incurred at the vesting date. This adjustment recognises that these R&D costs were not included in the base year of the performance period and maintains the overall level of stretch in the targets so the targets are not less difficult to satisfy.

For the 2021 Grant (three year performance period to 30 June 2023) and future years, the Committee is mindful that the base year will have some R&D actual costs from the Akston deal. Therefore, the actual Akston R&D costs will be adjusted for both the base year and the year of vesting to enable performance to be measured on a like-for-like basis. The Committee believes that this is the right approach as the payments for the development of Akston are lumpy and uncertain as to timing between financial years.

Forward Looking: Implementation of Policy for 2022 Financial Year

We will apply the Policy in the 2022 financial year as follows (more information is given on page 140):

- **Salary:** Executive Directors' salaries will continue to be reviewed in January. As detailed above we are intending to make a further increase to the base salary for Ian Page to £612,000 and Paul Sandland to £405,000 from 1 January 2022 which would move their base salaries closer to (albeit below) market median. This second increase will be subject to the continued strong performance of the Group and excellent individual performance. It is planned that any increases to Tony Griffin's salary will be in line with the range of any increases proposed for the wider workforce.
- **Pension:** In order to align the pension contributions/cash in lieu of pension for Ian Page and Tony Griffin to that of the workforce, from 1 July 2022, the pension contributions for Ian Page and Tony Griffin will decrease to 8%. Reflecting the enhanced employer contribution rate for wider workforce rate, Paul Sandland's pension increased to 6% from 1 July 2021 and will increase to 8% when the employer pension contribution rate for the UK wider workforce increases to 8% on 1 July 2021.
- **Bonus:** Our Executive Directors' current annual bonus opportunity is 100% of salary. Our Policy, approved by shareholders at the 2020 Annual General Meeting, allows for a maximum opportunity of 150% of base salary. As noted above, for the 2022 financial year, we propose to utilise some, but not all, of the additional headroom in our Policy. The maximum bonus opportunity for the 2022 financial year will increase from 100% to 125% of salary, which still remains below lower quartile of the market range.

  In line with our Policy for Executive Directors, we will also introduce bonus deferral, requiring that 20% of any bonus earned (and not just any additional bonus earned) is deferred into Dechra shares for two years. In connection with the introduction of bonus deferral, we are seeking shareholder approval at the 2021 Annual General Meeting for a new Deferred Bonus Plan, the principal terms of which are summarised in the Notice of Annual General Meeting. As we explained in the Directors' Remuneration Report last year, the level of deferral is set so that amount of cash earned for any level of performance is not increased by the increase in the opportunity. Therefore, for instance, the level of deferral would increase to 33% of bonus were the bonus opportunity be raised the 150% of base salary permitted by our Policy. The bonus will be based on a mix of stretching underlying profit before tax targets (in respect of a bonus of up to 110% of salary), personal objectives (in respect of a bonus of up to 10% of salary) and an ESG measure (in respect of a bonus of up to 5% of salary). For Tony Griffin, and consistent with the approach for the 2021 financial year, half of the opportunity based on underlying profit (i.e. up to 55% of salary) will be assessed by reference to the underlying operating profit of Dechra Veterinary Products EU, reflecting his responsibility for that part of our business, and the other half of the profit based opportunity by reference to Group profit in line with the other Executive Directors, and so that a significant part of the profit based opportunity is aligned with the shareholder experience in respect of overall Group performance.

  The increase in the annual bonus opportunity for the 2022 financial year recognises the increase in the size and complexity of the Group. The Committee has also reviewed the level of stretch in the annual bonus targets to reassure themselves that the higher maximum opportunity for the 2022 financial year will only be earned for delivery of higher levels of performance. For the 2022 financial year the maximum bonus will only be earned for materially improved year on year performance from a strong 2021 base year where we delivered 25% year on year improvement in underlying profit before tax (on a constant currency basis). The threshold to maximum range has been set at 95% to 110% of a stretching target level of performance in order to align the maximum level of potential reward with the achievement of more stretching performance targets.
- **LTIP:** No changes are proposed to the maximum LTIP opportunity for the 2022 financial year. Awards for the 2022 financial year will be granted at the level of 200% of salary for Ian Page, 150% of salary for Paul Sandland and 100% of salary for Tony Griffin. Any shares that vest will be subject to a two year holding period. The performance measures remain as per the grant of LTIP awards made on 22 September 2020, details of which can be found on page 134. The upper target for the EPS performance condition will be 15% CAGR. Taking account of internal forecasts of performance over the performance period, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community on the Group's future potential performance, this upper target is considered to be a stretching and ambitious upper target which requires significant out-performance. This also reflects the strong performance delivered in the 2021 financial year which is the base year for the 2022 LTIP grant.
- **Impact of changes on overall total compensation:** The Committee is mindful of the impact of base salary increases on the value of the total package. However, the value of the total package continues to be modest against the market norm for a company of our size and complexity. The changes outlined above move the value of total package for our Chief Executive Officer and Chief Financial Officer towards the lower quartile of the market. The majority of the package continues to be performance related, which is aligned with the interests of our shareholders. We also recognise that increasing the level of competitiveness in salaries and the annual bonus will require the continued delivery of performance, coupled with stretching targets for annual variable and long term compensation. The proposed maximum targets for both the 2022 annual bonus and LTIP grant require continued double digit growth from the strong performance delivered in 2021. This will deliver alignment to shareholders' interests as we continue to grow.

Directors' Remuneration Report continued

Chairman and Non-Executive Directors

We have also taken the opportunity to review our Chairman fee level. We were mindful that the fee for Chairman varies considerably depending on sector and time commitment. However, at less than £135,000 per annum, the total fee for our Chairman by any measure is very low. The Committee agreed to increase the Chairman's fee in two stages, with an increase to £159,000 (which includes the fee for being Chairman of the Nomination Committee, currently £5,000) from 1 January 2021 and to £188,000 from 1 January 2022. This will position the Chairman's fee between the lower end and median of the market.

A committee appointed by the Executive Directors and the Chairman has reviewed fees for the other Non-Executive Directors. Details of the proposed changes to the fee for the Non-Executives Directors are set out on page 134. These increases bring the fees closer to the market median (consistent with the approach being adopted for executives below Board level as described above) and reflect the increase in the size and complexity of the business over the last four years. A review of the Non-Executive Directors' base and additional fees will be undertaken in January 2022 along with the pay review process for the wider workforce.

Wider Workforce remuneration and employee engagement

We recruit and promote people on the basis of their personal ability, contribution and potential. We are committed to promoting, supporting and maintaining a culture of fairness, respect and equal opportunity for all. We are also committed to fair employment practices and comply with national legal requirements regarding wages and working hours.

The Group aims to provide a remuneration package that is competitive in an employee's country of employment and which is appropriate to promote the long term success of the Group. The Company's SAYE scheme and Employee Stock Purchase Plan (ESPP) encourage share ownership by qualifying employees and enable them to share in value created for shareholders. In the 2022 financial year we propose to offer the SAYE more widely than we have in the past, expanding its operation to 18 additional countries and so offering 921 additional employees the opportunity to acquire shares in Dechra.

Further details on our pay principles and workforce remuneration are set out on page 125.

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 97, workforce engagement activities during the 2021 financial year included five one-to-one hour discussions with cross function teams in the EU and US. These have provided an upward channel for views, comments and debate, as well as an opportunity to provide positive feedback on the Group's decision not to furlough employees during the pandemic. The Committee provided an update on the Remuneration Review, including the Executive Directors' remuneration increases, to the wider workforce and a channel for further information and discussion.

Gender Pay

We are pleased to report that as a result of our proactive management with regards to our gender pay gap in Dechra Limited (who employ 67.3% of our UK employees), the gap has reduced from 9.2% in 2018 to 7.4% in 2019 and further again to 5.5% in 2020. This is something that we are looking to build upon as we continue to make Dechra an increasingly attractive place to work.

In Conclusion

We greatly appreciate the feedback and the level of support we have received from our shareholders regarding our approach to remuneration and the changes outlined above. We are firmly of the view they are in the best interests of the business and its shareholders. Dechra is a high performing Group and we believe that setting the salaries of our top Executives at more appropriate levels will help to keep it so.

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. We believe that the Policy operated as intended and consider that the remuneration received by the Executive Directors in respect of the 2021 financial year was appropriate, taking into account Group performance, personal performance and the experience of shareholders and employees.

On behalf of the Board, I would like to thank you, our shareholders, for your engagement, and I hope that we will continue to receive your support at the Annual General Meeting later this year. Should you have any queries in relation to this report, please contact me or the Company Secretary.

Ishbel Macpherson
Remuneration Committee Chairman
6 September 2021

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 have set a target to become a real Living Wage Employer* in the UK during the 2021/2022 financial year. Living wages vary by country, but our aim does not. As we continue to grow in countries across the globe, a living wage target is being explored**
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.

Market Data

To assess our competitive pay positioning in our different marketplaces, we reviewed Willis Towers Watson pay data for the benchmarking undertaken across the organisation. This data takes account of the size and complexity of the organisation, as well as the level of responsibility of the role. Complexity of the organisation reflects a number of parameters including: (i) annual revenues; (ii) FTE employees; (iii) business diversity; and complexity and (iv) geographic breadth. As an additional sense check for the Executive Directors, the Committee also considered benchmark data based on companies with a market capitalisation of £2.5 billion to £4.5 billion. Our current and 12 month average market capitalisation is at/over the upper end of this range. The lower quartile and median benchmark reference points are broadly consistent for both this market capitalisation group and the FTSE 50 to 150 peer group.

Whilst market data provides a valuable insight into pay levels and structures, the Committee recognises that benchmarking should not be the sole determinant when considering Executive Directors' remuneration. In line with Dechra's general approach to setting pay, the Committee therefore considered many factors, alongside benchmarking, when reviewing proposed changes to remuneration packages and, in particular, the significant increase in the size and complexity of the Group and the increased responsibilities taken on by Paul Sandland.

Workforce Remuneration

	Executive Directors	Senior Executive Team	Wider Workforce
Base Salary	Increases considered in the context of business wide review of remuneration, focussing on the lowest paid in our organisation and the top 60 Senior Leaders.		In March 2021, we were pleased to be accredited as a Living Wage Employer in the UK.
Pension	**Ian Page and Tony Griffin:** Reduced to 8% of base salary with effect from 1 July 2021. **Paul Sandland:** 6% of base salary with effect from 1 July 2021 and will increase to 8% when the employer pension contribution rate for the UK wider workforce increases to 8% on 1 July 2022.	Between 8% and 12% of base salary dependent on length of service.	For the 2021 financial year: between 4% and 12% of base salary dependent on length of service and/or grade*. We have increased our minimum employer pension contribution from 4% to 6% with effect from July 2021 in the UK and intend to increase the employer pension contribution again to 8% on 1 July 2022.
Bonus	Max. 150% of base salary, 100% of base salary for the 2021 financial year, 125% of base salary for the 2022 financial year. **Targets:** personal (up to 10% of salary), ESG (up to 5% of salary) and financial (up to 110% of salary).	Increased from 50% of salary to 75% of salary for 2022 financial year. **Targets:** from 1 July 2021 financial and personal. From 1 July 2022 financial, ESG and personal.	All senior managers and professionals. Max. 40% of base salary. **Targets:** financial and personal.

Directors' Remuneration Report continued

	Executive Directors	Senior Executive Team	Wider Workforce
Long Term Incentive Plan	Max. 200% of base salary. Currently 200% of base salary for Ian Page, 150% of base salary for Paul Sandland and 100% of base salary for Tony Griffin. Three year performance period, two year holding period. Target: TSR (one third), EPS (two thirds) and ROCE underpin.	Max. 100% of base salary. Three year performance period. Target: TSR, EPS and 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
† UK and USA

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 110% 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 5% 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 EPS and the delivery of shareholder returns. For the 2021 and 2022 financial year awards, the weightings are two thirds underlying 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 2021 and future years include discretion to override formulaic outcomes.		Underlying Diluted EPS Growth Return on Capital Employed 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.

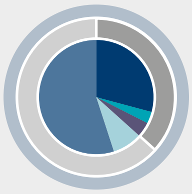
Principle	
Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	Our remuneration arrangements are transparent and aligned with our Purpose, Values and strategy and our disclosures are clear to both our shareholders and our employees. 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 possibly can be. We follow a standard UK market approach to remuneration with established variable incentive schemes that operate on a clear and consistent basis.
Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	• Both the annual bonus and LTIP are subject to malus and clawback provisions, and the Committee has discretion to override formulaic outcomes, which may not accurately reflect the underlying performance of the Group. • LTIP awards are subject to a two year post-vesting holding period, and if a bonus opportunity in excess of 100% of salary is offered deferral into shares will also apply. Each of these factors provides longer term alignment with shareholders' interests. • The post-employment shareholding requirement means that alignment with shareholders' interests continues after an Executive Director has left Dechra.
Predictability: the range of possible values of rewards to individual directors and other limits or discretions should be identified and explained at the time of approving the policy	The range of possible values of rewards and other limits or discretions can be found in the full Policy included in the 2021 Remuneration Report, and the Risk section above refers to limits and Committee discretion.
Proportionality: the link between individual awards, the delivery of strategy and the long term performance of the Company should be clear. Outcomes should not reward poor performance	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.
Alignment to Culture: incentive schemes should drive behaviours consistent with Company purpose, values and strategy	

Directors' Remuneration Report continued

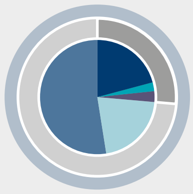
Executive Director Total Remuneration

Ian Page

2020



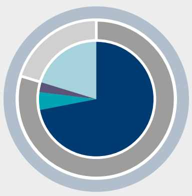
2021



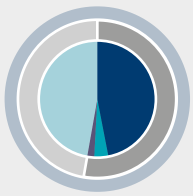
	2020	2021
Fixed		
Salary	29.3%	**21.0%**
Benefits	3.4%	**2.6%**
Pension	4.1%	**2.9%**
Performance-linked		
Bonus	8.2%	**21.0%**
LTIP	55.0%	**52.5%**

Paul Sandland

2020



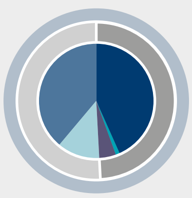
2021



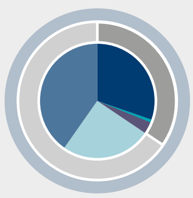
	2020	2021
Fixed		
Salary	72.0%	**46.9%**
Benefits	5.0%	**4.4%**
Pension	2.9%	**1.8%**
Performance-linked		
Bonus	20.1%	**46.9%**
LTIP	N/A	**N/A**

Tony Griffin

2020



2021



	2020	2021
Fixed		
Salary	43.4%	**30.5%**
Benefits	1.2%	**0.8%**
Pension	4.6%	**3.4%**
Performance-linked		
Bonus	12.1%	**25.2%**
LTIP	38.7%	**40.1%**

2021 Annual Report on Remuneration

The following section provides detail of remuneration earned by the Directors during the year in line with the Directors' Remuneration Policy approved by the shareholders at the Annual General Meeting held on 27 October 2020, along with details of how the Policy will be applied in the 2022 financial year. The sections of the 2021 Annual Report on Remuneration that are audited by PricewaterhouseCoopers LLP (PwC) are indicated on pages 129 to 137.

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 2021. The table shows the remuneration for each such person in respect of the year ended 30 June 2021 and in respect of the year ended 30 June 2020:

Executive Director	Year	Salaries £000	Benefits £000	Annual Bonus £000	Long Term Incentive £000	Pension £000	Total £000	Total Fixed £000	Total Variable £000
Ian Page	**2021**	**551**	**68**	**551**	**1,377**	**77**	**2,624**	**696**	**1,928**
	2020	517	59	145	970	72	**1,763**	648	1,115
Paul Sandland	**2021**	**330**	**31**	**330**	**N/A**	**13**	**704**	**374**	**330**
	2020	200	14	56	N/A	8	**278**	222	56
Tony Griffin	**2021**	**327**	**9**	**271**	**431**	**36**	**1,074**	**372**	**702**
	2020	330	9	92	294	35	**760**	374	386
Total 2021	**2021**	**1,208**	**108**	**1,152**	**1,808**	**126**	**4,402**	**1,442**	**2,960**
Total 2020	2020	1,047	82	293	1,264	115	**2,801**	1,244	1,557

Please note the following methodologies have been used in respect of the above table:

1. Salaries – this is the cash paid or received in respect of the relevant period. This includes the base salary increases effective 1 January 2021 that were paid post year end.
2. Benefits – this represents the taxable value of all benefits paid or received in respect of the relevant period. The benefits provided include the use of a fully expensed car, medical cover and life assurance. SAYE options granted in the year have also been included in the benefits column in respect of any year in which there was a grant. These have been valued using the fair value as per note 26 to the Group's financial statements.
3. Annual Bonus – this is the amount of cash bonus to be paid in respect of the financial year.
4. Long Term Incentives – 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. This includes the value of any contribution or salary supplement paid post year end in respect of the salary increases effective 1 January 2021 that were paid post year end as referred to in note 1 above.
6. The 2020 value assigned to the long term incentives for Ian Page and Tony Griffin was shown in last year's Annual Report as an estimate, with the value determined by reference to a share price of £27.404 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2020). This has been restated to show the actual value determined by reference to a price of £33.00 (being the market value of a share on 7 September 2020, 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 1.096 for 2020 and 1.1287 for 2021. His salary was €368,784 for 2021 and €361,632 for 2020.
8. Paul Sandland was appointed as an Executive Director on 30 October 2019 and the remuneration reported in the single figure table is from this date.

Directors' Remuneration Report continued

Additional Disclosures in Respect of the Single Figure Table

Salaries and Fees

Our approach to Executive Directors' salaries in the financial year is explained in the Committee Chairman's letter on pages 119 to 124. The Executive Directors' salaries applying with effect from 1 January 2021 are as follows.

Executive Director	Salary with effect from 1 January 2021	Previous Salary	% increase
Ian Page	£582,400	£520,000	12%
Paul Sandland	£360,000	£300,000	20%
Tony Griffin	€373,830	€363,396	3%

The Committee's approach to Executive Directors' salaries for the year ending 30 June 2022 is summarised in the Committee Chairman's letter on page 123.

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 2021 financial year having regard to the performance of the Group and personal performance objectives for the year. The amount achieved for the year ended 30 June 2021 against targets for the 2021 financial year is set out below. 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) £130.6 million	Target (42.5% of salary) £137.5 million	Maximum (85% of salary) £151.2 million	Actual (at budgeted rates) £152.8 million	85%	85%

Tony Griffin: Group underlying profit before tax and Dechra Veterinary Products EU underlying operating profit

					Bonus earned (percentage of salary) Tony Griffin
Group underlying profit before tax	Threshold (5% of salary) £130.6 million	Target (21.25% of salary) £137.5 million	Maximum (42.5% of salary) £151.2 million	Actual (at budgeted rates) £152.8 million	42.5%
Dechra Veterinary Products EU underlying operating profit	Threshold (5% of salary) €121.7 million	Target (21.25% of salary) €128.1 million	Maximum (42.5% of salary) €140.9 million	Actual (at budgeted rates) €130.7 million	25.5%

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 below)	10%	10%	10%
ESG measure	Each Executive Director could earn a bonus of up to 5% of salary by reference to the achievement of ESG measures aligned with their area of responsibility (see table below)	5%	5%	5%

The personal objectives of each Executive Director for the year ended 30 June 2021 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 Chairman.

The ESG measure for each Executive Director was similarly set on an individual basis linked to the Executive Director's area of responsibility. A summary of the measure and performance against it is set out below.

Personal Objectives

Director	Link to Strategic Enabler	Objective	Performance
Ian Page	Manufacturing	Work closely with the DPM&S Leadership team to bring the manufacturing entities under one function and develop the right organisational design for the future. Continue to drive improved continuity of supply	Appointed Milton McCann as permanent Group Manufacturing and Supply Chain Director and worked closely with Milton to build a fit for the future structure, adding expertise. Supply Chain has been stabilised and is robust
	Commercial	Maintain close focus on the sales channels and monitor the impact of the pandemic, restructuring and reshaping where required to respond to the changing marketplace	Through regular stakeholder engagement and agile adaptation of working practices we continue to see growth across all markets
	Governance	Prepare the business for FTSE 100; ensure that we are able to manage and comply with the increasing regulatory burden. Continue to sponsor and embed the stakeholder engagement agenda into the organisation, act as the Executive Sponsor to drive greater focus on our Diversity Agenda across the Group	Worked closely with the Board on succession planning, saw increased scores in the employee engagement survey across the board. Sponsored the development and roll out of new education programmes for leaders and employees that support the cultural diversity of our business
Paul Sandland	Shareholder	Review current Investor Relations arrangements	Developed structure, proposal received Board approval, recruitment currently underway
	IT	Drive efficiencies through implementation of technology solutions	Created and embedded steering committee and internal frameworks to manage the multiple technology priorities across the business. Gained approval for and, commenced the roll out, of the global payroll solution and the Group document management system.
	IT	Act as sponsor for the roll out of the Global ADP Celergo payroll project	Project on time and on budget. Major milestones achieved throughout the period with the project on track for completion in the calendar year
Tony Griffin	Acquisition	Realise the planned synergies for AST Farma and Le Vet acquisitions	All remaining contracts disintermediated and budgeted margin synergies exceeded for the third consecutive year
	People	Develop and strengthen the newly established European senior management team and support the OneDechra organisation agenda	New Marketing and Finance directors fully onboarded
	Customers	Improve the market penetration through implementation of Corporatisation Plan	Pan European CRM implemented in wave 1 countries, central marketing teams restructured to fit customer needs better and all senior managers have completed a change management development programme

ESG Measure

Director	Objective	Performance
Ian Page	Work with the SET to ensure that our ESG strategy is embedded into our approach to how we do business, create an ESG function that enables us to implement changes and monitor progress	Development of comprehensive ESG strategy that has become a critical enabler to the business success
Paul Sandland	Act as executive sponsor and owner of the new ESG structure	Appointed and onboarded Sustainability Director. In conjunction with key stakeholders developed stretching ESG goals to be delivered both globally and locally
Tony Griffin	Develop and implement a European ESG plan which flows from the Group ESG Strategy	Comprehensive European plan developed and after agreed with targets in place for roll out in the 2022 financial year

Directors' Remuneration Report continued

Long Term Incentive Plan

The LTIP awards granted on 26 October 2018 are due to vest on 6 September 2021. The performance targets for these awards are as follows: one third of the award is subject to a performance condition based on the Company's total shareholder return (TSR) performance relative to the constituent companies of the FTSE 250 index (excluding investment trusts) over the performance period as follows:

TSR performance	Vesting percentage
Below median	0%
Median	25% of the TSR portion will vest
Between median and upper quartile	Pro rata vesting between 25% and 100% based on the Company's ranking in the comparator group
Upper quartile	100% of the TSR portion will vest

Two thirds of each award is subject to a performance condition based on the growth in the Group's underlying diluted earnings per share (EPS) over the performance period as follows:

EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 19%	Pro rata vesting between 25% and 100%
>19% 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 measure. 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 50.54% compared with a 36.65% TSR for the upper quartile company in the comparator group (FTSE 250 Index (excluding investment trusts). Therefore, 100% of the TSR element will vest. As we explained in the 2019 Directors' Remuneration Report, having regard to the impact of the Akston licensing agreement and in order to measure performance on a fair and consistent basis, the Committee has adjusted, for the purposes of the this LTIP grant, the underlying diluted EPS for financial year 2021 to reflect the actual Akston R&D costs incurred as these costs were not included in the base year. This adjustment changes the 2021 underlying diluted EPS for the purposes of this LTIP grant from 108.14 to 110.98 pence resulting in CAGR of 13.2% such that 60.7% of the EPS element will vest. Overall, taking into account that ROCE performance for 2021 was 18.8%, the LTIP awards will vest as to 73.8% 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 129, 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 £40.422 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2021).

The October 2018 awards were granted when the value of a share was £21.66 (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 £40.422 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2021).

Executive Director	Number of shares in respect of which the Award is expected to vest	Amount of award attributable to share price at grant £000	Amount attributable to share price appreciation £000	Total award £000
Ian Page	34,071	£738	£639	£1,377
Tony Griffin	10,659	£231	£200	£431

Each award is subject to a two year 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

The following options were exercised under the SAYE Scheme by Executive Directors during the year:

Executive Director	Date of grant	Number of options	Option price	Exercise date
Ian Page	12 October 2017	1,093	£16.46	2 December 2020
Paul Sandland	12 October 2017	1,093	£16.46	2 December 2020

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.

Tony Griffin was a member of the Basispensioen, a defined benefit pension plan established in the Netherlands up to 31 December 2018, the transfer value as at this date was €283,000. This was transferred to a defined contribution scheme. From 1 January 2019, Tony Griffin has received contributions to two defined contribution pension schemes (the existing defined contribution pension scheme and the defined contribution pension scheme which replaced the Basisipension) in the Netherlands in respect of earnings up to €100,000 and a salary supplement in respect of earnings above this amount.

Contributions made by Dechra Pharmaceuticals PLC on behalf of the Executive Directors during the year equated to no more than 14% of pensionable/base salary for both Ian Page and Tony Griffin. The contributions for Ian Page and Tony Griffin reflect long standing contractual entitlements. As detailed in our 2020 Remuneration Report these pension contributions/cash in lieu will be aligned with the rate available to the UK wider workforce by the end of 2022. As explained in the Committee Chairman's letter on pages 119 to 124 with effect from 1 July 2021, the wider UK workforce are eligible for employer pension contributions of between 6% (increased from 4%) and 12% of base salary dependent on length of service and/or grade. As noted above, we intend to increase the minimum employer pension contribution in the UK again to 8% from 1 July 2022. The pension contributions/cash in lieu for Ian Page and Tony Griffin will be reduced to 8% with effect from 1 July 2021.

Our Chief Financial Officer, Paul Sandland's, pension is already aligned with the wider workforce, and reflects a reduction in the contribution rate from 12% of salary to 4% of salary on his appointment to the Board.

Non-Executive Directors' Remuneration (Audited)

Single Total Figure of Remuneration

The table below sets out the total remuneration for each person who has served as a Non-Executive Director in the period ended 30 June 2021. The Chairman 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 2021 and, where relevant, the year ended 30 June 2020:

		Base fee £000		Additional fee £000		Total £000	
	Additional responsibilities	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Tony Rice	Chairman and Nomination Committee Chair	**144**	129	**3**	5	**147**	134
Ishbel Macpherson	Senior Independent Director and Remuneration Committee Chair	**54**	52	**20**	15	**74**	67
Julian Heslop	Audit Committee Chair	**54**	52	**12**	10	**66**	62
Lawson Macartney		**54**	52	**–**	–	**54**	52
Lisa Bright	Employee Engagement Designated Non-Executive Director	**54**	52	**8**	5	**62**	57
Alison Platt*		**54**	17	**–**	–	**54**	17
Denise Goode†		**11**	–	**–**	–	**11**	–
Total		**425**	354	**43**	35	**468**	389

* Alison Platt was appointed on 1 March 2020.

† Denise Goode was appointed on 26 April 2021.

The Non-Executives are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes.

Directors' Remuneration Report continued

The Committee's approach to the Chairman's fee in the financial year is explained in the Committee Chairman's letter on pages 119 to 124. As explained in that letter, at the same time as the Committee considered the Executive Directors' salaries and the Chairman's fee, fees for the other Non-Executive Directors were also reviewed. The Chairman's and other Non-Executive Directors' fees applying with effect from 1 January 2021 are as follows.

Office	Fee with effect from 1 January 2021	Previous fee
Chairman	159*	130*
Non-Executive Director	57	52
Chair of the Audit Committee	15	10
Chair of the Remuneration Committee	15	10
Senior Independent Director	10	10
Designated Non-Executive Director	10	5
Chair of the Nomination Committee	–*	5*

* The Chairman has previously received a fee of £129,780 and a supplementary fee of £5,000 for chairing the Nomination Committee. With effect from 1 January 2021, his base fee of £159,000 is inclusive of his fee for chairing the Nomination Committee.

The Committee's approach to the Chairman's and Non-Executive Directors' fees for the year ending 30 June 2022 is summarised in the Committee Chairman's letter on page 124.

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 22 September 2020, 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	32,128	£1,039,983	25%	1 July 2020 – 30 June 2023
Paul Sandland	Nil cost option under the LTIP	150% of salary	13,901	£449,975	25%	1 July 2020 – 30 June 2023
Tony Griffin	Conditional award under the LTIP	100% of salary	10,303	£333,508	25%	1 July 2020 – 30 June 2023

* Based on a share price of £32.37 being the three day average middle market quotation preceding the grant.

† Ian Page has also been 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 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 Chairman in the 2019 Directors' Remuneration Report, the EPS for the final year of the performance period (the financial year to 30 June 2023) will be adjusted to reflect actual R&D costs associated with the Akston development, recognising 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 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 ROCE performance measure. 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 holding period. Other than shares sold to satisfy tax liabilities arising in connection with the acquisition of shares, no shares acquired may be sold before the second anniversary of vesting.

SAYE (Audited)

The following SAYE options were granted during the year ended 30 June 2021.

Executive Director	Date of grant	Number of options	Option price	Exercisable from
Ian Page	19 October 2020	627	£28.68	December 2023
Paul Sandland	19 October 2020	627	£28.68	December 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 2021 is as follows:

Executive Share Plans	All Share Plans
Limit: 5%	Limit: 10%
Usage: 2.47%	Usage: 3.07%

Shareholdings (Audited)

Executive Directors

In respect of the financial year ended 30 June 2021, 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, 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 2021 and their families as at 30 June 2021 are as follows:

Name	Appointment date	Ordinary shares Number	Ordinary shares £000*	% of salary
Ian Page	13 June 1997	340,012	14,858	2,551
Paul Sandland	30 October 2019	7,611	333	92
Tony Griffin	1 November 2012	45,650	1,995	602

* Calculated using the share price as at 30 June 2021 and the base salaries as at 30 June 2021.

Shareholding Requirement After Employment

As detailed in the Remuneration Policy approved by shareholders at the 2020 Annual General Meeting, the Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from share plan awards (LTIPs, deferred bonus awards and, if relevant, any recruitment award) granted after 1 July 2021. Following employment, an Executive Director must retain:

- for the first year after employment, such of their shares which are subject to the post-employment requirement as have a value for these purposes equal to the shareholding guideline that applies during employment (currently 200% of salary); and
- for the second year after employment, such of those shares as have a value for these purposes equal to 50% of the shareholding guideline that applies during employment, or in either case and if fewer, all of those shares.

Directors' Remuneration Report continued

Executive Directors' Total Interest under Shares Schemes (Audited)

Awards held under the Long Term Incentive Plan (and, in the case of Paul Sandland, market value options) for each person who was a Director during the year ended 30 June 2021 are as follows:

	Award date	Type of award	Option price for market value options (£)	Number of shares as at 1 July 2020	Granted	Lapsed	Exercised	Number as at 30 June 2021	Status	Performance Period
Ian Page	02-Mar-18	LTIP	N/A	39,904	–	10,495	29,409	–	Vested and exercised in the year[1]	2017–2020
	26-Oct-18	LTIP	N/A	46,168	–	–	–	46,168	Unvested[2]	2018–2021
	06-Sep-19	LTIP	N/A	35,087		–	–	35,087	Unvested	2019–2022
	22-Sep-20	LTIP	N/A	–	32,128	–	–	32,128	Unvested[3]	2020–2023
Tony Griffin					–	–		–		
	02-Mar-18	LTIP	N/A	12,099	–	3,183	8,916	–	Vested and exercised in the year	2017–2020
	26-Oct-18	LTIP	N/A	14,444	–	–	–	14,444	Unvested[2]	2018–2021
	06-Sep-19	LTIP	N/A	10,984		–	–	10,984	Unvested	2019–2022
	22-Sep-20	LTIP	N/A	–	10,303	–	–	10,303	Unvested	2020–2023
Paul Sandland	15-Sep-15[4]	Approved	£9.75	923	–	–	923	–	Vested	2015–2018
	19-Sep-16[4]	Approved	£13.69	526	–	–	526	–	Vested	2016–2019
	19-Sep-16[4]	Unapproved	£13.69	2,474	–	–	2,474	–	Vested	2016–2019
	02-Mar-18[4]	Approved	£25.06	550	–	–	–	550	Vested	2017–2020
	02-Mar-18[4]	Unapproved	£25.06	2,450	–	–	–	2,450	Vested	2017–2020
	26-Oct-18[4]	Unapproved	£21.66	3,000	–	–	–	3,000	Unvested	2018–2021
	06-Sep-19	LTIP	N/A	6,106		–	–	6,106	Unvested	2019–2022
	22-Sep-20	LTIP	N/A	–	13,901	–	–	13,901	Unvested	2020–2023

1. Ian Page was granted a tax qualifying option over 1,197 shares at an exercise price of £25.06 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.
2. Will vest on 6 September 2021 as to 73.8%
3. 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.
4. Paul Sandland holds market value options. These options and awards were granted to Paul Sandland prior to his appointment as an Executive Director. These options are subject to a performance condition based on the percentage growth in the adjusted diluted EPS, which must exceed the sum of the percentage growth in RPI and 12%.

The aggregate gain made by the Executive Directors on share options and LTIP awards exercised during 2021 was £1,319,184 (2020: £2,625,303).

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 2021 are as follows:

Name	Appointment date	Ordinary shares number	Ordinary shares £000*	% of base fee
Tony Rice	5 May 2016	20,000	874	550
Ishbel Macpherson	1 February 2013	5,848	256	448
Julian Heslop	1 January 2013	6,000	262	460
Lawson Macartney	1 December 2016	5,880	257	451
Lisa Bright	1 February 2019	788	34	60
Alison Platt	1 March 2020	1,363	60	104
Denise Goode	26 April 2021	Nil	N/A	N/A

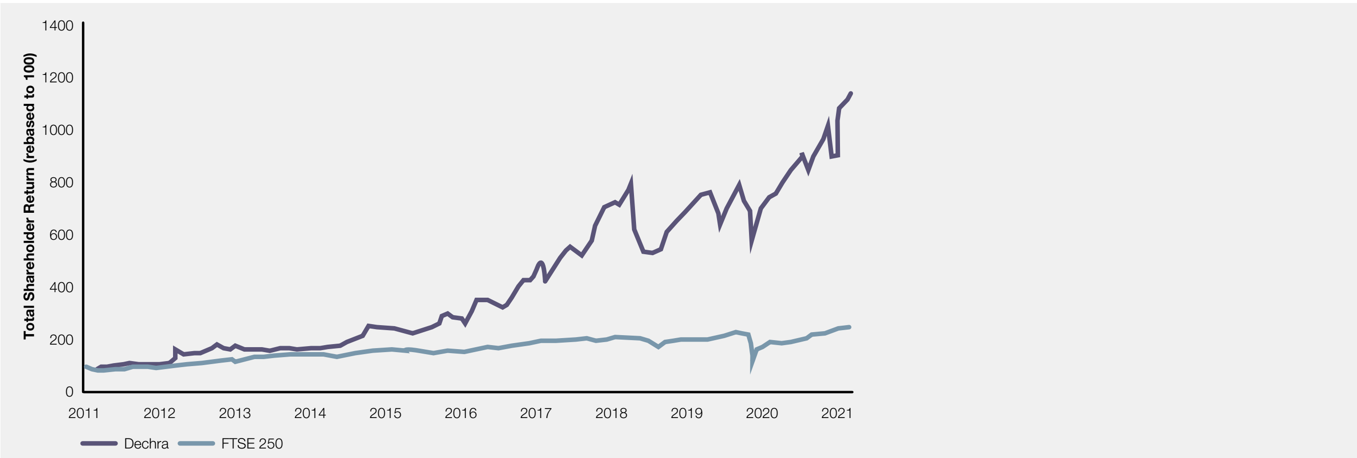
* Calculated using the share price as at 30 June 2021 and the fees as at 30 June 2021.

There have been no changes in the holdings of the Company's Directors between 30 June and 6 September 2021.

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. Throughout the financial year ended 30 June 2021 the Company has been a constituent of the FTSE 250; for this reason it is considered that the TSR performance of the FTSE 250 Index is the appropriate comparator for this 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 2021	2,624	100	73.8
30 June 2020	1,763	28	73.7
30 June 2019	3,035	72	100.0
30 June 2018	3,058	76	100.0
30 June 2017	3,420	92	100.0
30 June 2016	2,480	72	96.25
30 June 2015	1,934	80	93.1
30 June 2014	1,589	80	100.0
30 June 2013	1,201	36	100.0
30 June 2012	682	60	0

Directors' Remuneration Report continued

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 2020 and the year ended 30 June 2021, 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 mean of employee pay. Denise Goode was appointed during the year ended 30 June 2021 and, accordingly, has been excluded from the table below.

		Average employee	Ian Page	Paul Sandland[2]	Tony Griffin[3]	Tony Rice	Ishbel Macpherson	Julian Heslop	Lawson Macartney	Lisa Bright	Alison Platt[4]
Salary/ fees	**2020–2021**	**32.8%**	**6.6%**	**10.0%**	**(0.9%)**	**9.0%**	**10.4%**	**6.5%**	**3.8%**	**8.8%**	**5.9%**
	2019–2020	(11.8%)	4%	N/A	6.8%	2.3%	3.2%	3.3%	4.0%	3.6%	N/A
Taxable benefits[1]	**2020–2021**	**(7.3%)**	**6.3%**	**20.8%**	**2.3%**	**N/A**	**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	N/A
Annual bonus[5]	**2020–2021**	**137.3%**	**280.0%**	**292.9%**	**194.6%**	**N/A**	**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	N/A

1. Excludes SAYE options granted during any relevant year.
2. Paul Sandland was appointed to the Board on 30 October 2019. To enable comparison and to provide meaningful reflection of the annual percentage change, his remuneration for the year ended 30 June 2020 has been annualised.
3. Tony Griffin's increase in salary was 2.9%, however due to exchange rates the above disclosure shows a decrease.
4. Alison Platt was appointed to the Board on 1 March 2020. To enable comparison and to provide meaningful reflection of the annual percentage change, her fee for the year ended 30 June 2020 has been annualised.
5. The significant increase in bonuses for the Executive Directors reflect that strong performance in 2021 resulted in a higher bonus outturn than in 2020.

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 2021, 2020, 2019 and 2018 using the Single Total Figure as disclosed on page 129 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 and 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
2021	**Option A[1]**	**106:1**	**76:1**	**40:1**
2020	Option A[1]	75:1	58:1	31:1
2019	Option A[1]	139:1	107:1	56:1
2018	Option A[1]	137:1	109:1	58:1

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.

	2021 Total pay and benefits (salary) £000	2020[1] Total pay and benefits (salary) £000
Chief Executive Officer	**2,624**	1,763
	(551)	(517)
25th percentile employee	**25**	24
	(23)	(22)
Median employee	**35**	(30)
	(31)	(29)
75th percentile employee	**67**	57
	(44)	(30)

1. The 2020 figure includes share options and awards, which have been valued by reference to £40.422 (being the average market value of a share over the last quarter of the Company's financial period ended 30 June 2021). SAYE options granted in 2020 and 2021 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 2021, there were a total of 478 UK employees (2020: 441 UK employees), 169 of which have been excluded for the above stated reasons (2020: 164), leaving 309 employees within the 'full pay relevant' data set (2020: 277) 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 above increase to the Chief Executive Pay Ratio can be explained by the significant increase in bonuses for the Executive Directors reflecting that the strong performance in 2021 resulted in a higher bonus outturn than in 2020. The Chief Executive Officer bonus for the 2021 financial year will represent 100% of his salary compared to 28% in the 2020 financial year.

Of the employees within the 'full pay relevant' data set, 177 worked in our Manufacturing business which is predominately shop floor workers (2020: 167). During the 2021 financial year, we addressed the pay levels of these employees moving them from minimum wage to National Living Wage. These actions have contributed to the reduction in the ratio this year.

Relative Importance of Spend on Pay

The following table sets out the percentage change in distributions to shareholders (by way of dividend and share buyback) and total remuneration paid to or receivable by all Group employees comparing the year ended 30 June 2020 and the year ended 30 June 2021.

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000	% change
Distributions to shareholders by way of dividend and share buyback	**37,900**	33,300	13.9%
Overall expenditure on pay	**120,300**	104,000	15.7%

Directors' Remuneration Report continued

Implementation of the Directors' Remuneration Policy in the Year Ending 30 June 2022

The Directors' Remuneration Policy outlined on pages 142 to 146 will be implemented in the year ending 30 June 2022, as set in the Committee Chairman's letter on pages 119 to 124.

Further information on the performance targets for the annual bonus and LTIP are detailed below.

Annual Bonus

As noted in the letter from the Remuneration Committee Chairman, bonuses for financial year 2022 will increase to 125% of salary with a bonus deferral, requiring that 20% of any bonus earned (and not just any additional bonus earned) is deferred into Dechra shares for two years. The increase in the annual bonus opportunity for the 2022 financial year recognises the increase in the size and complexity of the Group. The Committee has also reviewed the level of stretch in the annual bonus targets to satisfy itself that the higher maximum opportunity for the 2022 financial year will only be earned for delivery of higher levels of performance. For the 2022 financial year the maximum bonus will only be earned for materially improved year on year performance from a strong 2021 base year where we delivered 25% year on year improvement in underlying profit before tax (on a constant current basis). The threshold to maximum range has been set at 95% to 110% of a stretching target level of performance in order to align the maximum level of potential reward with the achievement of more stretching performance targets.

In the opinion of the Board, the performance targets applying to the annual bonus are commercially sensitive, and prospective disclosure could provide competitors with insight into the Group's business plans and expectations. However, the Company will disclose how any bonus earned relates to performance against targets on a retrospective basis when the targets are no longer considered commercially sensitive, as shown on page 130 in respect of bonuses for the Group's 2021 financial year.

LTIP

The Committee proposes that LTIP awards for the year ending 30 June 2022 (the 2022 Grant) will be made at the level of 200% of salary for Ian Page, 150% of salary for Paul Sandland and 100% of salary for Tony Griffin. The performance measures for the 2022 Grant will be based on TSR (one third) and EPS (two thirds), with an underpin based on ROCE. The TSR targets will be the same as for the awards made in the 2021 financial year, details of which can be found on page 132. Taking account of internal forecasts of performance over the performance period, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community on the Group's future potential performance, the upper target of 15% CAGR for the EPS performance condition is considered to be a stretching and ambitious upper target which requires significant out-performance. This also reflects the strong performance delivered in the 2021 financial year which is the base year for the 2022 LTIP grant.

The EPS targets for the 2022 Grant are:

EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 15%	Pro rata vesting between 25% and 100%
>15% CAGR	100% of the EPS portion will vest

As with the 2021 Grant, the Committee will retain discretion to adjust the vesting outcome where the formulaic outcome is inappropriate in the context of underlying performance or other factors considered by the Committee to be relevant. The awards will ordinarily be subject to a two year post vesting holding period.

Consideration by the Directors of Matters relating to Directors' Remuneration

Purpose

The Board has overall responsibility for the Group's Remuneration Policy and the setting of the Non-Executive Directors' fees, although the task of determining and monitoring the remuneration packages of the Executive Directors and SET and of agreeing the Chairman's fee level has been delegated to the Committee.

Membership, Meetings and Attendance

Details of each member's attendance at the Committee's meetings is detailed on page 119. 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 2021 Board and Committee External Evaluation (further details of which can be found on page 110 of the Corporate Governance Report). The Committee considered the results of the evaluation and it was agreed that the Committee functions well with a clear remit and good support from executives and advisers.

Responsibilities

The Committee has its own terms of reference, which are approved by the Board. These are reviewed on an annual basis so that they continue to adhere to best practice. During the 2021 financial year this review took place at the June 2021 meeting and they were amended to reflect the 2018 UK Corporate Governance Code requirements. Copies can be obtained via the Company website at www.dechra.com. The Committee Chairman 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 100 and 119.

Service contracts and letters of appointment

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

		Notice Period	
Name	**Commencement date**	**Director**	**Company**
Tony Rice	5 May 2016	3 months	3 months
Ian Page	1 September 2008	6 months	12 months
Paul Sandland	30 October 2019	6 months	12 months
Tony Griffin	1 November 2012	6 months	12 months
Lisa Bright	1 February 2019	3 months	3 months
Julian Heslop	1 January 2013	3 months	3 months
Lawson Macartney	1 December 2016	3 months	3 months
Ishbel Macpherson	1 February 2013	3 months	3 months
Alison Platt	1 March 2020	3 months	3 months
Denise Goode	26 April 2021	3 months	3 months

Advisers

The following have provided advice to the Committee during the year in relation to its consideration of matters relating to Directors' remuneration:

- Chief Executive Officer, Chief Financial Officer, Group HR Director and Company Secretary; and
- Deloitte LLP (Deloitte).

Deloitte is retained to provide independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee, which were charged on a time and materials basis, were £19,875 for the year ended 30 June 2021. 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 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	81,088,589	99.36	524,975	0.64	6,968
To approve Remuneration Policy	74,112,644	90.81	7,501,119	9.19	6,768

Ishbel Macpherson
Remuneration Committee Chairman
6 September 2021

Directors' Remuneration Report continued

Directors' Remuneration Policy

The Remuneration Policy was approved by shareholders at the 2020 Annual General Meeting held on 27 October 2020, and became effective from this date. The full Remuneration Policy as approved by shareholders is available at www.dechra.com. We have set out a summary below of those parts of the Remuneration Policy which we consider shareholders will find most useful.

Policy Table for Executive Directors:

Element: Base Salary

Purpose and link to strategy:
Core element of fixed remuneration reflecting the individual's role and experience.

Operation	Performance Measure
The Committee ordinarily reviews base salaries annually taking into account a number of factors including (but not limited to) the value of the individual, their skills and experience and performance. The Committee also takes into consideration: • pay increases within the Group more generally; and • Group organisation, profitability and prevailing market conditions.	Whilst no formal performance conditions apply, an individual's performance in role is taken into account in determining any salary increase.

Maximum Opportunity

Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. However, higher increases may be awarded in appropriate circumstances, such as:

- on promotion or in the event of an increase in scope of the role or the individual's responsibilities;
- where an individual has been appointed to the Board at a salary set at a level that is lower than the Committee's view of a market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a market level as the individual gains experience;
- change in size and/or complexity of the Group; and/or
- significant market movement.

Such increases may be implemented over such time period as the Committee deems appropriate.

Element: Retirement Benefits

Purpose and link to strategy:
Provide a competitive means of saving to deliver appropriate income in retirement.

Operation	Performance Measure
Executive Directors are eligible to participate in defined contribution pension arrangements. In appropriate circumstances, an Executive Director may receive a salary supplement in lieu of contributions to a pension scheme. Executive Directors outside the UK may also participate in non-UK pension arrangements (including the defined benefit pension scheme in the Netherlands, benefits under which are based on career average pay).	Not applicable.

Maximum Opportunity

For Executive Directors appointed on or after 1 July 2019, a Company contribution not exceeding the contribution available to the majority of the Group's workforce (currently 4% of salary).

For Executive Directors appointed before 1 July 2019, 14% of salary. However, the Company contribution will be aligned with the rate available to the wider workforce by the end of 2022 (this will include enhancing the wider UK workforce rate alongside a reduction in the rate for Executive Directors).

A salary supplement may be paid in lieu of some or all of the pension contributions otherwise payable.

Benefits under any non-UK pension arrangement may be provided in accordance with the terms of the applicable scheme.

Element: Benefits

Purpose and link to strategy:
Provided on a market competitive basis.

Operation	Performance Measure
The Company provides benefits in line with market practice and includes the use of a fully expensed car (or car allowance), medical cover and life assurance scheme. Other benefits may be provided based on individual circumstances, which may include relocation costs and expatriate allowances.	Not applicable.

Maximum Opportunity

Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.

Element: Annual Bonus

Purpose and link to strategy:
The executive bonus scheme rewards Executive Directors for achieving financial and strategic targets in the relevant year by reference to operational targets and individual objectives.

Operation	Performance Measure
Targets are reviewed annually and any pay-out is determined by the Committee after the year end based on targets set for the financial period. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance or if the Committee considers the formulaic outturn is not appropriate in the context of other factors considered by the Committee to be relevant. If a bonus opportunity in excess of 100% of salary is awarded, up to 33% of any bonus earned will be deferred into shares for a period of two years. Deferred bonus awards may take the form of nil cost options, conditional awards of shares or such other form as has a similar economic effect. Additional shares may be delivered in respect of shares subject to deferred bonus awards to reflect the value of dividends paid during the period beginning with the date of grant and ending with the date of release (this payment may assume that dividends had been reinvested in Dechra shares on a cumulative basis). Recovery provisions apply, as referred to below.	Operational targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Group's strategy. The personal objectives for the Chief Executive Officer are set by the Chairman. The personal objectives for other Executive Directors are set by the Chief Executive Officer. The personal objectives are reviewed and endorsed by the Committee. At least 50% of the bonus opportunity is based on financial measures (which may include profit before tax). Subject to the Committee's discretion to override formulaic outturns, for financial measures, up to 15% of the maximum for the financial element is earned for threshold performance, rising to up to 50% of the maximum for the financial element for on target performance and 100% of the maximum for the financial element for maximum performance. Subject to the Committee's discretion to override formulaic outturns, vesting of the bonus in respect of strategic measures or individual objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.

Maximum Opportunity

The maximum bonus opportunity for Executive Directors is 150% of base salary.

Directors' Remuneration Report continued

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 outturn if it considers that the outturn does not reflect the Committee's assessment of performance or is not appropriate in the context of other factors considered by the Committee to be relevant.

Additional shares may be delivered in respect of shares which vest under the LTIP to reflect the value of dividends which would have been paid on those shares during the period beginning with the date of grant and ending with the release date (this payment may assume that dividends had been reinvested in Dechra shares on a cumulative basis).

Market value options may be granted under the LTIP as tax-advantaged Company Share Option Plan (CSOP) options, offering tax savings to the Group and the participant.

The Committee may at its discretion structure awards as Qualifying LTIP Awards, consisting of a CSOP option and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option.

Recovery provisions apply, as referred to below.

Performance Measure

Performance measures under the LTIP will be based on financial measures (which may include, but are not limited to, earnings per share growth, relative total shareholder return, return on capital employed and free cash flow).

Subject to the Committee's discretion to override formulaic outturns, awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.

Maximum Opportunity

The maximum award level under the LTIP in respect of any financial year is 200% of salary.

If a Qualifying LTIP award is granted, the value of shares subject to the CSOP option will not count towards the limits referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.

Element: All Employee Share Plans	
Purpose and link to strategy: Provision of the Save As You Earn Scheme (SAYE), including the Employee Stock Purchase Plan (ESPP) in the United States of America, to Executive Directors creates staff alignment with the Group and provides a sense of ownership. Executive Directors may participate in such other all employee share plans as may be introduced from time to time.	
Operation	**Performance Measure**
SAYE and ESPP: Tax qualifying monthly savings scheme facilitating the purchase of shares at a discount. Any other all employee share plan would be operated for Executive Directors in accordance with its rules and on the same basis as for other qualifying employees.	Not subject to performance conditions in line with typical market practice.
Maximum Opportunity	
The limit on participation and the permitted discount under the SAYE scheme and ESPP will be those set in accordance with the applicable tax legislation from time to time. The limit on participation under and other relevant terms of any other all employee share plan would be determined in accordance with the plan rules (and, where relevant, applicable legislation) and would be the same for the Executive Directors as for other relevant employees.	

Recovery Provisions (Malus and Clawback)

The annual bonus and LTIP are subject to recovery provisions as set out below.

Malus provisions apply which enable the Committee to determine before the payment of an annual bonus or the vesting of an LTIP award, that the bonus opportunity or LTIP award may be cancelled or reduced.

Clawback provisions apply which enable the Committee to determine for up to two years following the payment of a cash bonus or the vesting of an LTIP award, that the amount of the bonus paid may be recovered (and any deferred bonus award may be reduced or cancelled, or recovery may be applied to it if it has been exercised) and the LTIP award may be cancelled or reduced (if it has not been exercised) or recovery may be applied to it (if it has been exercised).

The malus and clawback provisions may be applied in the event of material misstatement of Dechra's financial statements, serious reputational damage to Dechra, material corporate failure, gross misconduct on the part of the Executive Director, or if an annual bonus award has paid out at a higher level than would have been the case but for a material misstatement or serious reputational damage.

Malus and clawback may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

Shareholding Guidelines

To align the interests of Executive Directors with those of shareholders, the Committee has adopted formal shareholding guidelines.

Shareholding guidelines during employment

During employment, Executive Directors are required to retain half of any shares acquired under the LTIP, any deferred bonus award and, if relevant, any recruitment award (after sales to cover tax) until such time as their holding has a value equal to 200% of salary.

Shares subject to LTIP awards which have vested but not been released (that is which are in a holding period), deferred bonus awards, or LTIP awards which are exercisable but have not been exercised count towards the guidelines on a net of assumed tax basis.

Shareholding requirement after employment

The Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from share plan awards (LTIPs, deferred bonus awards and, if relevant, any recruitment award) granted after 1 July 2020. Following employment, an Executive Director must retain:

- for the first year after employment, such of their shares which are subject to the post-employment requirement as have a value for these purposes equal to the shareholding guideline that applies during employment (currently 200% of salary); and
- for the second year after employment, such of those shares as have a value for these purposes equal to 50% of the in shareholding guideline that applies during employment, or in either case and if fewer, all of those shares.

Directors' Remuneration Report continued

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 Chairman 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 Chairman. Non-Executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.	Fees are set taking into account the responsibilities of the role and expected time commitment. Non-Executive Directors are paid a basic fee with additional fees paid for the chairing of Committees. An additional fee is also paid for the role of Senior Independent Director and may be paid for other responsibilities or time commitments. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances.

Recruitment Remuneration Policy

When hiring a new Executive Director, the Committee will typically align the remuneration package with the above Policy.

When determining appropriate remuneration arrangements, the Committee may include other elements of pay which it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below.

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Pension will only be provided in line with the above Policy.
- The Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').
- Other elements may be included in the following circumstances:
  - an interim appointment being made to fill an Executive Director role on a short term basis;
  - if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short term basis;
  - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; and
  - if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.
- The Committee may also alter the performance measures, performance period, vesting period, holding period and deferral period of the annual bonus or LTIP, subject to the rules of the LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.
- The maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 350% of salary.

The Committee may make payments or awards in respect of hiring an employee to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure 'buyout' awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. 'Buyout' awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining Dechra, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under Dechra's ordinary share plans. If necessary and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly appointed Chairman or Non-Executive Director will be in line with the policy in place at the time of appointment.

Ishbel Macpherson
Remuneration Committee Chairman
6 September 2021

Directors' Report and 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 2021. 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	**24 to 27**
Strategy	Strategic Report	**20 to 23**
Business Model	Strategic Report	**16 to 18**
Details of acquisitions and disposals during the year	Strategic Report	**26 and 35**
Going concern, viability statements and risk management	Strategic Report Governance Report	**35, 76 to 78, 83** **116**
Section 172 statement and Stakeholder Engagement	Strategic Report	**48 to 50**
	Governance Report	**95 to 97**
Diversity	Corporate Responsibility Statement	**62**
	Governance Report	**107 to 109**
Approach to employees with disabilities	Corporate Responsibility Statement	**62**
Company Employees	Corporate Responsibility Statement	**58 to 64**
Environmental matters including Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting	Corporate Responsibility Statement	**65 to 68**
Social, community and human rights issues	Corporate Responsibility Statement	**73 to 75**
Corporate Governance Statement	Governance Report	**87**
Board of Directors details	Governance Report	**88 and 89**
Financial risk management (including the exposure to price, credit and liquidity risk)	Financial Statements	**192 to 199**
Post-balance sheet events	Financial Statements	**209**

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 detailed in the Going Concern Statement on page 35, the Group has bank facilities with a group of banks comprising Bank of Ireland (UK) plc, BNP Paribas, Fifth Third Bank, HSBC Bank plc, Credit Industriel et Commercial SA (CIC Bank), Raiffeisen Bank International AG and Santander UK plc (the Banks). 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.

No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

The Company does not have agreements with any Director or employee that provide compensation for loss of office or employment resulting from a takeover, other than the Company share schemes. Under such schemes outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time. In the event of a change of control, unvested awards under the Long Term Incentive Plan will vest to the extent determined by the Remuneration Committee taking into account the relevant performance conditions and, unless the Remuneration Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the relevant performance period that has elapsed.

The Directors consider that there are no contracted or other single arrangements, such as those with major suppliers, which are likely to influence, directly or indirectly, the performance of the business and its values. Furthermore, there are no contracts of significance subsisting during the financial year between any Group undertaking and a controlling shareholder or in which a Director is or was materially interested.

Directors

The Articles of Association state that a Director may be appointed by an ordinary resolution of the shareholders or by the Directors, either to fill a vacancy or as an addition to the existing Board but so that the total number of Directors does not exceed the maximum number of Directors allowed pursuant to the Articles of Association. The maximum number of Directors currently allowed pursuant to the Articles of Association is ten.

The Articles of Association also state that the Board of Directors is responsible for the management of the business of the Company and in doing so may exercise all the powers of the Company subject to the provision of relevant legislation and the Company's Articles of Association. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buy-back of shares.

Director Insurance and Indemnities

The Company maintains an appropriate level of Directors' and Officers' insurance in respect of legal action against Directors as permitted under the Company's Articles of Association and the Companies Act 2006. The Company also indemnifies the Directors under an indemnity deed with each Director in respect of legal action to the extent allowed under the Company's Articles of Association and the Companies Act 2006. As at the date of this report, qualifying third party indemnity provisions are in force. A copy of the indemnity provisions will be available for inspection at the forthcoming Annual General Meeting.

Overseas Branches

The Company, through its subsidiary Genera d.d., has established branches in Bosnia-Herzegovina and Serbia.

Directors' Report and Other Disclosures continued

Political Donations and Expenditure

No political donations were made during the year ended 30 June 2021 (2020: nil). The Group has a policy of not making any donations to political organisations or independent election candidates or incurring political expenditure anywhere in the world as defined in the Political Parties, Elections and Referendums Act 2000.

Research and Development

The Group has a structured development programme with the aim of identifying and bringing to market new pharmaceutical products. Investment in development is seen as key to strengthen further the Group's competitive position. Further information in relation to product development can be found on pages 42 to 45. The underlying expense on this activity for the year ended 30 June 2021 was £32.4 million (2020: £28.4 million) and a further £1.5 million (2020: £1.8 million) was capitalised as development costs.

Results and Dividends

The results for the year and financial position at 30 June 2021 are shown in the Consolidated Income Statement on page 161 and Consolidated Statement of Financial Position on page 163 The Directors are recommending the payment of a final dividend of 29.39 pence per share which, if approved by shareholders, will be paid on 19 November 2021 to shareholders registered at 29 October 2021. The shares will become ex-dividend on 28 October 2021. An interim dividend of 11.11 pence per share was paid on 7 April 2021, making a total dividend for the year of 40.50 pence per share (2020: 34.29 pence per share). The total dividend payment is £43.8 million (2020: £36.5 million).

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 108,215,323 fully paid ordinary shares were in issue, which included 204,363 ordinary shares issued during the year in connection with the exercise of options under the Company's share option schemes.

The holders of shares are entitled to receive dividends when declared, to receive the Company's Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of shares in the Company, nor are there any requirements to obtain prior approval in respect of any transfer of shares. The Directors are not aware of any agreements which limit the transfer of shares or curtail voting rights attached to those shares.

At the Annual General Meeting of the Company held on 27 October 2020, the Company was authorised to purchase up to 10,801,676 of its ordinary shares, representing 10% of the issued share capital of the Company as at 10 September 2020. 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 2020 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2021 Annual General Meeting.

Substantial Interests in Voting Rights

In accordance with the requirements in the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the Company had been notified of the following interests exceeding the 3% notification threshold as at the end of the financial year and a date not more than one month before the date of the notice of the Annual General Meeting.

	30 June 2021		**12 August 2021**	
	Aggregate voting rights	Percentage	**Aggregate voting rights**	**Percentage**
Fidelity Management & Research	8,826,812	8.16	**8,892,852**	**8.22**
BlackRock Inc	6,529,279	6.03	**6,516,001**	**6.02**
Standard Life Aberdeen	6,375,951	5.89	**6,228,929**	**5.76**
The Vanguard Group, Inc	4,826,425	4.46	**4,841,912**	**4.47**
Grandeur Peak Global Advisors	3,709,575	3.43	**3,628,263**	**3.35**
Corporate Stakeholders (Netherlands)	3,670,625	3.39	**3,670,625**	**3.39**
Royal London Mutual Assurance Society	3,597,344	3.32	**3,533,800**	**3.27**

Auditor

A resolution to re-appoint PricewaterhouseCoopers LLP as external auditor and to authorise the Audit Committee to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Audit Information

Each of the Directors who held office at the date of the approval of the Directors' Report confirms that, so far as he or she is aware, there is no relevant audit information of which the external auditor is unaware, and each Director has taken all steps that he or she ought to have undertaken as a Director to make himself or herself aware of any relevant audit information and to establish that the external auditor is aware of that information.

The Directors' Report has been approved by the Board and signed on its behalf by:

Melanie Hall
Company Secretary
6 September 2021

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group Financial Statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 also 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 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 set out on pages 88 and 89 confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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, financial position and profit 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.

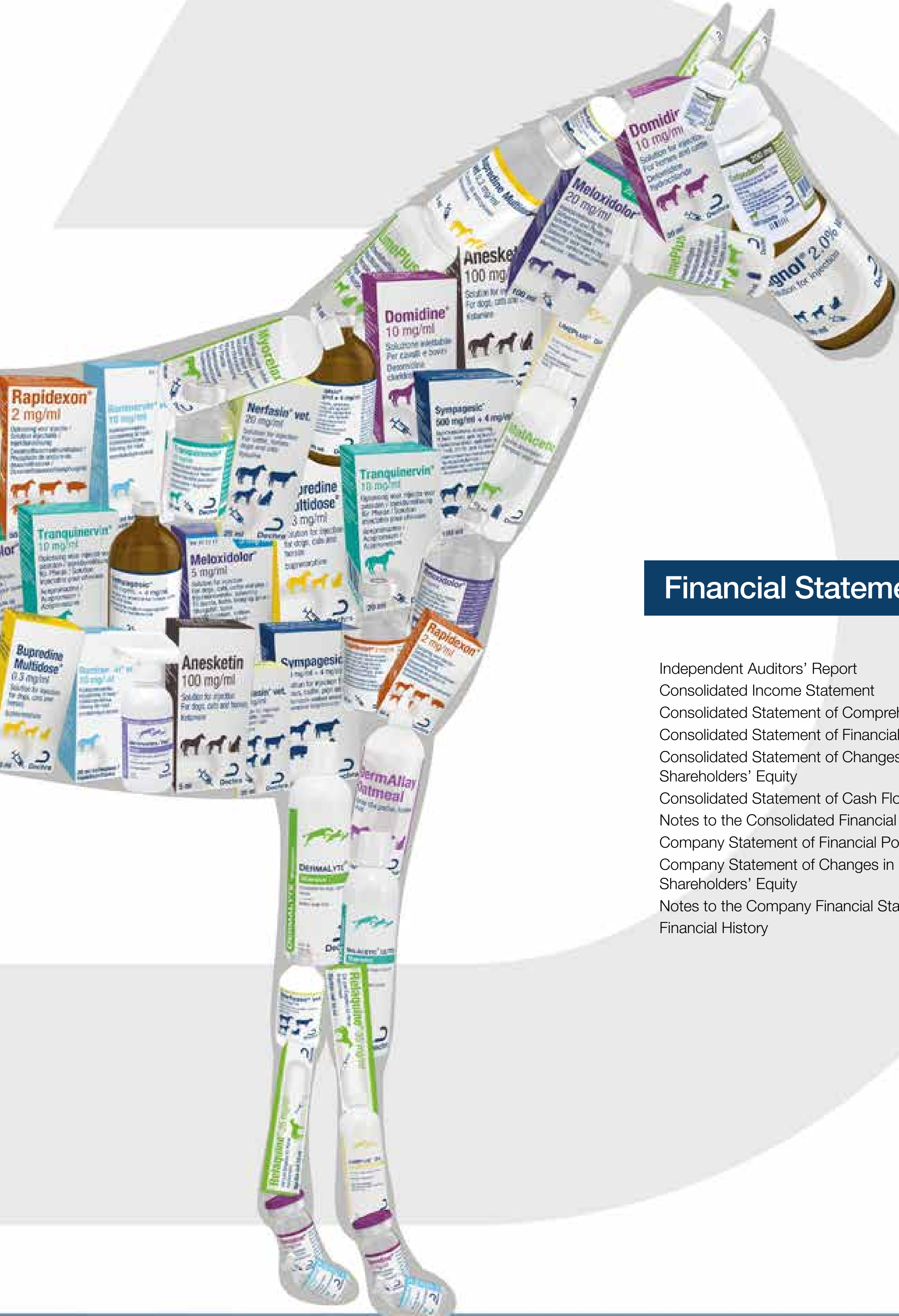
Signed by order of the Board.

Ian Page
Chief Executive Officer

Paul Sandland
Chief Financial Officer
6 September 2021

We have developed a strong position in lameness and pain management

Read more about Equine Products on page 15.



Financial Statements

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 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements 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, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 June 2021; 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 note 7 to the financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Following our assessment of the risks of material misstatement of the Group financial statements we performed audits of the complete financial information of 21 reporting units.
- In addition, the Group engagement team audited the Company and certain centralised functions, including those covering Group treasury operations, corporate taxation, and goodwill and intangible asset impairment assessments.
- The components on which audits of the complete financial information and centralised work was performed accounted for 89% of Group revenue, 82% of Group underlying operating profit and 89% of Group profit before tax. In addition, one component team was instructed to perform specified procedures over one reporting unit.
- For the full scope audits and the specified procedures performed by component audit teams, in addition to the issuance of formal written instructions, throughout the audit process the Group engagement team held virtual meetings on approach and conclusions with the component audit teams, performed 6 virtual file reviews of component auditors' working papers and reviewed the formal reporting from component auditors. In addition, the Group engagement team also audited all of the UK components that were in scope for the Group audit.

Key audit matters

- Licensing agreements and associated contingent considerations (Group)
- Taxation (Group)
- Impairment of intangible assets (Group)
- Consideration of the impact of Covid-19 (Group & Company)

Materiality

- Overall Group materiality: £4.8 million (2020: £3.8 million) based on 3% of underlying operating profit.
- Overall Company materiality: £3.2 million (2020: £3.1 million) based on 0.5% of net assets.
- Performance materiality: £3.6 million (Group) and £2.4 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Acquisition accounting, which was a key audit matter last year, is no longer included because of the likelihood of a material misstatement occurring in this area is considered to be low given the immateriality of corporate acquisitions during the current year. New product transactions and consideration of whether or not these should be accounted for in accordance with IFRS 3 is considered within the licensing agreements and associated contingent considerations key audit matter. Otherwise, the key audit matters below are consistent with last year.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

continued

Key audit matter

Licensing agreements and associated contingent considerations (Group)

Refer to the Audit Committee Report on page 115, the critical accounting estimates and judgements in note 1 (b) to the accounts on page 166, and note 30 (Contingent consideration liabilities).

Tri-Solfen® (ANZ territories)

On 5 February 2021 the Group entered into a licensing agreement with Animal Ethics Pty Ltd for the marketing authorisation of Tri-Solfen® in Australia and New Zealand. This was for an initial consideration of AUD 5 million with a contingent consideration of AUD 26 million, as well as a future royalty payable for a finite period.

Management have concluded that the future royalty payment for a finite period forms part of the consideration for the licensing agreement and therefore, in accordance with IAS 38 and the Group's accounting policies, has recognised this as contingent consideration with a corresponding increase to the related intangible asset.

The accounting for contingent consideration is inherently judgemental and involves estimation uncertainty over the timing and quantum of future cash flows and the discount rate to be used.

Osurnia

On 27 July 2020 the Group completed the acquisition of the worldwide rights of the *Osurnia* product portfolio from Elanco Animal Health Incorporated for a total consideration of USD 135.0 million (£106.5 million). Inventory of USD 6.6 million (£4.7 million) was also acquired as part of the transaction.

As a result of acquiring the trade and assets associated with the product, management were required to assess whether or not this met the definition of a business combination in accordance with IFRS 3. In applying the optional concentration test prescribed by IFRS 3, management concluded that the fair value of the gross assets acquired were concentrated in a single asset, being the product rights, and therefore concluded that the acquisition represented a trade and asset acquisition and so accounted for this accordingly.

The application of the optional concentration test under IFRS 3 is an area of judgement, however given the significant concentration of value into product rights for *Osurnia* this is not considered to be a critical judgement.

Remeasurement of existing agreements

During the year, liabilities in respect of all existing licensing agreements, the largest being Tri-Solfen® (legacy global rights excluding ANZ) and *Mirataz*, were reassessed based on the most recent forecast of the timing and quantum of future cash flows. The discount rate applied was also reassessed. The variability of the timing and quantum of future cash flows and the discount rate to be applied represents an area of estimation uncertainty.

How our audit addressed the key audit matter

Tri-Solfen® (ANZ territories) and Osurnia

In respect of Tri-Solfen® (ANZ territories):

- We read the asset purchase agreement to corroborate the terms and consideration.
- We obtained management's model and reperformed the calculations forming the basis of the valuation.
- We obtained evidence to corroborate the key assumptions underpinning management's cash flow forecasts and benchmarked longer term growth rates against external market data.
- We corroborated that the cash flows used are consistent with those reviewed by the Board as part of the acquisition process. We also performed sensitivity analysis on these cash flow forecasts and the discount rate applied to corroborate that a material change is not probable based on a reasonable change in key assumptions.
- Our valuation specialists confirmed that the discount rates applied were consistent with those applied by other companies in the industry of comparable size and geographical spread.
- We audited the disclosure note associated with acquisition to ensure this meets the requirements of the applicable standards.
- Overall we found the accounting for this new licensing agreement and related disclosures to be appropriate and consistent with the audit evidence obtained.

In respect of *Osurnia*:

- We read the asset purchase agreement in order to understand the nature of the transaction and to ensure that relevant clauses that impact the accounting had been considered by management.
- We agreed the consideration paid to the terms of the asset purchase agreement and to the bank statement.
- We obtained a copy of management's concentration test performed in accordance with IFRS 3 and challenged whether or not substantially all of the fair value of the gross assets acquired were concentrated in a single asset with reference to the asset purchase agreement and valuation assigned to each asset.
- We audited the disclosure note associated with the trade and asset acquisition to ensure that this met the requirements of the applicable standards.
- Overall we found the accounting for this trade and asset acquisition and related disclosures to be appropriate and consistent with the audit evidence obtained.

Remeasurement of existing agreements

We obtained management's model and reperformed the calculations forming the basis of the valuation.

We have assessed and challenged the changes made to the assumptions underpinning management's cash flow forecasts within the model and obtained evidence to corroborate the key assumptions.

We checked that the updated cash flow forecasts aligned to those approved by the Board and we performed sensitivity analysis to take into consideration reasonably possible changes to key assumptions.

Our valuation specialists assessed the discount rates applied and confirmed that they were consistent with those applied by other companies in the industry of comparable size and geographical spread.

We have audited the disclosure note associated with licensing agreements and associated contingent considerations.

Overall we found the accounting for these licensing agreements, contingent considerations and the related disclosures to be appropriate and consistent with the audit evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Taxation (Group) Refer to the Audit Committee Report on page 115, the critical accounting estimates and judgements in note 1 (b) to the accounts on page 166, and note 9 (Income taxes). The Group operates in a complex multi-national tax environment and there are open tax matters and areas of judgement with various overseas tax authorities. In addition, from time to time, the Group enters into commercial transactions with complicated accounting and tax consequences. Judgement is required in assessing the level of provisions required in respect of uncertain tax provisions.	In conjunction with our tax specialists, we evaluated and challenged management's estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. Our procedures included obtaining and evaluating certain third party tax advice that the Group has obtained to assess the appropriateness of any assumptions used. In understanding and evaluating management's estimates, we considered the status of recent and current tax authority audits and enquiries, the outcome of previous uncertain positions, positions taken in tax returns and developments in the tax environment. Our findings were then considered in the context of the valuation of uncertain tax positions, with reference to the appropriateness of valuation techniques used in accordance with IFRIC 23, including amounts assigned to each probability where the expected value method was used. Additionally, we reviewed the disclosure note associated with uncertain tax positions and confirmed that this was appropriate. Overall we found the assessment of uncertain tax positions and associated disclosures to be appropriate and consistent with the evidence obtained.
Impairment of intangible assets (Group) Refer to the Audit Committee Report on page 115, the critical accounting estimates and judgements in note 1 (b) to the accounts on page 166, note 12 (Intangible assets) and note 14 (Impairment reviews). In respect of finite lived intangibles, the Directors exercise judgement as to whether impairment triggers, which require a full impairment assessment to be performed, have been identified in relation to intangible assets. Goodwill and indefinite life assets are tested for impairment annually, or more frequently if there are indications that amounts may be impaired. The impairment tests involve determining the recoverable amount of the relevant asset or cash generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use. In the Group's case, the recoverable amount is based on the value in use. Where a full impairment assessment is required to support the carrying value of the assets held, management have determined the cash generating units and prepared discounted cash flows which include a number of estimates. The assumption which is deemed to be the most significant in these forecasts is in respect of the forecast cash flows of products. The long term growth and discount rate also include estimation uncertainty.	For finite life intangible assets, we reviewed the forecast financial performance of individual intangible assets and held discussions with management in respect of expected future market conditions to identify any potential indicators of impairment. We also considered external market factors and developments that could be indicative of an impairment trigger. In respect of indefinite lived intangibles and goodwill, and where an impairment trigger has arisen in respect of finite lived intangibles: • We considered management's determination of the cash generating units for assessing impairment; • Where an impairment model was used, we audited management's model and reperformed the calculations within the discounted cash flow forecasts; • The forecasts used for years 1 and 2 were agreed to the latest Board approved budgets; • Valuation specialists were utilised to benchmark, within a reasonable range, the discount rate assumptions to the cost of capital for other comparable companies; • We corroborated key assumptions in respect of growth rates to economic and industry data and challenged forecast margins based on historic actuals and expected developments in the Group; • We assessed the sufficiency of headroom through the performance of sensitivity analysis on key assumptions, confirming that an impairment is not reasonably possible; • Management's historical forecasting accuracy was also assessed across multiple previous years; and • We audited the disclosure note associated with the impairment review and confirmed that this was appropriate. Overall we found the assessment of the carrying value of intangible assets and associated disclosures to be appropriate and consistent with the evidence obtained.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

continued

Key audit matter	How our audit addressed the key audit matter
Consideration of the impact of Covid-19 (Group & Company) Refer to the Going Concern statement on page 35 and the Viability statement on page 83 of the Strategic Report, note 1 (b) (Basis of preparation) and note (i) (Basis of preparation). The emergence of Coronavirus ('Covid-19') during 2020 has impacted all businesses, both financially and operationally. The Group has noted an impact through the continuation of the global pandemic, however this has been limited compared to other sectors. The key consideration in respect of Covid-19 that has not already been considered in the above key audit matters relates to the going concern status and viability of the Group. Management have performed a detailed assessment of the potential impact of Covid-19, specifically in respect of the preparation of the financial statements on a going concern basis. In performing their assessment, management have considered a variety of potential downside scenarios and have also considered possible mitigating actions which could be taken to provide additional headroom from both a liquidity and covenant compliance perspective. The outcome of management's assessment is that, in their view, it remains appropriate to prepare the Group and Company financial statements on a going concern basis.	We have evaluated management's base cash flows, including challenging key assumptions including forecast revenue and anticipated margins. We checked the integrity of management's models, as well as agreeing key underlying data to source documents. We assessed whether management's mitigating actions are reasonably achievable based on our understanding of the business, including the nature of its cost base. Finally, we obtained evidence to support disclosures within the financial statements and checked that the disclosures within the Annual Report are consistent with the financial statements and knowledge gained on the audit. Our conclusion in respect of going concern is included within the "Conclusions relating to going concern" section below.

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 along three segments being European Pharmaceuticals, North American Pharmaceuticals and Pharmaceuticals Research and Development, with each division set up to manage operations on both a regional and functional basis, consisting of a number of reporting units.

The Group financial statements are a consolidation of 57 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.

Accordingly, of the Group's 57 active reporting units we identified 21 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 89% of Group revenue, 82% of underlying operating profit and 89% of profit before tax. Of these reporting units, 3 were considered to be significant components due to their financial significance, being those units located in the USA, Germany and UK. In addition, we instructed one component audit team to perform specified procedures on one reporting unit.

The Group consolidation, financial statements disclosures and a number of centralised functions were audited by the Group engagement team at the head office. These included, but were not limited to, central procedures on treasury operations, UK and corporate taxation and goodwill and intangible asset impairment assessments. We also performed Group level analytical procedures on all of the remaining out of scope active reporting units to identify any unusual transactions. The Company was also subject to a full scope audit.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Consolidated Financial Statements. We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending certain component clearance meetings and holding regular conference calls, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain component teams.

Due to the current restrictions on travel and social distancing measures, enacted as a response to the global pandemic, the group engagement leader and senior members of the Group engagement team used video conferencing to oversee the component auditor work and had video discussions with management of the 21 component locations (in 6 countries) in scope for an audit of their complete financial information. Senior team members also attended, via video conference, the clearance meetings for all components. During the clearance meetings, the findings reported by all component teams were discussed. The Group engagement team also evaluated the sufficiency of the audit evidence obtained through discussions with, and remote review of the audit working papers of, component teams.

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	£4.8 million (2020: £3.8 million).	£3.2 million (2020: £3.1 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 and with 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 £0.07 million and £4.1 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% of overall materiality, amounting to £3.6 million for the Group financial statements and £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 £0.2 million (Group audit) (2020: £0.2 million) and £0.2 million (Company audit) (2020: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's detailed cash flow forecasts and both liquidity and covenant headroom under both base case and downside scenarios.
- Comparison of the going concern base case forecasts to Board approved forecasts and where applicable, we compared these forecasts for consistency to those used elsewhere in the business, including for impairment assessments. We also considered whether they were reasonable in light of previous performance, future expectations and management's track record of accurate forecasting.
- Reading the key terms of all committed debt facilities to understand any terms, covenants or undertakings that may impact the availability of the facility.
- Assessing there were no doubts over the ability of the Group to meet its debt covenants under both the base case and downside scenarios.
- Assessing the adequacy of disclosures in the going concern statement on page 35 and statements in note 1 of the Consolidated and Company financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

continued

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. 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 Other Disclosures

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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate Governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance section is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK Corporate Governance Code, the Listing rules, Tax legislation, Employment regulation, Health and Safety legislation, and other legislation specific to the industries in which the Group operates (including Medicines & Healthcare products Regulatory Agency and U.S. Food & Drug Administration), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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;
- Consideration of any changes to the control environment as a result of Covid-19;
- Review of internal audit reports;
- Reading key correspondence with regulatory authorities, such as the Medicines & Healthcare products Regulatory Agency;
- Enquiries with component auditors;
- Identifying and testing unusual journal entries which increase revenue or reduce expenditure to manipulate the financial performance of the business;
- Consideration of the policy for the recognition of revenue and performed substantive testing to ensure compliance with this policy; and
- Assessing key judgements and estimates made by management for evidence of inappropriate bias, in particular in respect of the key audit matters noted above. Details of our procedures in these areas are included in our key audit matters above.

Independent Auditors' Report to the Members of Dechra Pharmaceuticals PLC

continued

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 six years, covering the years ended 30 June 2016 to 30 June 2021.

Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
6 September 2021

Consolidated Income Statement

For the year ended 30 June 2021

	Note	2021 Underlying £m	2021 Non-underlying* (notes 3, 4 & 5) £m	2021 Total £m	2020 Underlying £m	2020 Non-underlying* (notes 3, 4 & 5) £m	2020 Total £m
Revenue	2	**608.0**	**–**	**608.0**	515.1	–	515.1
Cost of sales		**(262.1)**	**–**	**(262.1)**	(223.5)	–	(223.5)
Gross profit		**345.9**	**–**	**345.9**	291.6	–	291.6
Selling, general and administrative expenses		**(151.3)**	**(73.8)**	**(225.1)**	(134.9)	(70.4)	(205.3)
Research and development expenses		**(32.4)**	**(4.4)**	**(36.8)**	(28.4)	(5.7)	(34.1)
Operating profit	2	**162.2**	**(78.2)**	**84.0**	128.3	(76.1)	52.2
Finance income	3	**–**	**3.8**	**3.8**	3.0	–	3.0
Finance expense	4	**(11.7)**	**(1.0)**	**(12.7)**	(11.5)	(2.5)	(14.0)
Share of (loss)/profit of investments accounted for using the equity method	6	**(0.4)**	**(0.7)**	**(1.1)**	0.3	(0.6)	(0.3)
Profit before taxation	7	**150.1**	**(76.1)**	**74.0**	120.1	(79.2)	40.9
Income taxes	9	**(32.5)**	**14.0**	**(18.5)**	(24.7)	17.7	(7.0)
Profit for the year		**117.6**	**(62.1)**	**55.5**	95.4	(61.5)	33.9
Earnings per share							
Basic	11			**51.33p**			32.87p
Diluted	11			**51.03p**			32.76p
Dividend per share (interim paid and final proposed for the year)	10			**40.50p**			34.29p

* 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 2021

	Note	**2021 £m**	2020 £m
Profit for the year		**55.5**	33.9
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency cash flow hedges			
– fair value movements		**(1.7)**	0.1
Foreign currency translation differences for foreign operations		**(28.0)**	(7.1)
Income tax relating to components of other comprehensive (expense)/income	9	**(0.2)**	1.8
		(29.9)	(5.2)
Total comprehensive income for the period		**25.6**	28.7

Consolidated Statement of Financial Position

At 30 June 2021

	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Intangible assets	12	715.8	692.2
Property, plant and equipment	13	87.0	76.4
Investments	6	17.1	17.4
Deferred tax assets	15	2.0	2.7
Total non-current assets		821.9	788.7
Current assets			
Inventories	16	149.5	120.8
Current tax receivables	20	17.6	6.8
Trade and other receivables	17	106.7	93.9
Cash and cash equivalents	18	118.4	227.4
Total current assets		392.2	448.9
Total assets		1,214.1	1,237.6
LIABILITIES			
Current liabilities			
Borrowings and lease liabilities	21	(3.1)	(4.6)
Trade and other payables	19	(113.5)	(98.2)
Contingent consideration	30	(22.6)	(8.9)
Current tax liabilities	20	(16.6)	(25.6)
Total current liabilities		(155.8)	(137.3)
Non-current liabilities			
Borrowings and lease liabilities	21	(315.5)	(350.4)
Contingent consideration	30	(57.6)	(47.3)
Provisions	22	(3.5)	(2.5)
Deferred tax liabilities	15	(48.8)	(62.6)
Total non-current liabilities		(425.4)	(462.8)
Total liabilities		(581.2)	(600.1)
Net assets		632.9	637.5
EQUITY			
Issued share capital	25	1.1	1.1
Share premium account		411.6	409.3
Hedging reserve		–	–
Foreign currency translation reserve		(11.9)	16.3
Merger reserve		84.4	84.4
Retained earnings		147.7	126.4
Total equity		632.9	637.5

The financial statements were approved by the Board of Directors on 6 September 2021 and are signed on its behalf by:

Ian Page
Chief Executive Officer
6 September 2021

Paul Sandland
Chief Financial Officer
6 September 2021

Company number: 3369634

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 30 June 2021

	Issued share capital £m	Share premium account £m	Hedging reserve £m	Foreign currency translation reserve £m	Merger reserve £m	Retained earnings £m	**Total equity £m**
Year ended 30 June 2020							
At 1 July 2019	1.0	277.9	–	21.6	84.4	124.2	**509.1**
Profit for the period	–	–	–	–	–	33.9	**33.9**
Foreign currency cash flow hedge – fair value movements	–	–	0.1	–	–	–	**0.1**
Foreign currency translation differences for foreign operations	–	–	–	(7.1)	–	–	**(7.1)**
Income tax relating to components of other comprehensive income/(expense)	–	–	–	1.8	–	–	**1.8**
Total comprehensive income/(expense)	–	–	0.1	(5.3)	–	33.9	**28.7**
Reclassified to cost of acquired intangibles	–	–	(0.1)	–	–	–	**(0.1)**
Transactions with owners:							
Dividends paid	–	–	–	–	–	(33.3)	**(33.3)**
Share-based payments	–	–	–	–	–	1.6	**1.6**
Shares issued	0.1	131.4	–	–	–	–	**131.5**
Total contributions by and distributions to owners	0.1	131.4	–	–	–	(31.7)	**99.8**
At 30 June 2020	1.1	409.3	–	16.3	84.4	126.4	**637.5**
Year ended 30 June 2021							
At 1 July 2020	1.1	409.3	–	16.3	84.4	126.4	**637.5**
Profit for the period	–	–	–	–	–	55.5	**55.5**
Foreign currency cash flow hedge – fair value movements	–	–	(1.7)	–	–	–	**(1.7)**
Foreign currency translation differences for foreign operations	–	–	–	(28.0)	–	–	**(28.0)**
Income tax relating to components of other comprehensive expense	–	–	–	(0.2)	–	–	**(0.2)**
Total comprehensive (expense)/income	–	–	(1.7)	(28.2)	–	55.5	**25.6**
Reclassified to cost of acquired intangibles	–	–	1.7	–	–	–	**1.7**
Transactions with owners:							
Dividends paid	–	–	–	–	–	(37.9)	**(37.9)**
Share-based payments	–	–	–	–	–	3.7	**3.7**
Shares issued	–	2.3	–	–	–	–	**2.3**
Total contributions by and distributions to owners	–	2.3	–	–	–	(34.2)	**(31.9)**
At 30 June 2021	1.1	411.6	–	(11.9)	84.4	147.7	**632.9**

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 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Operating profit		84.0	52.2
Non-underlying items	5	78.2	76.1
Underlying operating profit		162.2	128.3
Adjustments for:			
Depreciation	13	11.0	9.9
Amortisation and impairment	2	4.5	4.3
Release of government grant		(0.6)	(0.5)
Loss on disposal of intangible assets	7	0.3	–
Equity settled share-based payment expense	26	2.8	1.5
Underlying operating cash flow before changes in working capital		180.2	143.5
Increase in inventories		(36.6)	(15.7)
(Increase)/decrease in trade and other receivables		(19.7)	6.9
Increase in trade and other payables		20.3	0.1
Cash generated from operating activities before interest, taxation and non-underlying items		144.2	134.8
Cash outflows in respect of non-underlying items		(3.0)	(7.3)
Cash generated from operating activities before interest and taxation		141.2	127.5
Interest paid		(7.7)	(7.8)
Interest on lease liabilities		(0.5)	(0.4)
Income taxes paid		(43.9)	(12.9)
Net cash inflow from operating activities		89.1	106.4
Cash flows from investing activities			
Proceeds from disposal of tangible assets		0.2	0.2
Proceeds from disposal of intangible assets		0.2	–
Interest received		–	0.3
Acquisition of subsidiaries (net of cash acquired)		(0.9)	(25.2)
Acquisition of investment in associates	6	(0.8)	(7.6)
Purchase of property, plant and equipment		(18.9)	(7.8)
Capitalised development expenditure		(1.3)	(1.3)
Purchase of other intangible non-current assets		(114.6)	(40.1)
Net cash outflow from investing activities		(136.1)	(81.5)
Cash flows from financing activities			
Proceeds from the issue of share capital		2.3	131.5
New borrowings		–	297.3
Expenses of raising borrowing facilities		–	(1.7)
Repayment of borrowings		(15.9)	(271.7)
Principal elements of lease payments		(3.6)	(3.2)
Dividends paid	10	(37.9)	(33.3)
Net cash (outflow)/inflow from financing activities		(55.1)	118.9
Net (decrease)/increase in cash and cash equivalents		(102.1)	143.8
Cash and cash equivalents at start of period	18	227.4	80.3
Exchange differences on cash and cash equivalents		(6.9)	3.3
Cash and cash equivalents at end of period	18	118.4	227.4
Reconciliation of net cash flow to movement in net borrowings			
Net (decrease)/increase in cash and cash equivalents		(102.1)	143.8
New borrowings and lease liabilities		(5.8)	(302.8)
Repayment of borrowings and lease liabilities		20.0	275.3
Expenses of raising borrowing facilities		–	1.7
Acquisition of subsidiary borrowings and lease liabilities		–	(0.1)
Changes in accounting policy for leases		–	(12.7)
Exchange differences on cash and cash equivalents		(6.9)	3.3
Retranslation of foreign borrowings		22.4	(6.3)
Other non-cash changes		(0.2)	(2.0)
Movement in net borrowings in the period		(72.6)	100.2
Net borrowings at start of period		(127.6)	(227.8)
Net borrowings at end of period	27	(200.2)	(127.6)

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 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

In accordance with the Companies Act 2006 and European Union (EU) regulations, these consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101 and they are separately presented on pages 210 to 220.

(b) Basis of Preparation

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 12 to 83. The Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to the Financial Review on page 35 for details. The consolidated financial statements are presented in Sterling, rounded to the nearest 0.1 million. They are prepared on a going concern basis and under the historical cost convention, except where IFRSs require an alternative treatment. The principal variations relate to derivative financial instruments, cash settled share-based transactions, contingent consideration and assets and liabilities acquired through business combinations that are stated at fair value. The preparation of consolidated financial statements in conformity with IFRSs requires the use of accounting estimates and for management to exercise its judgement in the process of applying the Group's accounting policies. These judgements and estimates are based on historical experience and management's best knowledge of the amounts, events or actions under review and the actual results may ultimately differ from these estimates. Areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are, where necessary, disclosed separately.

Critical Judgements in Applying the Group's Accounting Policies and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, the Directors have made the following judgements and estimates where the actual outcome may differ from that calculated. The key judgements and 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 judgements	Key sources of estimation uncertainty	Note reference	Accounting policy reference
Impairment of goodwill and indefinite life intangible assets	Determination of cash-generating units for assessing impairment		14	1(i)
Valuation of licensing agreements and associated contingent consideration		Timing, likelihood and quantum of future royalty cash flows and the determination of an appropriate discount rate	30	1(p)
Uncertain tax position	Assessment for uncertain tax positions satisfying the criteria for the recognition and measurement of provisions under IFRC 23	Assessment of expected amounts to settle the obligation	9	1(r)

1. Accounting Policies continued

Non-underlying Items

The Group presents a number of non-GAAP measures. This is to allow investors to understand the underlying performance of the Group, excluding items associated with areas such as: amortisation of acquired intangibles; downward remeasurement where there is not an intangible asset and accounting for the passage of time in respect of contingent considerations; expenses relating to acquisition and subsequent integration activities; rationalisation of the manufacturing organisation; loss on extinguishment of debt; and the revaluation of deferred tax balances following substantial tax legislation changes. Management utilise this measure to isolate the impact of exceptional, one-off or non-trading related items and consequently the classification of these items requires judgement. Further details can be found in note 5.

New Standards and Amendments to Standards or Interpretations

A number of amendments to IFRSs became effective for the financial year beginning on 1 July 2020. None of these standards had any impact on the Group's accounting policies and did not require 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., Dechra Brasil Produtos Veterinarios LTDA and Dechra Produtos Veterinarios, S.A. de C.V. (all of which prepare local financial statements to 31 December each year, in line with local tax authority regulations).

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the change in net assets of the investee after the date of acquisition. Intangible assets identified as part of the notional purchase price allocation are amortised over the useful life of each asset, with the Group's share recognised as a charge in the income statement.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement.

Gains and losses resulting from upstream and downstream transactions between the Group and its associate are only recognised to the extent realised. Any unrealised gains or losses are eliminated, to the extent of the Group's interest in the associate. Accounting policies of associates have been aligned where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements
continued

1. Accounting Policies continued

(d) Foreign Currency Translation

(i) Functional and Presentational Currency

The consolidated financial statements are presented in Sterling, which is the Group's presentational currency, and are rounded to the nearest hundred thousand, except where it is deemed relevant to disclose the amounts to the nearest million. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(ii) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. 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 are translated to Sterling at the average rate for the period being reported. The assets and liabilities of foreign operations are translated to Sterling at the closing rate at the reporting date. Foreign currency differences on all translations are recognised in other comprehensive income in the foreign currency translation reserve, a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. On disposal of a foreign entity, accumulated exchange differences previously recognised in other comprehensive income are recognised in the income statement in the same period in which the gain or loss on disposal is recognised.

(e) Accounting for Financial Assets and Liabilities, Derivative Financial Instruments and Hedging Activities

Financial Assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Management determines the classification of its financial assets at initial recognition in accordance with IFRS 9, which defines three categories that debt instruments may be classified as, depending on the purpose for which the assets are held. These categories are:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through the profit and loss (FVPL).

Amortised cost relates to assets that are held for collection of contractual cash flows. Where those cash flows represent solely payments of principal and interest, they are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement. All material financial assets of the Group are held at amortised cost.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held at fair value through the income statement are included in the income statement in the period in which they arise.

Derivative Financial Instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange rate risks and interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are remeasured to fair value at each reporting date.

Cash Flow Hedges

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs.

Net Investment Hedge

For hedges of net investments in foreign operations, where the hedge is effective movements are recognised in other comprehensive income. Ineffectiveness is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

1. Accounting Policies continued

(e) Accounting for Financial Assets and Liabilities, Derivative Financial Instruments and Hedging Activities continued

Trade Receivables

Trade receivables are recorded at aggregate invoice value (including value added tax or other sales taxes) less loss allowances, which are calculated using the expected loss model. Where trade receivables contain a significant financing component, they are then carried at amortised cost using the effective interest rate method, less loss allowances. Other receivables are recorded at their transaction value.

The Group assesses, on a forward-looking basis, the expected credit losses associated with its trade and other receivables. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Where there is a specific risk surrounding a receivable then a credit loss allowance of 100% is applied.

Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost.

Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(f) Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. Assets in the course of construction are not depreciated until the date the assets become available for use. The estimated useful lives are as follows:

• freehold buildings	25 years
• short leasehold buildings	period of lease
• motor vehicles	4 years
• plant and fixtures	3 to 15 years

The residual value, where significant, is reassessed annually.

(g) Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. In respect of business acquisitions that have occurred before 1 July 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the separable assets, liabilities and contingent liabilities acquired.

Acquisitions after this date fall under the provisions of 'IFRS 3 Business Combinations'. For these acquisitions, transaction costs, other than share and debt issue costs, are expensed as incurred and subsequent adjustments to the fair value of consideration payable are recognised in the income statement.

Contingent consideration is measured at fair value based on an estimate of the expected future payments.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is allocated to cash generating units and is tested annually for impairment.

Notes to the Consolidated Financial Statements
continued

1. Accounting Policies continued
(g) Intangible Assets continued
Research and Development Costs
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense is 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. The Group has applied the optional concentration test in relation to the acquisition of *Osurnia* (refer to note 29).

Other Intangible Assets
Other intangible assets that are acquired by the Group are stated at cost (including future milestone and royalty payments as applicable) less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and other intangibles is recognised in the income statement as an expense is incurred.

Intangible Assets Subsequent Expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates or extends the asset life. All other expenditure is expensed as incurred.

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite or is otherwise stated below. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each consolidated statement of financial position date. Intangible assets are amortised from the date that they are available for use. Assets in the course of construction are not amortised until the date the assets become available for use.

The estimated useful lives are as follows:

• software	5 to 7 years
• capitalised development costs	5 to 10 years or period of patent
• patent rights	period of patent
• marketing authorisations	indefinite life or period of marketing authorisation
• product rights	10 to 18 years
• commercial relationships	7 years
• brand	3 to 10 years
• acquired capitalised development costs	5 to 15 years
• pharmacological process	10 years

The pharmacological process from the acquisition of Putney Inc. and capitalised developed technology from the acquisition of AST Farma B.V. and Le Vet Beheer B.V. are amortised on a reducing balance method at a rate of 20% over a 10 year life 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.

1. Accounting Policies continued

(g) Intangible Assets continued

Amortisation continued

The amortisation of the intangible assets are classified as an administrative expense because they relate to the right to sell and distribute the product. Within the acquired intangibles the product rights encompass market authorisations, and the capitalised development costs encompass product authorisations subject to regulatory approval. The pharmacological process is classified as a research and development expense as it relates to the process of taking a product through to registration.

When considering the basis of amortisation for our acquired intangibles, we consider a number of factors: the different market conditions which surround the intangible; the age of the products within developed technology; and their corresponding place within the lifecycle of the product.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of 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

The carrying amounts of the Group's assets are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their fair value less cost to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each consolidated statement of financial position date and when there is an indication that the asset is impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units (group of units), and then to reduce the carrying amount of the other assets in the units (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Dividends Paid

Dividends are recognised in the period in which they are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid.

(l) Employee Benefits

Pensions

The Group operates a stakeholder personal pension scheme for certain employees. Obligations for contributions are recognised as an expense in the income statement as incurred.

Dechra Veterinary Products SAS and Dechra Veterinary Products BV participate in state-run pension arrangements. These are not considered to be material to the Group financial statements and are accounted for as defined contribution schemes, with contributions being recognised as an expense in the income statement as incurred.

Notes to the Consolidated Financial Statements

continued

1. Accounting Policies continued

(l) Employee Benefits continued

Share-based Payment Transactions

The Group operates a number of equity settled share-based payment programmes that allow employees to acquire shares in the Company. The Group also operates a Long Term Incentive Plan for Directors and Senior Executives.

The fair value of shares or options granted is recognised as an employee expense over the vesting period on a straight-line basis in the income statement with a corresponding movement to equity reserves. Fair values are determined by use of an appropriate pricing model and by reference to the fair value of the options granted. The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

At each consolidated statement of financial position date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revisions of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity reserves, over the remaining vesting period.

The fair values of grants under the Long Term Incentive Plan have been determined using the Monte Carlo simulation model, as performed by a qualified third party valuation expert.

The fair values of options granted under all other share option schemes have been determined using the Black–Scholes option pricing model, as performed by a qualified third party valuation expert.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

National Insurance contributions payable by the Company on the intrinsic value of share-based payments at the date of exercise are treated as cash settled awards and revalued to market price at each consolidated statement of financial position date.

Bonus and Commission Payments

The Group operates sales incentives schemes for certain employees and third party sales representatives in particular territories. The related bonuses and commissions are accrued in line with the related sales revenues.

(m) Revenue Recognition

Revenue from the sale of goods is measured at the fair value of the consideration and excludes intra-group sales and value added and similar taxes. The primary performance obligation is the transfer of goods to the customer. Revenue from the sale of goods is recognised when control of the goods is transferred to the customer, at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods. Revenue from third party manufacturing consists principally of the production of goods to customer specification together with the provision of technical services. Revenues from third party manufacturing are recognised upon completion of the work order, either the completion and agreed delivery of the product, or upon full provision of the service.

As sales arrangements differ from time to time (for example by customer and by territory), each arrangement is reviewed to ensure that revenue is recognised when control of the goods have passed to the customer.

This review and the corresponding recognition of revenue encompasses a number of factors which include, but are not limited to the following:

- reviewing delivery arrangements and whether the buyer has accepted title – we recognise the revenue at the point at which full title has passed; and/or
- where distribution arrangements are in place, recognising when the goods pass to the third party customer (for example by reviewing insurance arrangements) and recognising revenue at the point at which title has passed.

Provision for rebates, returns, discounts and other variable consideration is reflected in the transaction price at the point of recognition to the extent that it is highly probable there will not be a significant reversal. The methodology and assumptions used to estimate rebates and returns are based on the most likely method of calculation. This is adjusted in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third party analysis, and internally generated information.

1. Accounting Policies continued

(n) Leases

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of three to five years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and Termination Options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by both the Group and the respective lessor.

Measurement

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The lease liability is not materially sensitive to a reasonable change in discount rate and therefore will not represent a critical accounting estimate presented within the Annual Report.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease terms of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Notes to the Consolidated Financial Statements

continued

1. Accounting Policies continued

(o) Net Financing Costs

Net financing costs comprise interest payable on borrowings, unwinding of discount on provisions and deferred considerations measured at amortised cost, interest receivable on funds invested, gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (e)) and gains or losses on the retranslation of financial assets and liabilities denominated in foreign currencies. Interest income is recognised in the income statement as it accrues. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

(p) Contingent Considerations

The Group has adopted the financial liability model when accounting for contingent consideration in respect of licensing agreements. The estimated future amounts payable for contingent consideration are recorded on initial recognition at the present value of the future cash flow payable, discounted with an appropriate discount rate, with a corresponding intangible asset recorded. The unwind of the liability, reflecting discounting for the passage of time, is recognised within the income statement as a finance expense and calculated using a risk-free discount rate. Contingent considerations are remeasured at each reporting date and any downward remeasurement of the related liability is adjusted against the intangible, with any excess over the carrying value of the intangible recognised in the income statement. Any upwards remeasurement is recognised as an increase to the intangible asset.

(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 that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the consolidated statement of financial position liability method and represents the tax payable or recoverable on most temporary differences which arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (the tax base). Temporary differences are not provided on: goodwill that is not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and do not arise from a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is based upon tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised against future taxable profits. The carrying amounts of deferred tax assets are reviewed at each consolidated statement of financial position date.

In respect of uncertain tax positions, where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability. Such provisions are measured using either the most likely outcome method, or the expected value method depending on management's judgement of which method better predicts the resolution of the uncertainty. The methodology will be reviewed in each case upon the receipt of any new information.

The estimated annual benefit of global intellectual property and innovation incentives is accounted for within current and deferred tax.

Current and deferred tax credits received in respect of share-based payments are recognised in the income statement to the extent that they do not exceed the standard rate of taxation on the income statement charge for share-based payments. Credits in excess of the standard rate of taxation are recognised directly in equity.

1. Accounting Policies continued

(s) Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for the effects of all potential dilutive ordinary shares, which comprise share options granted to employees.

The Group has also chosen to present an alternative EPS measure, with profit adjusted for non-underlying items. A reconciliation of this alternative measure to the statutory measure required by IFRS is given in the Financial Review on page 29. A breakdown of the non-underlying items is given in notes 3, 4 and 5.

2. Operating Segments

The Group has three reportable segments, as discussed below, which are based on information provided to the Board of Directors, which is deemed to be the Group's chief operating decision maker. Several operating segments which have similar economic characteristics have been aggregated into the reporting segments. In undertaking this aggregation, the assessment determined that the aggregated segments have similar products, production processes, customers and overall regulatory environments.

The European Pharmaceuticals Segment comprises Dechra Veterinary Products EU, Dechra Veterinary Products International and Dechra Pharmaceuticals Manufacturing. This Segment operates internationally and manufactures and markets Companion Animal, Equine, Food producing Animal Products 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 US, Dechra Veterinary Products Canada, and Dechra Produtas Veterinarios (Mexico), which sells Companion Animal, Equine and Food producing Animal Products in those territories. The Segment also includes our manufacturing units based in Melbourne, Florida and Fort Worth, Texas. This Segment also includes third party manufacturing and other revenues from non-core activities.

The Pharmaceuticals Research and Development Segment includes all of the Group's pharmaceutical research and development activities. This Segment has no revenue. Reconciliation of reportable segment revenues, profit or loss and liabilities and other material items:

	2021 £m	2020 £m
Revenue by segment		
European Pharmaceuticals	**388.5**	323.5
NA Pharmaceuticals	**219.5**	191.6
	608.0	515.1
Underlying operating profit/(loss) by segment		
European Pharmaceuticals	**127.8**	100.0
NA Pharmaceuticals	**75.9**	63.7
Pharmaceuticals Research and Development	**(32.4)**	(28.4)
Underlying segment operating profit	**171.3**	135.3
Corporate and other unallocated costs	**(9.1)**	(7.0)
Underlying operating profit	**162.2**	128.3
Amortisation of acquired intangibles	**(75.2)**	(69.6)
Rationalisation of manufacturing organisation	**(1.6)**	(2.2)
Expenses relating to acquisitions and subsequent integration activities	**(1.4)**	(4.3)
Total operating profit	**84.0**	52.2
Finance income	**3.8**	3.0
Finance expense	**(12.7)**	(14.0)
Share of losses in investment accounted for using the equity method	**(1.1)**	(0.3)
Profit before taxation	**74.0**	40.9
Total liabilities by segment		
European Pharmaceuticals	**(137.5)**	(110.3)
NA Pharmaceuticals	**(60.5)**	(53.1)
Pharmaceuticals Research and Development	**(5.9)**	(5.1)
Segment liabilities	**(203.9)**	(168.5)
Corporate loans and revolving credit facility	**(302.7)**	(340.0)
Corporate accruals and other payables	**(9.2)**	(3.4)
Current and deferred tax liabilities	**(65.4)**	(88.2)
	(581.2)	(600.1)

Notes to the Consolidated Financial Statements

continued

2. Operating Segments continued

	2021 £m	2020 £m
Revenue by product category		
CAP	442.6	361.6
Equine	44.8	36.4
FAP	77.0	74.8
Nutrition	31.7	28.6
Other	11.9	13.7
	608.0	515.1
Additions to intangible non-current assets by segment (including through business combinations)		
European Pharmaceuticals	97.1	22.3
NA Pharmaceuticals	40.2	47.5
Pharmaceuticals Research and Development	0.1	0.4
Corporate and central costs	1.4	1.5
	138.8	71.7
Additions to Property, Plant and Equipment by segment (including through business combinations)		
European Pharmaceuticals	19.8	12.1
NA Pharmaceuticals	5.9	4.3
Pharmaceuticals Research and Development	0.4	0.7
Corporate and central costs	0.3	0.2
	26.4	17.3
Depreciation and amortisation by segment		
European Pharmaceuticals	67.1	64.1
NA Pharmaceuticals	22.4	18.5
Pharmaceuticals Research and Development	0.5	0.5
Corporate and central costs	0.7	0.7
	90.7	83.8
The total depreciation and amortisation charge is made up of the following:		
Non-underlying		
Amortisation – selling, general and administrative expenses	70.8	63.9
Amortisation – research and development expenditure	4.4	5.7
	75.2	69.6
Underlying		
Amortisation and impairment	4.5	4.3
Depreciation	11.0	9.9
	15.5	14.2

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:

	2021 Revenue £m	2021 Non-current assets £m	2020 Revenue £m	2020 Non-current assets £m
UK	56.9	30.8	45.0	30.4
Germany	64.8	3.1	53.9	2.8
Rest of Europe	204.8	406.3	173.8	419.8
USA	206.5	215.2	181.9	213.2
Rest of World	75.0	166.5	60.5	122.5
	608.0	821.9	515.1	788.7

3. Finance Income

Underlying	2021 £m	2020 £m
Finance income arising from:		
– Cash and cash equivalents	–	0.1
– Foreign exchange gains	–	2.9
Underlying finance income	–	3.0

Non-underlying	2021 £m	2020 £m
Finance income arising from:		
– Foreign exchange gains on contingent consideration	3.8	–
Non-underlying finance income	3.8	–
Total finance income	3.8	3.0

4. Finance Expense

Underlying	2021 £m	2020 £m
Finance expense arising from:		
– Financial liabilities at amortised cost	8.3	11.1
– Lease liability interest	0.5	0.4
– Foreign exchange losses	2.9	–
Underlying finance expense	11.7	11.5

Non-underlying	2021 £m	2020 £m
Finance expense arising from:		
– Loss on extinguishment of debt	–	1.0
– Foreign exchange losses on contingent consideration	–	0.9
– Unwind of discount associated with contingent consideration	1.0	0.6
Non-underlying finance expense	1.0	2.5
Total finance expense	12.7	14.0

Notes to the Consolidated Financial Statements
continued

5. Non-underlying Items

Non-underlying items charged/(credited) comprise:

	2021 £m	2020 £m
Amortisation of acquired intangibles		
– classified within selling, general and administrative expenses	70.8	63.9
– classified within research and development expenses	4.4	5.7
Expenses relating to acquisitions and subsequent integration activities	1.4	4.3
Rationalisation of manufacturing organisation	1.6	2.2
Non-underlying operating loss items	78.2	76.1
Amortisation in relation to Medical Ethics Pty Ltd (net of tax)	0.7	0.6
Loss on extinguishment of debt	–	1.0
Foreign exchange (gains)/losses on contingent consideration	(3.8)	0.9
Unwind of discount associated with contingent consideration	1.0	0.6
Non-underlying loss before tax items	76.1	79.2
Tax on non-underlying loss before tax items	(16.6)	(18.0)
Revaluation of deferred tax balances following the change in the Dutch and UK tax rates	4.8	0.3
Release of fair value provision on acquisition	(2.2)	–
Non-underlying loss after tax items	62.1	61.5

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.

Expenses relating to acquisitions and subsequent integration activities represents costs incurred during the acquisition and integration of *Osurnia* (£1.3 million) and other product licensing agreements (£0.1 million).

Rationalisation of manufacturing organisation relates to the income statement cost associated with this strategic programme. Costs since the inception of the programme have been £8.7 million and the programme has now been completed in the current financial year.

The loss on extinguishment of debt in the prior year related to the acceleration of the amortisation of arrangement fees relating to the Term Loan on termination.

The revaluation of the deferred tax balances arises as a result of an increase in the Dutch and UK corporation tax rates from that previously enacted in the prior year. The £4.8 million charge in the current year predominantly arises from the change in the Dutch corporation tax rate which has been substantively enacted to remain at 25.0% (previously this was to reduce to 21.7% over the period to 2022).

During the year fair value corporation tax provisions on the acquisitions of Ampharmco LLC, Genera d.d. and AST Farma B.V./ Le Vet B.V. have been released.

6. Interests in Associate

(a) Losses in Associate

Set out below is the summarised financial information of Medical Ethics Pty Ltd for the year ended 30 June, which is accounted for using the equity method. This is not Dechra Pharmaceuticals PLC's share of the results.

	2021 £m	2020 £m
Revenue	3.5	0.7
Pre-tax profit/(loss) from continuing operations	0.6	(3.1)
Post-tax profit/(loss) from continuing operations	0.6	(1.3)

	2021 £m	2020 £m
Non-current assets	2.5	2.6
Current assets	3.1	2.5
	5.6	5.1
Non-current liabilities	–	–
Current liabilities	(0.3)	(0.3)
	(0.3)	(0.3)
Net assets of associate	5.3	4.8

6. Interests in Associate continued

(b) Interest in Associate

	2021 £m	2020 £m
1 July	17.4	10.1
Additions	0.8	7.6
Share of underlying (loss)/profit after tax	(0.4)	0.3
Share of amortisation of intangible asset identified on acquisition (net of tax)	(0.7)	(0.6)
30 June	17.1	17.4

On 5 February 2021 the Group acquired a further 1.5% of the issued share capital of Medical Ethics Pty Ltd for a total consideration of AUD1.5 million (£0.8 million). Following the acquisition 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 increased shareholding to 49.5% of the issued share capital has not resulted in a change of control or accounting treatment of the entity. The company is incorporated in Australia, which is also the principal place of business. The registered address is c/o Level 3, 649 Bridge Road, Richmond, Victoria 3121, Australia. The company has share capital consisting solely of ordinary shares, which are directly owned by the Group. Medical Ethics Pty Ltd is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the associate.

The Group's share of the loss arising from its investment in Medical Ethics includes the effect of harmonising the accounting policies and of amortising the fair value adjustments (net of tax), which are treated as non-underlying.

(c) Reconciliation of Summarised Financial Information Presented to the Carrying Amount of its Interest in Associates

	2021 £m	2020 £m
Opening interest in associate	5.8	1.5
Fair value of associate acquired	0.5	4.6
Post-tax (loss)/profit from continuing operations	(0.4)	0.3
Amortisation of notional intangible asset recognised on acquisition (net of tax)	(0.7)	(0.6)
Interest in associate	5.2	5.8
Goodwill	11.9	11.6
Carrying value of investment in associate	17.1	17.4

7. Profit Before Taxation

The following items have been included in arriving at profit before taxation of continuing operations:

	2021 £m	2020 £m
Cost of inventories recognised as an expense	203.1	171.1
Impairment of inventories included in above figure	8.8	1.4
Depreciation of property, plant and equipment		
– owned assets	7.0	6.6
– right-of-use assets	4.0	3.3
Amortisation of intangible assets	79.5	73.9
Impairment of intangible assets	0.2	–
Loss on disposal of intangible assets	0.3	–
Recognition/(release) of impairment of receivables	0.1	(0.4)
Lease rental payables in respect of low value assets	–	–
Underlying research and development expenditure as incurred	32.4	28.4
Auditors' remuneration	1.5	1.2
Analysis of total fees paid to the Auditors:		
Audit of these financial statements	0.8	0.6
Audit of financial statements of subsidiaries pursuant to legislation	0.6	0.5
Other assurance services – audit related assurance services*	0.1	0.1
Total fees paid to Auditors	1.5	1.2

* This includes £0.10 million (2020: £0.06 million) in relation to the review of the Half-Yearly Report.

Notes to the Consolidated Financial Statements

continued

7. Profit Before Taxation continued

During the prior year, a fire occurred at one of the Group's third party logistics provider locations in the Netherlands that resulted in inventory to the value of £6.4 million being destroyed and written off. The inventory write off was included in the impairment of inventories value above of £1.4 million and offset by amounts recovered through insurance proceeds of £5.3 million and a receivable from the insurers of £1.1 million with no impact on the Income Statement. In the current year the insurance claim has been fully settled.

8. Employees

The average numbers of staff employed by the Group during the year, which includes Directors, were:

	2021 Number	2020 Number
Manufacturing	**639**	656
Distribution	**148**	141
Sales and administration	**1,158**	1,053
Total	**1,945**	1,850

The costs incurred in respect of these employees were:

	2021 £m	2020 £m
Wages and salaries	**98.8**	86.7
Social security costs	**12.3**	11.1
Other pension costs	**5.5**	4.7
Share-based payments charge (see note 26)	**3.7**	1.5
Total	**120.3**	104.0

Related party transactions – the remuneration of key management was as follows:

	2021 £m	2020 £m
Short term employee benefits	**6.1**	5.5
Post-employment benefits	**0.3**	0.2
Share-based payments charge	**1.3**	0.7
	7.7	6.4

Key management comprises the Board and the Senior Executive Team. Details of the remuneration, shareholdings, share options, pension contributions and payments for loss of office of the Executive Directors are included in the Directors' Remuneration Report on pages 129 to 139.

The Group operates a stakeholder personal pension scheme for certain employees and contributed between 4% and 14% of pensionable salaries. The Group also participates in state-run pension arrangements for certain employees in Dechra Veterinary Products SAS and Dechra Veterinary Products BV. Total pension contributions amounted to £5.5 million (2020: £4.7 million).

9. Income Taxes

		2021 £m	2020 £m
Current tax	– UK corporation tax	2.8	3.5
	– overseas tax at prevailing local rates	26.8	18.2
	– adjustment in respect of prior years	(2.6)	(0.8)
Total current tax expense		27.0	20.9
Deferred tax	– origination and reversal of temporary differences	(14.5)	(14.5)
	– adjustment in respect of tax rates	4.8	1.4
	– adjustment in respect of prior years	1.2	(0.8)
Total deferred tax credit		(8.5)	(13.9)
Total income tax charge in the Consolidated Income Statement		**18.5**	7.0

The tax on the Group's profit before taxation differs from the standard rate of UK corporation tax of 19.0% (2020: 19.0%). The differences to this rate are explained below:

	2021 £m	2020 £m
Profit before taxation	74.0	40.9
Tax at 19.0% (2020: 19.0%)	14.1	7.8
Effect of:		
– expenses not deductible	1.8	1.4
– acquisition expenses	–	0.6
– research and development related tax credits	(0.3)	(0.4)
– patent box tax credits	(3.1)	(2.7)
– other incentives	(0.3)	(0.2)
– share of results in associates	–	(0.1)
– effects of overseas tax rates	2.9	(0.3)
– movement in unrecognised deferred tax	–	1.1
– adjustment in respect of prior years	(1.4)	(1.6)
– change in tax rates	4.8	1.4
Total income tax charge in the Consolidated Income Statement	**18.5**	7.0

Recurring items in the tax reconciliation include: research and development related tax credits and patent box incentives; expenses not deductible; and the share of results in associates. The effective tax rate is 25.0% (excluding non-underlying items the effective tax rate is 21.7%).

Tax Credit/(Charge) Recognised Directly in Equity

	2021 £m	2020 £m
Deferred tax on employee benefit obligations	–	–
Deferred tax on other equity movements	(0.2)	1.8
Tax recognised in Consolidated Statement of Comprehensive Income	**(0.2)**	1.8
Corporation tax on equity settled transactions	0.2	0.4
Deferred tax on equity settled transactions	0.7	(0.3)
Total tax recognised in Equity	**0.9**	0.1

On 15 September 2020, the Dutch Government submitted the 2021 tax plan, which included the reversal of the previously enacted rate reduction from 25% to 21.7%, which was due to be effective from 1 January 2021. As a result, the Dutch corporate income tax headline rate has remained at 25%, and Dutch deferred tax assets and liabilities as at 30 June 2021 have been recalculated accordingly.

UK Finance Bill 2021 was substantively enacted on 24 May 2021, which included the increase in main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. UK deferred tax assets and liabilities as at 30 June 2021 have been recalculated accordingly, based on the Group's best estimate of the timing of the unwind of existing temporary differences.

At 30 June 2021, the Group held a current provision of £5.7 million (2020: £5.6 million) in respect of uncertain tax positions. The resolution of these tax matters may take many years. The range of reasonably possible outcomes within the next financial year is £2.1 million to £7.4 million.

Notes to the Consolidated Financial Statements
continued

9. Income Taxes continued
EU CFC Challenge
The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concluded that the legislation up until December 2018 does partially represent State Aid. The Group considers that the potential amount of additional tax payable remains between £nil and £4.0 million depending on the basis of calculation and the outcome of HMRC's appeal to the EU Commission. 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.

During the period, the Group received charging notices from HMRC under The Taxation (Post Transition Period) Bill for part of the exposure (£2.75 million) and has paid this to HMRC. As the Group considers that the appeal will be successful, the charging notices have been settled in full and a current tax receivable has been recorded in respect of the payment on the basis that the amount will be repaid in due course.

Future Tax Charge
The Group's future tax charge, and its effective tax rate could be affected by several factors including the impact of the implementation of the OECD's Base Erosion and Profit Shifting ('BEPS') actions, and changes in applicable tax rates and legislation in the territories in which it operates.

10. Dividends

	2021 £m	2020 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year: 24.00 pence per share (2020: 22.10 pence per share)	**25.9**	22.7
Interim dividend paid: 11.11 pence per share (2020: 10.29 pence per share)	**12.0**	10.6
Total dividend 35.11 pence per share (2020: 32.39 pence per share) recognised as distributions to equity holders in the period	**37.9**	33.3
Proposed final dividend for the year ended 30 June 2021: 29.39 pence per share (2020: 24.00 pence per share)	**31.8**	25.9
Total dividend paid and proposed for the year ended 30 June 2021: 40.50 pence per share (2020: 34.29 pence per share)	**43.8**	36.5

In accordance with IAS 10 'Events After the Balance Sheet Date', the proposed final dividend for the year ended 30 June 2021 has not been accrued for in these financial statements. It will be shown as a deduction from equity in the financial statements for the year ending 30 June 2022. There are no income tax consequences. The final dividend for the year ended 30 June 2020 is shown as a deduction from equity in the year ended 30 June 2021.

11. Earnings per Share
Earnings per ordinary share have been calculated by dividing the profit attributable to equity holders of the parent after taxation for each financial period by the weighted average number of ordinary shares in issue during the period.

	2021 Pence	2020 Pence
Basic earnings per share		
– Underlying*	**108.77**	92.50
– Basic	**51.33**	32.87
Diluted earnings per share		
– Underlying*	**108.14**	92.19
– Diluted	**51.03**	32.76

The calculations of basic and diluted earnings per share are based upon:

	2021 £m	2020 £m
Earnings for underlying basic and underlying diluted earnings per share	**117.6**	95.4
Earnings for basic and diluted earnings per share	**55.5**	33.9

	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**108,119,864**	103,133,142
Impact of share options	**630,725**	348,393
Weighted average number of ordinary shares for diluted earnings per share	**108,750,589**	103,481,535

* Underlying measures exclude non-underlying items as defined in note 1.

At 30 June 2021, there are 401,672 options (2020: 373,439) that are excluded from the EPS calculations as they are not dilutive for the period presented but may become dilutive in the future.

12. Intangible Assets

	Goodwill £m	Software £m	Development costs £m	Patent rights £m	Marketing authorisations £m	Acquired intangibles £m	Total £m
Cost							
At 1 July 2019	245.7	19.7	14.0	4.3	0.9	709.8	994.4
Additions	–	1.8	1.8	0.3	–	46.2	50.1
Acquisitions through business combinations	6.6	0.1	–	–	–	14.9	21.6
Remeasurement (note 30)	–	–	–	–	–	10.9	10.9
Foreign exchange adjustments	1.5	0.1	0.1	(0.1)	–	9.6	11.2
At 30 June 2020 and 1 July 2020	253.8	21.7	15.9	4.5	0.9	791.4	1,088.2
Additions	–	2.8	1.5	–	–	134.5	138.8
Disposals	–	(0.9)	(0.6)	–	–	–	(1.5)
Transfers between categories	–	–	(1.2)	–	1.2	–	–
Remeasurement (note 30)	–	–	–	–	–	4.9	4.9
Foreign exchange adjustments	(17.7)	(0.5)	(0.5)	(0.1)	–	(49.5)	(68.3)
At 30 June 2021	**236.1**	**23.1**	**15.1**	**4.4**	**2.1**	**881.3**	**1,162.1**
Accumulated Amortisation							
At 1 July 2019	–	6.1	8.5	3.3	–	295.9	313.8
Charge for the year	–	2.9	1.2	0.2	–	69.6	73.9
Foreign exchange adjustments	–	–	0.1	–	–	8.2	8.3
At 30 June 2020 and 1 July 2020	–	9.0	9.8	3.5	–	373.7	396.0
Charge for the year	–	3.2	0.6	0.2	0.3	75.2	79.5
Impairments	–	–	0.2	–	–	–	0.2
Disposals	–	(0.8)	(0.2)	–	–	–	(1.0)
Transfers between categories	–	–	(0.8)	–	0.8	–	–
Foreign exchange adjustments	–	(0.2)	(0.1)	(0.1)	(0.1)	(27.9)	(28.4)
At 30 June 2021	**–**	**11.2**	**9.5**	**3.6**	**1.0**	**421.0**	**446.3**
Net book value							
At 30 June 2021	**236.1**	**11.9**	**5.6**	**0.8**	**1.1**	**460.3**	**715.8**
At 30 June 2020	253.8	12.7	6.1	1.0	0.9	417.7	692.2

£0.8 million of the marketing authorisations relate to the Vetivex® range of products. Ownership of the marketing authorisations rests with the Group in perpetuity. There are not believed to be any legal, regulatory or contractual provisions that limit their useful lives. *Vetivex* is an established range of products which are relatively simple in nature and there are a limited number of players in the market. Accordingly, the Directors believe that it is appropriate that the marketing authorisations are treated as having indefinite lives for accounting purposes.

The software intangible asset includes £9.3 million relating to the ERP system in the EU Pharmaceuticals Segment; this has a remaining amortisation period of 4 years.

Goodwill is allocated across cash generating units that are expected to benefit from that business combination. Key assumptions made in this respect are given in note 14.

Notes to the Consolidated Financial Statements
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12. Intangible Assets continued

In accordance with the disclosure requirements of IAS 38 'Intangible Assets', the components of acquired intangibles are summarised below:

	Commercial relationships £m	Pharmacological process £m	Brand £m	Capitalised development costs £m	Product rights £m	Total £m
Cost						
At 1 July 2019	6.8	51.4	16.3	393.6	241.7	709.8
Additions	–	–	–	–	46.2	46.2
Acquisitions through business combinations	1.9	–	–	13.0	–	14.9
Remeasurement	–	–	–	–	10.9	10.9
Foreign exchange adjustments	–	1.8	0.3	3.4	4.1	9.6
At 30 June 2020 and 1 July 2020	8.7	53.2	16.6	410.0	302.9	791.4
Additions	–	–	–	–	134.5	134.5
Remeasurement	–	–	–	–	4.9	4.9
Foreign exchange adjustments	(0.6)	(6.1)	(1.7)	(27.6)	(13.5)	(49.5)
At 30 June 2021	**8.1**	**47.1**	**14.9**	**382.4**	**428.8**	**881.3**
Accumulated Amortisation						
At 1 July 2019	3.7	27.9	6.1	104.3	153.9	295.9
Charge for the year	2.0	5.7	1.6	48.2	12.1	69.6
Foreign exchange adjustments	0.2	1.1	0.2	3.4	3.3	8.2
At 30 June 2020 and 1 July 2020	5.9	34.7	7.9	155.9	169.3	373.7
Charge for the year	1.8	4.4	1.4	42.3	25.3	75.2
Foreign exchange adjustments	(0.4)	(4.1)	(0.9)	(11.5)	(11.0)	(27.9)
At 30 June 2021	**7.3**	**35.0**	**8.4**	**186.7**	**183.6**	**421.0**
Net book value						
At 30 June 2021	**0.8**	**12.1**	**6.5**	**195.7**	**245.2**	**460.3**
At 30 June 2020	2.8	18.5	8.7	254.1	133.6	417.7

The table below provides further detail on the 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	12.8	13.2	4 ½ years
Intangible assets arising from the acquisition of Eurovet	Technology, product, marketing and distribution rights	37.7	7.9	45.6	1 year
Goodwill arising from the acquisition of Vetxx		16.4	–	16.4	N/A
Intangible assets arising from the acquisition of Genera	Product, brand, technology, marketing and distribution rights		0.3		1 ½ years
			0.2		4 ½ years
			5.8		9 ½ years
		5.3		11.6	Genera – total
Intangible assets arising from the acquisition of Putney	Product, brand, technology, pharmacological process, marketing and distribution rights		4.4		5 years
			12.5		5 years
			33.1		7 years
		47.3		97.3	Putney – total

12. Intangible Assets continued

Significant assets	Description	Goodwill carrying value £m	Acquired Intangibles carrying value £m	Sub-Total carrying value £m	Remaining amortisation period on acquired intangibles
Intangible asset arising from the acquisition of Apex	Product and technology		11.3		12 years
			1.7		9 years
		8.7		21.7	Apex – total
Intangible assets related to the licensing and distribution of Tri-Solfen® (excluding ANZ territories)	Marketing and distribution rights	–	39.7	39.7	10 years
Intangible asset related to an injectable solution licensing agreement	Marketing and distribution rights	–	5.8	5.8	10 years
Intangible assets arising from the acquisition of AST Farma and Le Vet	Product, brand, technology, marketing and distribution rights		46.2		6 ½ years
			61.4		5 ½ years
			13.3		7 years
			0.8		1 ½ years
		98.7		220.4	AST Farma and Le Vet – total
Intangible assets related to an injectable solution licensing agreement	Marketing and distribution rights	–	5.6	5.6	15 years
Intangible assets arising from the acquisition of Caledonian	Product, brand, technology, marketing and distribution rights	0.8	2.9	3.7	7 ½ years
Intangible assets arising from the acquisition of Dechra Brasil Produtas Veterinarios LTDA	Product, brand, technology, marketing and distribution rights		6.6		7 ½ years
			0.3		2 ½ years
			0.3		5 ½ years
		8.3		15.5	Brazil – total
Intangible assets arising from the acquisition of Ampharmco	Product and technology rights		0.6		1 ½ years
			5.0		16 ½ years
			0.5		13 ½ years
			5.3		13 years
		5.8		17.2	Ampharmco – total
Intangible assets arising from the acquisition of *Mirataz*	Product and technology rights		37.9		8 ½ years
			7.2		9 ½ years
			0.9		9 ½ years
		–		46.0	Mirataz – total
Intangible assets arising from the acquisition of *Osurnia*	Product, marketing and distribution rights	–	96.5	96.5	9 years
Intangible assets related to the licensing and distribution of Tri-Solfen® (ANZ territories)	Product, marketing and distribution rights	–	24.5	24.5	10 years
Other individually immaterial goodwill and acquired intangibles		6.7	9.0	15.7	
		236.1	460.3	696.4	

Notes to the Consolidated Financial Statements
continued

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 2019	46.9	4.2	0.4	49.3	100.8
Additions	0.1	3.4	2.0	8.4	13.9
Acquired through business combinations	1.9	0.1	–	1.4	3.4
Changes in accounting policy	–	9.2	3.1	0.4	12.7
Disposals	–	–	(0.2)	(1.4)	(1.6)
Foreign exchange adjustments	(0.8)	0.1	(0.1)	(0.6)	(1.4)
At 30 June 2020 and 1 July 2020	48.1	17.0	5.2	57.5	127.8
Additions	9.1	6.5	1.8	9.0	26.4
Disposals	–	(0.8)	(0.9)	(6.5)	(8.2)
Foreign exchange adjustments	(2.7)	(0.5)	(0.2)	(2.6)	(6.0)
At 30 June 2021	**54.5**	**22.2**	**5.9**	**57.4**	**140.0**
Accumulated Depreciation					
At 1 July 2019	14.5	3.0	0.2	24.7	42.4
Charge for the year	1.6	1.9	1.7	4.7	9.9
Disposals	–	–	(0.1)	(1.3)	(1.4)
Foreign exchange adjustments	0.1	0.1	–	0.3	0.5
At 30 June 2020 and 1 July 2020	16.2	5.0	1.8	28.4	51.4
Charge for the year	1.6	2.3	2.0	5.1	11.0
Disposals	–	(0.2)	(0.6)	(6.3)	(7.1)
Foreign exchange adjustments	(1.0)	(0.1)	(0.1)	(1.1)	(2.3)
At 30 June 2021	**16.8**	**7.0**	**3.1**	**26.1**	**53.0**
Net book value					
At 30 June 2021	**37.7**	**15.2**	**2.8**	**31.3**	**87.0**
At 30 June 2020	31.9	12.0	3.4	29.1	76.4
Net book value of right-of-use assets					
At 30 June 2021	**–**	**13.8**	**2.8**	**0.3**	**16.9**
At 30 June 2020	–	11.2	3.4	0.3	14.9
Depreciation charge of right-of-use assets					
2021	**–**	**1.9**	**2.0**	**0.1**	**4.0**
2020	–	1.6	1.6	0.1	3.3

	2021 £m	2020 £m
Contracted capital commitments	0.7	1.1
Assets in the course of construction included above	13.3	5.8

Included in additions are £7.5 million (2020: £5.5 million) of right-of-use assets.

14. Impairment Reviews

Goodwill and indefinite life assets are tested for impairment annually, or more frequently if there are indications that amounts might be impaired. The impairment tests involve determining the recoverable amount of the relevant asset or cash generating unit, 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 the value in use calculations.

Intangible and tangible assets that are being amortised are reviewed for indicators of impairment annually, and in the event that impairment indicators exist, a full value in use calculation is performed. A review was performed to establish that the carrying value of individual products capitalised are reflective of the projected cash flow generation and that no impairment indicators exist. No impairment was recognised on these assets.

Value in use calculations are performed by forecasting the future cash flows attributable to the asset being tested (or the relevant cash generating unit in respect of goodwill). The forecast cash flows are discounted at an appropriate rate as described below.

The cash flow forecasts are derived 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% (2020: 3.0%) for Dechra Veterinary Products EU and Dechra Veterinary Products NA and 5.8% (2020: 9.5%) 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% (2020: 0%) for Dechra Veterinary Products EU and Dechra Veterinary Products NA and 0.9% (2020: 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.

Value in use calculations were performed at 30 June 2021 for the following cash generating units:

	2021			
Cash generating unit	**Goodwill carrying value £m**	**Indefinite life assets carrying value £m**	**Total value £m**	**Pre-tax discount rate %**
Dechra Veterinary Products EU	**162.2**	**0.9**	**163.1**	**8.9**
Dechra Veterinary Products NA	**56.2**	**–**	**56.2**	**11.0**
Dechra Veterinary Products International	**17.7**	**–**	**17.7**	**12.4**
	236.1	**0.9**	**237.0**	

	2020			
Cash generating unit	Goodwill carrying value £m	Indefinite life assets carrying value £m	Total value £m	Pre-tax discount rate %
Dechra Veterinary Products EU	172.2	0.9	173.1	9.8
Dechra Veterinary Products NA	63.4	–	63.4	10.7
Dechra Veterinary Products International	18.2	–	18.2	13.8
	253.8	0.9	254.7	

Notes to the Consolidated Financial Statements
continued

14. Impairment Reviews continued
Key Assumptions
The key assumptions implicit in the impairment review are those regarding the cash flows in the Board approved business plan, medium and long term growth rates and the discount rate.

The Board approved business plan incorporates a number of key input assumptions, most notably regarding market growth expectations, the competitive and legislative environments, lifecycle management, selling prices, product margins and direct costs. The assumptions applied in the business plan are based on past experience and the Group's expectation of future market changes and, where applicable, are consistent with external sources of information.

The medium and long term growth rates used (as set out above) reflect an estimate of expected future growth in the Group's markets, are no higher than those implicit in the Group's strategic planning process, and do not exceed the long term growth rates in the countries in which each CGU operates.

The pre-tax discount rates have been estimated using a market participant rate, which is adjusted after consideration of market information, and risk adjusted dependent upon the specific circumstances of each asset or cash generating unit.

Indications of Impairment
Indications of impairment were noted for certain finite lived intangible assets and an impairment assessment was performed which confirmed that the carrying value of the relevant assets continues to be supported by the recoverable value.

Sensitivity Analysis
Sensitivity analyses have been performed around the key assumptions for the impairment testing of goodwill and indefinite lived assets, and for any finite lived intangible assets where there was an indication of impairment, with the conclusion for both being that no reasonable changes in key assumptions would cause the recoverable amount to be materially less than the carrying value.

15. Deferred Taxes
(a) Recognised Deferred Tax Assets and Liabilities
Deferred tax assets and liabilities are analysed in the statement of financial position after offset, to the extent there is a legally enforceable right, of balances within countries as follows:

	2021 £m	2020 £m
Deferred tax assets	**2.0**	2.7
Deferred tax liabilities	**(48.8)**	(62.6)
	(46.8)	(59.9)

Deferred tax assets and liabilities are attributable to the following, prior to any allowable offset:

	Assets		**Liabilities**		**Net**	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Intangible assets	**–**	–	**(51.1)**	(62.4)	**(51.1)**	(62.4)
Property, plant and equipment	**–**	–	**(3.7)**	(4.0)	**(3.7)**	(4.0)
Inventories	**0.9**	1.4	**–**	–	**0.9**	1.4
Receivables/payables	**4.1**	3.2	**–**	–	**4.1**	3.2
Share-based payments	**1.7**	0.7	**–**	–	**1.7**	0.7
Losses	**0.7**	0.5	**–**	–	**0.7**	0.5
R&D tax credits	**0.5**	0.3	**–**	–	**0.5**	0.3
Employee benefit obligations	**0.1**	0.4	**–**	–	**0.1**	0.4
	8.0	6.5	**(54.8)**	(66.4)	**(46.8)**	(59.9)

(b) Unrecognised Deferred Tax
The aggregate amount of gross temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is £2.5 million (2020: £1.2 million). The estimated unprovided deferred tax liability in relation to these temporary differences is £0.1 million (2020: £0.1 million).

Deferred tax assets in relation to losses amounting to £2.0 million (2020: £1.1 million) have not been recognised due to uncertainty over their recoverability. Included within unrecognised losses are £0.5 million of losses which expire prior to 2030. Other losses may be carried forward indefinitely.

15. Deferred Taxes continued

(c) Movements During the Year

	Balance at 1 July 2019 £m	Recognised in income £m	Acquired through business combinations £m	Recognised in equity/OCI £m	Foreign exchange adjustments £m	Balance at 30 June 2020 £m
Intangible assets	(75.9)	14.9	–	–	(1.4)	(62.4)
Property, plant and equipment	(3.8)	(0.1)	–	–	(0.1)	(4.0)
Inventories	1.8	(0.3)	–	–	(0.1)	1.4
Receivables/payables	1.4	–	–	1.8	–	3.2
Share-based payments	1.0	–	–	(0.3)	–	0.7
Losses	1.6	(1.0)	–	–	(0.1)	0.5
R&D tax credits	–	0.3	–	–	–	0.3
Employee benefit obligations	0.3	0.1	–	–	–	0.4
	(73.6)	13.9	–	1.5	(1.7)	(59.9)

	Balance at 1 July 2020 £m	Recognised in income £m	Acquired through business combinations £m	Recognised in equity/OCI £m	Foreign exchange adjustments £m	**Balance at 30 June 2021 £m**
Intangible assets	(62.4)	7.2	–	–	4.1	**(51.1)**
Property, plant and equipment	(4.0)	–	–	–	0.3	**(3.7)**
Inventories	1.4	(0.4)	–	–	(0.1)	**0.9**
Receivables/payables	3.2	1.2	–	(0.2)	(0.1)	**4.1**
Share-based payments	0.7	0.3	–	0.7	–	**1.7**
Losses	0.5	0.2	–	–	–	**0.7**
R&D tax credits	0.3	0.3	–	–	(0.1)	**0.5**
Employee benefit obligations	0.4	(0.3)	–	–	–	**0.1**
	(59.9)	8.5	–	0.5	4.1	**(46.8)**

Notes to the Consolidated Financial Statements
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16. Inventories

	2021 £m	2020 £m
Raw materials and consumables	34.6	28.9
Work in progress	10.4	10.9
Finished goods and goods for resale	104.5	81.0
	149.5	120.8

Included in finished goods and goods for resale £nil (2020: £nil) of inventory held at net realisable value having been acquired through business combinations.

17. Trade and Other Receivables

	2021 £m	2020 £m
Trade receivables	88.2	79.4
Other receivables	13.4	11.1
Prepayments and accrued income	5.1	3.4
	106.7	93.9

18. Cash and Cash Equivalents

	2021 £m	2020 £m
Cash at bank and in hand	118.4	227.4

19. Trade and Other Payables

	2021 £m	2020 £m
Trade payables	35.2	34.6
Other payables	3.9	3.1
Other taxation and social security	4.8	7.4
Accruals	69.6	53.1
	113.5	98.2

20. Current Tax Assets and Liabilities

	2021 £m	2020 £m
Corporation tax receivable	17.6	6.8
Corporation tax payable	(16.6)	(25.6)
	1.0	(18.8)

21. Borrowings and lease liabilities

	2021 £m	2020 £m
Current liabilities:		
Lease liabilities	3.1	3.2
Bank loans	–	1.4
	3.1	4.6
Non-current liabilities:		
Lease liabilities	12.8	11.8
Senior loan notes	115.1	127.1
Bank loans	189.7	214.2
Arrangement fees netted off	(2.1)	(2.7)
	315.5	350.4
Total borrowings	318.6	355.0

At 30 June 2021, £189.7 million was drawn against the £340.0 million Revolving Credit Facility maturing 25 July 2024. The facility is not secured on any specific assets of the Group but is supported by a joint and several cross guarantee structure. Interest is charged on this facility at a minimum of 1.30% over LIBOR and a maximum of 2.20% over LIBOR, dependent upon the Leverage (the ratio of Total Net Debt to Adjusted EBITDA) of the Group. As at 30 June 2021, interest being charged on this facility is 1.50% above LIBOR. All covenants were met during the year ended 30 June 2021.

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 2021. 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).

No interest has been capitalised during the year (2020: £nil).

The borrowing facility of Genera of £4.6 million, of which £1.4 million was drawn at 30 June 2020, was fully repaid in March 2021 and the facility was closed.

The maturity of the bank loans and senior loan notes is as follows:

	2021 £m	2020 £m
Payable:		
Within one year	–	1.4
Between one and two years	–	–
Between two and five years	189.7	214.2
Over five years	115.1	127.1
	304.8	342.7

The maturity of the lease liabilities is as follows:

	2021 £m	2020 £m
Payable:		
Within one year	3.1	3.2
Between one and two years	2.5	2.5
Between two and five years	3.7	4.0
Over five years	6.6	5.3
	15.9	15.0

Further information on the interest profile of borrowings is shown in note 24.

Notes to the Consolidated Financial Statements
continued

22. Provisions

	Deferred Rent £m	Provision for PPE grant £m	Environmental, Health & Safety Grant £m	Dilapidations £m	**Total £m**
At start of period	(0.4)	(1.4)	(0.3)	(0.4)	**(2.5)**
Provision recognised	–	–	–	(1.9)	**(1.9)**
Provision utilised	0.1	0.5	0.2	–	**0.8**
Foreign exchange differences	–	–	0.1	–	**0.1**
At end of period	(0.3)	(0.9)	–	(2.3)	**(3.5)**

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 has received advanced funding (PPE grant) for the refurbishment of the manufacturing facility for a third party manufacturing contract. The funding has been recognised at amortised cost and is being utilised over the life of the property, plant and equipment until 2025.

On the acquisition of Ampharmco, the Group established a fair value provision for dilapidations of a warehouse property. The provision will be utilised over the period to the expiry of the lease on 31 December 2022.

The Group established a fair value provision of £1.9 million for dilapidations of two warehouse properties in Skipton. In line with IFRS 16, the element of the provision that relates to reinstatement work as a result of alterations (£1.6 million) has been capitalised and will be depreciated over the lease term. The remaining amount (£0.3 million) has been expensed to the income statement. The respective provisions for the two buildings will be utilised over the period to the expiry of the lease in March 2025 and March 2030.

23. Employee Benefit Obligations

The defined benefit pension arrangements operated by the Netherlands, Germany and Croatia are unfunded: Jubilee awards of £0.3 million (2020: £0.3 million) for employees are recognised within other payables in the Consolidated Statement of Financial Position as at 30 June 2021.

24. Financial Instruments and Related Disclosures

The Group's financial instruments comprise private placements, bank loans and overdrafts, lease liabilities, derivatives used for hedging purposes and trade receivables and payables.

Treasury Policy

The Group reports in Sterling and pays dividends in Sterling out of the Group profits which are repatriated to Dechra Pharmaceuticals PLC through dividends. The role of the Group's treasury activities is to manage and monitor the Group's external and internal funding requirements and change to financing risks in support of the Group's corporate activities.

The Board of Directors has approved a policy which governs all treasury activities.

The Group uses a variety of financial instruments, including derivatives, to finance its operations and to manage market risks from these operations. Derivatives, principally comprising forward foreign currency contracts, foreign currency options and interest rate swaps, are used to hedge against changes in foreign currencies and interest rates. Hedges of net investments in foreign operations are also used in the management of foreign currency risk.

The Group does not hold or issue derivative financial instruments for speculative purposes and the Group's treasury policy specifically prohibits such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

The Group actively manages its exposure to credit risk, reducing surplus cash balances wherever possible. This is part of the strategy to concentrate cash centrally as much as possible. The table below sets out the credit exposure to counterparties by rating for liquid investments, cash and cash equivalents and derivatives.

Credit ratings are assigned by Standard and Poor's and Moody's respectively. Where the opinions of the two rating agencies differ, the Group assigns the lower rating of the two to the counterparty. Where local rating agency or Fitch data is the only source available, the ratings are converted to global ratings equivalent to those of Standard and Poor's or Moody's using published conversion tables. These credit ratings form the basis of the assessment of the expected credit loss on Treasury-related balances held at amortised cost being bank balances and deposits.

24. Financial Instruments and Related Disclosures continued
Treasury Policy continued

	2021 £m	2020 £m
AA/Aa	10.5	7.4
A/A	105.1	218.2
BBB/Baa	1.3	1.3
BB/Ba and below/unrated	1.5	0.5
Total bank balances and deposits	118.4	227.4

The Group measures expected credit losses over cash and cash equivalents as a function of individual counterparty credit ratings and associated 12 month default rates. Expected credit losses over cash and cash equivalents are deemed to be immaterial and no such loss has been experienced during 2021.

Capital Management
The capital structure of the Group consists of net borrowings and shareholders' equity. At 30 June 2021, net borrowing was £200.2 million (2020: £127.6 million), whilst shareholders' equity was £632.9 million (2020: £637.5 million).

The Group maintains a strong capital base so as to maintain investors', creditors' and market confidence and to sustain future development of the business.

The Group manages its capital structure to maintain a prudent balance between debt and equity that allows sufficient headroom to finance the Group's product development programme and appropriate acquisitions. There were no changes in the Group's approach to capital management during the year.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. The Group's operating subsidiaries are generally cash generative and none are subject to externally imposed capital requirements.

There are financial covenants associated with the Group's borrowings, which are interest cover (the ratio of underlying EBITDA to interest costs), and leverage (the ratio of total net debt to underlying EBITDA). The Group complied with these covenants in 2021 and 2020.

Operating cash flow is used to fund investment in the development of new products as well as to make the routine outflows of capital expenditure, tax, dividends and repayment of maturing debt.

The Group's policy is to maintain borrowing facilities centrally which are then used to finance the Group's operating subsidiaries, either by way of equity investments or intercompany loans.

Financial Risk Management
The Group has exposure to the following risks from its use of financial instruments:

- liquidity risk
- market risk
- 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.

Notes to the Consolidated Financial Statements
continued

24. Financial Instruments and Related Disclosures continued

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities as they fall due. Cash flows and covenants of the Group are monitored half-yearly. These are reviewed to ensure that sufficient financial headroom exists for at least a 12 month period.

The Group manages its funding requirements through the following lines of credit:

- £340.0 million multi-currency revolving credit facility;
- Private Placements in the amounts of USD100.0 million and EUR50.0 million; and
- £15.9 million lease liabilities;

The Group's borrowing facilities at 30 June 2021 are detailed in note 21.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest 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 base rate or LIBOR and fixed rates, thereby reducing the exposure to cash flow interest rate risk.

Foreign Exchange Risk Management

Foreign currency transaction exposure arising on normal trade flows is not hedged. The Group matches receipts and payments in the relevant foreign currencies as far as practicable. To this end, bank accounts are maintained for all the major currencies in which the Group trades. Translational exposure in converting the income statements of foreign subsidiaries into the Group's presentational currency of Sterling is not hedged.

The Group hedges selectively expected currency cash flows outside normal trading activities. The Group has designated a US Dollar borrowing of $97.0 million as a net investment hedge of US Dollar net assets.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group considers its maximum credit risk to be £101.6 million (2020: £90.5 million), which is the total carrying value of the Group's financial assets excluding cash and cash equivalents.

Our principal customers are pharmaceutical wholesalers and distributors. The failure of a large wholesaler could have a material adverse impact on the Group's financial results.

The largest customer of the Group sits within the NA Pharmaceuticals segment and accounted for approximately 13.3% of gross trade receivables at 30 June 2021 (2020: 21.4%). This customer accounted for 18.4% (2020: 20.0%) of total Group revenues. One other customer accounted for more than 10% of total Group revenues (2020: one).

All new customers are subject to a credit vetting process and existing customers will be subject to a review periodically. The vetting process and subsequent reviews involve obtaining information including audited financial statements, credit bureau reports, debt rating agency (e.g. Moody's, Standard & Poor's) reports and bank references.

Trade receivables consist of amounts due from a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The amount of information obtained is proportional to the level of exposure being considered. The information is evaluated quantitatively (i.e. credit score) and qualitatively (i.e. judgement) in conjunction with the customer's credit requirements to determine a credit limit.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

24. Financial Instruments and Related Disclosures continued

Fair Value of Financial Assets and Liabilities

The following table presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 30 June 2021 and 30 June 2020. The following assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximated to the carrying amount.
- Derivatives (interest rate swaps) – based upon the amount that the Group would receive or pay to terminate the instrument at the balance sheet date, being the market price of the instrument.
- Receivables and payables – approximated to the carrying amount.
- Borrowings, bank loans and overdrafts – based upon discounted cash flows using discount rates based upon facility rates.

Analysis of Financial Instruments

The financial instruments of the Group measured at amortised cost are analysed as follows:

	2021		2020	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Financial assets				
Financial assets measured at amortised cost				
– cash and cash equivalents	118.4	118.4	227.4	227.4
– trade receivables	88.2	88.2	79.4	79.4
– other receivables	13.4	13.4	11.1	11.1
Total financial assets	220.0	220.0	317.9	317.9
Financial liabilities				
Bank loans and overdrafts	(189.7)	(189.7)	(215.6)	(215.6)
Senior loan notes	(115.1)	(110.7)	(127.1)	(126.8)
Lease liabilities	(15.9)	(15.9)	(15.0)	(15.0)
Trade payables	(35.2)	(35.2)	(34.6)	(34.6)
Other payables	(3.9)	(3.9)	(3.1)	(3.1)
Accruals	(69.6)	(69.6)	(53.1)	(53.1)
Contingent consideration	(80.2)	(80.2)	(56.2)	(56.2)
Total financial liabilities	(509.6)	(505.2)	(504.7)	(504.4)
Net financial liabilities	(289.6)	(285.2)	(186.8)	(186.5)

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 2021	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial instruments held at fair value through the profit and loss	–	–	–	–
Derivative financial liabilities	–	–	–	–
Contingent consideration	–	–	(80.2)	(80.2)
Total	–	–	(80.2)	(80.2)

30 June 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial instruments held at fair value through the profit and loss	–	–	–	–
Derivative financial liabilities	–	–	–	–
Contingent consideration	–	–	(56.2)	(56.2)
Total	–	–	(56.2)	(56.2)

Notes to the Consolidated Financial Statements
continued

24. Financial Instruments and Related Disclosures continued
Fair Value Hierarchy continued
Contingent consideration is recorded at fair value based on risk-adjusted future cash flows discounted using appropriate interest rates, which are reviewed annually. The inputs relating to future cash flows will include cash flows relating to the relevant contractual arrangements. Refer to note 4 for amounts recognised in the Consolidated Income Statement in the year. Quantified information about significant unobservable inputs is disclosed within note 30.

Credit Risk
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for financial assets at amortised cost since the adoption of IFRS 9 at the start of the 2019 reporting period.

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 2021 and the corresponding historical losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance provision as at 30 June 2021 and 30 June 2020 is determined as follows:

30 June 2021	Not due £m	Past due (up to one month) £m	Past due (one to three months) £m	Past due (over three months) £m	Total £m
Expected loss rate	0.04%	0.04%	0.04%	75.0%	
Gross carrying amount – trade receivables	84.3	2.4	1.5	0.7	88.9
Loss allowance	–	–	–	0.2	0.2
Specific loss allowance	–	–	–	0.5	0.5
Total loss allowance	–	–	–	0.7	0.7

30 June 2020	Not due £m	Past due (up to one month) £m	Past due (one to three months) £m	Past due (over three months) £m	Total £m
Expected loss rate	0.02%	0.02%	0.02%	75.0%	
Gross carrying amount – trade receivables	76.0	3.0	0.5	0.6	80.1
Loss allowance	–	–	–	0.1	0.1
Specific loss allowance	–	0.1	–	0.5	0.6
Total loss allowance	–	0.1	–	0.6	0.7

The movement in the loss allowances for trade debtors at 30 June 2021 reconcile to the opening loss allowances as follows:

	2021 £m	2020 £m
At start of period	0.7	1.1
Impairment provision recognised/(released)	0.1	(0.4)
Impairment provision utilised	(0.1)	–
At end of period	0.7	0.7

24. Financial Instruments and Related Disclosures continued

Liquidity Risk – Contracted Cash Flows of Financial Liabilities

The following table shows the cash flow commitments of the Group in respect of financial liabilities at 30 June 2021 and 30 June 2020. Where interest is at floating rates, the future interest payments have been estimated using current interest rates:

At 30 June 2021	Contingent consideration £m	Bank loans and senior loan notes £m	Lease liabilities £m	Trade, other payables and accruals £m	Total £m
Carrying value	(80.2)	(302.7)	(15.9)	(108.7)	(507.5)
Arrangement fees netted off	–	(2.1)	–	–	(2.1)
Future interest	(33.8)	(1.6)	(2.1)	–	(37.5)
Total committed cash flow	(114.0)	(306.4)	(18.0)	(108.7)	(547.1)
Payable:					
Within 6 months	(17.3)	(1.6)	(1.9)	(103.4)	(124.2)
Between 6 months and 1 year	(5.9)	–	(1.7)	(4.8)	(12.4)
Between 1 and 2 years	(7.1)	–	(2.7)	–	(9.8)
Between 2 and 3 years	(6.7)	–	(2.0)	(0.2)	(8.9)
Between 3 and 4 years	(11.1)	(25.0)	(1.6)	–	(37.7)
Between 4 and 5 years	(8.2)	(164.7)	(1.2)	–	(174.1)
Over 5 years	(57.7)	(115.1)	(6.9)	(0.3)	(180.0)
	(114.0)	(306.4)	(18.0)	(108.7)	(547.1)

At 30 June 2020	Contingent consideration £m	Bank loans and senior loan notes £m	Lease liabilities £m	Trade, other payables and accruals £m	Total £m
Carrying value	(56.2)	(340.0)	(15.0)	(90.8)	(502.0)
Arrangement fees netted off	–	(2.7)	–	–	(2.7)
Future interest	(27.6)	(2.1)	(2.3)	–	(32.0)
Total committed cash flow	(83.8)	(344.8)	(17.3)	(90.8)	(536.7)
Payable:					
Within 6 months	(4.5)	(2.7)	(2.1)	(85.3)	(94.6)
Between 6 months and 1 year	(5.0)	(0.8)	(1.6)	(5.4)	(12.8)
Between 1 and 2 years	(4.1)	–	(2.9)	(0.1)	(7.1)
Between 2 and 3 years	(9.6)	–	(1.9)	–	(11.5)
Between 3 and 4 years	(6.2)	–	(1.4)	–	(7.6)
Between 4 and 5 years	(5.3)	(214.2)	(1.1)	–	(220.6)
Over 5 years	(49.1)	(127.1)	(6.3)	–	(182.5)
	(83.8)	(344.8)	(17.3)	(90.8)	(536.7)

Notes to the Consolidated Financial Statements
continued

24. Financial Instruments and Related Disclosures continued
Foreign Currency Exposure
The Sterling equivalents of financial assets and liabilities denominated in foreign currencies at 30 June 2021 and 30 June 2020 were:

At 30 June 2021	Australian Dollar £m	Danish Krone £m	Euro £m	US Dollar £m	Other £m
Financial assets					
Trade receivables	0.2	–	9.3	0.8	2.6
Other receivables	–	–	1.2	1.4	–
Cash balances	2.1	0.5	48.3	16.9	8.5
	2.3	0.5	58.8	19.1	11.1
Financial liabilities					
Bank loans and overdrafts	–	–	(42.9)	(72.2)	–
Lease liabilities	–	–	(0.3)	–	–
Trade payables	–	–	(7.0)	(0.9)	(0.4)
Other payables	–	–	(1.5)	–	–
Accruals	(0.1)	–	(1.4)	(0.7)	(1.1)
Contingent consideration	(56.2)	–	(3.1)	(17.8)	–
	(56.3)	–	(56.2)	(91.6)	(1.5)
Net balance sheet exposure	(54.0)	0.5	2.6	(72.5)	9.6

At 30 June 2020	Australian Dollar £m	Danish Krone £m	Euro £m	US Dollar £m	Other £m
Financial assets					
Trade receivables	–	–	8.3	1.2	1.5
Other receivables	–	–	0.6	0.5	–
Cash balances	4.2	1.0	33.7	19.3	14.7
	4.2	1.0	42.6	21.0	16.2
Financial liabilities					
Bank loans and overdrafts	–	–	(47.0)	(97.8)	–
Lease liabilities	–	–	(0.3)	–	–
Trade payables	–	–	(7.3)	(1.0)	–
Other payables	–	–	(0.1)	–	–
Accruals	(0.1)	–	(2.7)	–	(1.0)
Contingent consideration	(33.0)	–	(5.9)	(16.4)	–
	(33.1)	–	(63.3)	(115.2)	(1.0)
Net balance sheet exposure	(28.9)	1.0	(20.7)	(94.2)	15.2

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 2021 would reduce Group profit before taxation and equity by £3.9 million (2020: £5.2 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 2021, the Group have been exposed to transactional and translational currency risk. In addition to the transactional loss of £2.9 million being recognised in the Consolidated Income Statement, £28.0 million foreign exchange loss translational impact was recognised in the Consolidated Statement of Comprehensive Income in the year.

As part of our acquisition strategy, the Group seek 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	(4.9)
Danish Krone	0.0
Euro	0.2
US Dollar	(0.2)

The sensitivities on the above represent the Directors' view of reasonably possible changes in each risk variable, not worst case scenarios or stress tests. The outputs from the sensitivity analysis are estimates of the impact of the effect of changes in market risks assuming that the specified changes occur at the year end and are applied to the risk exposures at that date. Accordingly, they show the impact on profitability and the balance sheet from such movements.

Actual results in the future may differ materially from these estimates due to commercial actions taken to mitigate any potential losses from such rate movements, to the interaction of more than one sensitivity occurring and to further developments in global financial markets. As such, this table should not be considered as a projection of likely future gains and losses.

25. Share Capital

	Ordinary shares of 1 pence each			
	2021		2020	
	£m	Number	£m	Number
Allotted, called up and fully paid at start of year	1.1	108,010,960	1.0	102,651,602
New shares issued	0.0	204,363	0.1	5,359,358
Allotted, called up and fully paid at end of year	1.1	108,215,323	1.1	108,010,960

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, 204,363 new ordinary shares of 1 pence each (2020: 226,858 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 and the ESPP share option schemes. The consideration received was £2,265,445 (2020: £981,083). 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.

In the prior year the Company issued 5,132,500 shares of 1 pence each by way of a placing at an issue price of 2600 pence per share on 8 June 2020. The placing generated gross proceeds of £133.4 million. The placing price of 2600 pence per share was a 5.3% discount to the closing middle market share price on 3 June 2020, being the date of the placing announcement.

Notes to the Consolidated Financial Statements
continued

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.

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.

Long Term Incentive Plan 2017
(a) Long Term Incentive Plan Awards

Vesting is dependent on three 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 performance measure. 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 Incentives Plan 2017. For the purposes of this note they are detailed under the heading Long Term Incentive Plan (Qualifying LTIP Awards).

(c) Market Value Options

Market value options may be granted under the LTIP 2017 as tax-advantaged CSOP options and as Unapproved share options. These options are granted to certain Executives and employees of the Group (excluding Executive Directors) to purchase shares in the Company at a price fixed at the average market value over the three days prior to the date of grant. For the options to vest, there must be an increase in underlying diluted earnings per share of at least 12% above the growth in the UK Retail Prices Index (RPI) over a three year period. Once vested, options must be exercised within ten years of the date of grant. For the purposes of this note they are detailed under the headings Unapproved and Approved Share Option Schemes.

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 all UK and USA employees. Participants save a fixed amount of up to £500 (or the USD equivalent) per month for either three years (UK scheme) or two years (USA Scheme). The employees are then able to use these savings to buy shares in the Company at a price fixed at a 10% discount to the market value at the start of the savings period. The SAYE options must ordinarily be exercised within six months of the completion of the relevant savings period. For USA employees, there is a 12 month holding period that applies. The exercise of these options is not subject to any performance criteria.

26. Share-based Payments continued

Year ended 30 June 2021

	Exercise Period	Exercise price per share Pence	At 1 July 2020 Number	Exercised Number	Granted Number	Lapsed Number	**At 30 June 2021 Number**
Unapproved Share Option Scheme							
16 September 2013†	2016–2023	721.00	3,000	(3,000)	–	–	–
11 September 2014†	2017–2024	763.00	5,000	(3,000)	–	–	**2,000**
15 September 2015†	2018–2025	975.00	17,457	(14,957)	–	–	**2,500**
19 September 2016†	2019–2026	1369.00	42,863	(23,663)	–	–	**19,200**
2 March 2018†	2020–2028	2506.00	93,139	(27,501)	–	(2,278)	**63,360**
26 October 2018	2021–2028	2166.00	114,036	–	–	(5,528)	**108,508**
6 September 2019	2022–2029	2964.00	133,929	–	–	(9,676)	**124,253**
22 September 2020	2023–2030	3237.00	–	–	152,011	(5,693)	**146,318**
			409,424	(72,121)	152,011	(23,175)	**466,139**
Approved Share Option Scheme							
15 September 2015†	2018–2025	975.00	923	(923)	–	–	**–**
19 September 2016†	2019–2026	1369.00	2,921	(921)	–	–	**2,000**
2 March 2018†	2021–2028	2506.00	7,993	(3,086)	–	–	**4,907**
26 October 2018	2021–2028	2166.00	2,906	–	–	–	**2,906**
6 September 2019	2022–2029	2964.00	8,071	–	–	(658)	**7,413**
22 September 2020	2023–2030	3237.00	–	–	7,989	(753)	**7,236**
			22,814	(4,930)	7,989	(1,411)	**24,462**
Long Term Incentive Plan							
2 March 2018†	2020–2021	–	26,958	(19,864)	–	(7,094)	**–**
26 October 2018	2021–2022	–	98,679	–	–	–	**98,679**
6 September 2019	2022–2023	–	84,662	(478)	–	–	**84,184**
22 September 2020	2023–2024	–	–	–	45,440	–	**45,440**
			210,299	(20,342)	45,440	(7,094)	**228,303**
Long Term Incentive Plan (Qualifying LTIP Awards)							
2 March 2018†	2021–2028	2506.00	5,136	(2,902)	–	(2,234)	**–**
2 March 2018†	2020–2021	–	49,217	(35,327)	–	(13,890)	**–**
1 March 2019†	2022–2029	2429.00	629	–	–	(629)	**–**
1 March 2019†	2022–2023	–	2,519	(2,519)	–	–	**–**
22 September 2020	2023–2030	3237.00	–	–	3,309	–	**3,309**
22 September 2020	2023–2024	–	–	–	42,562	–	**42,562**
			57,501	(40,748)	45,871	(16,753)	**45,871**
SAYE Option Scheme							
12 October 2015	2018–2021	792.00	15,373	(15,373)	–	–	**–**
13 October 2016	2019–2022	1095.00	3,831	–	–	–	**3,831**
12 October 2017	2020–2023	1646.00	56,202	(50,358)	–	(1,620)	**4,224**
29 November 2018	2021–2024	1974.00	27,710	(45)	–	(2,614)	**25,051**
			103,116	(65,776)	–	(4,234)	**33,106**
Global SAYE Plan 2018							
4 October 2019	2022–2023	2573.00	27,173	(358)	–	(2,877)	**23,938**
16 October 2019	2021–2022	2571.00	19,174	(81)	–	(3,270)	**15,823**
19 October 2020	2023–2024	2868.00	–	–	41,600	(2,417)	**39,183**
19 October 2020	2022–2023	2868.00	–	(7)	6,866	(768)	**6,091**
			46,347	(446)	48,466	(9,332)	**85,035**
Total			849,501	(204,363)	299,777	(61,999)	**882,916**
Weighted average exercise price			1338.99p	1144.13p	2227.09p	1759.30p	**1853.10p**

† Total share options exercisable at 30 June 2021 are 93,967.

Notes to the Consolidated Financial Statements
continued

26. Share-based Payments continued
Year ended 30 June 2020

	Exercise Period	Exercise price per share Pence	At 1 July 2019 Number	Exercised Number	Granted Number	Lapsed Number	**At 30 June 2020 Number**
Unapproved Share Option Scheme							
1 March 2010†*	2013–2020	418.81	2,177	–	–	(2,177)	–
16 September 2013†	2016–2023	721.00	3,000	–	–	–	3,000
11 September 2014†	2017–2024	763.00	7,000	(2,000)	–	–	5,000
15 September 2015†	2018–2025	975.00	18,983	(1,526)	–	–	17,457
18 March 2016†	2019–2026	1118.00	475	(475)	–	–	–
19 September 2016	2019–2026	1369.00	72,352	(26,489)	–	(3,000)	42,863
2 March 2018	2020–2028	2506.00	98,639	–	–	(5,500)	93,139
26 October 2018	2021–2028	2166.00	120,036	–	–	(6,000)	114,036
6 September 2019	2022–2029	2964.00	–	–	133,929	–	133,929
			322,662	(30,490)	133,929	(16,677)	409,424
Approved Share Option Scheme							
16 September 2013†	2016–2023	721.00	500	(500)	–	–	–
11 September 2014†	2017–2024	763.00	2,000	(2,000)	–	–	–
15 September 2015†	2018–2025	975.00	955	(32)	–	–	923
19 September 2016	2019–2026	1369.00	9,148	(6,227)	–	–	2,921
2 March 2018	2021–2028	2506.00	7,993	–	–	–	7,993
26 October 2018	2021–2028	2166.00	2,906	–	–	–	2,906
6 September 2019	2022–2029	2964.00	–	–	8,071	–	8,071
			23,502	(8,759)	8,071	–	22,814
Long Term Incentive Plan							
19 September 2016	2019–2020	–	143,969	(138,687)	–	(5,282)	–
2 March 2018	2020–2021	–	28,240	–	–	(1,282)	26,958
26 October 2018	2021–2022	–	98,679	–	–	–	98,679
6 September 2019	2022-2023	–	–	–	88,232	(3,570)	84,662
			270,888	(138,687)	88,232	(10,134)	210,299
Long Term Incentive Plan (Qualifying LTIP Awards)							
2 March 2018	2021–2028	2506.00	5,136	–	–	–	5,136
2 March 2018	2020–2021	–	49,217	–	–	–	49,217
26 October 2018	2021–2028	2166.00	1,350	–	–	(1,350)	–
26 October 2018	2021–2022	–	3,115	–	–	(3,115)	–
1 March 2019	2022–2029	2429.00	1,235	–	–	(606)	629
1 March 2019	2022–2023	–	4,940	–	–	(2,421)	2,519
			64,993	–	–	(7,492)	57,501
SAYE Option Scheme							
13 October 2014	2017–2020	614.00	13,419	(13,419)	–	–	–
12 October 2015	2018–2021	792.00	15,373	–	–	–	15,373
13 October 2016	2019–2022	1095.00	39,192	(34,413)	–	(948)	3,831
12 October 2017	2020–2023	1646.00	61,576	(759)	–	(4,615)	56,202
29 November 2018	2021–2024	1974.00	33,389	(331)	–	(5,348)	27,710
			162,949	(48,922)	–	(10,911)	103,116
Global SAYE Plan 2018							
4 October 2019	2022–2023	2573.00	–	–	30,073	(2,900)	27,173
16 October 2019	2021–2022	2571.00	–	–	20,632	(1,458)	19,174
			–	–	50,705	(4,358)	46,347
Total			844,994	(226,858)	280,937	(49,572)	849,501
Weighted average exercise price*			994.14p	432.32p	1498.16p	1117.27p	1338.99p

* Adjusted to reflect the bonus element of the Rights Issue — there has been no impact on the overall fair value of options in issue.
† Total share options exercisable at 30 June 2020 are 72,164.

26. Share-based Payments continued

The weighted average exercise price of options eligible to be exercised at 30 June 2021 was 2171.65p (2020: 1199.72p). For options exercised during the year, the weighted average market price at the date of exercise was 3435.95p (2020: 2777.57p). The weighted average remaining contractual lives of options outstanding at the Consolidated Statement of Financial Position date was 5.1 years (2020: 4.9 years).

Outstanding options on all Long Term Incentive, Approved and Unapproved plans prior to 30 June 2018 were exercisable at 30 June 2021. No options issued under SAYE plans were exercisable at 30 June 2021 (2020: nil).

The fair values for shares granted under the Unapproved, Approved and SAYE Option Schemes have been calculated using the Black–Scholes option pricing model. The fair values of shares awarded under the Long Term Incentive Plan have been calculated using a Monte Carlo simulation model which takes into account the market-based performance conditions attaching to those shares. The assumptions used in calculating fair value are as follows:

Unapproved and Approved Share Option Schemes

Date of grant	22/09/20	22/09/20	22/09/20	22/09/20	06/09/19	26/10/18 & 01/03/19
Holding period restriction	N/A	N/A	2 years	2 years	N/A	N/A
Number of shares awarded	794	9,578	308	618	8,071	6,876
Share price at date of grant	3164p	3164p	3164p	3164p	3036p	2188p
Exercise price	3237p	3237p	3237p	3237p	2964p	2166p
Expected life	3.02 years	3.02 years	3.02 years	3.02 years	6.5 years	6.5 years
Risk-free rate	-0.90%	0.00%	-0.90%	0.00%	0.31%	1.05%
Volatility	31.4%	31.4%	31.4%	31.4%	28%	28%
Dividend yield	N/A	1.1%	N/A	1.1%	1.00%	0.90%
Fair value per share	902p	993p	812p	894p	928p	596p

Long Term Incentive Plan 2017

Valuation date	22/09/20
Award date	22/09/20
Vesting date	30/06/23
Expected exercise	30/06/23

Type of awards	Standalone Nil-cost options		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	N/A		2 years		2 years		N/A
Number of awards at grant	10,556	21,114	3,434	6,869	15,342	30,687	152,011
Share price at date of grant	3164p	3164p	3164p	3164p	3164p	3164p	3164p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	3237p
Expected life	3.02 years	3.02 years	3.02 years	3.02 years	3.02 years	3.02 years	6.50 years
Risk-free rate	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	0.00%
Volatility	31.4%	31.4%	31.4%	31.4%	31.4%	31.4%	31.4%
Dividend yield	N/A	1.1%	N/A	1.1%	N/A	1.1%	1.1%
Fair value per share	2353p	3062p	2118p	2756p	2118p	2756p	993p

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26. Share-based Payments continued
Long Term Incentive Plan 2017

Valuation date	06/09/19
Award date	06/09/19
Vesting date	30/09/22
Expected exercise	30/09/22

Type of awards	Standalone Nil-cost options		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	2 years		2 years		N/A		N/A
Number of awards at grant	11,696	23,391	3,661	7,323	14,053	28,108	133,929
Share price at date of grant	3036p	3036p	3036p	3036p	3036p	3036p	3036p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	2964p
Expected life	3.07 years	3.07 years	3.07 years	3.07 years	3.07 years	3.07 years	6.50 years
Risk-free rate	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%
Volatility	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%
Dividend yield	N/A	1.0%	N/A	1.0%	N/A	1.0%	1.0%
Fair value per share	1872p	2647p	1872p	2647p	2080p	2941p	928p

Long Term Incentive Plan 2017

Valuation date	26/10/18 & 01/03/19
Award date	26/10/18 & 01/03/19
Vesting date	30/09/21
Expected exercise	30/09/21

Type of awards	Standalone Nil-cost options		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	2 years		2 years		N/A		N/A
Number of awards at grant	23,919	47,838	4,815	9,629	15,374	30,748	130,209
Share price at date of grant	2188p	2188p	2188p	2188p	2188p	2188p	2188p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	2166p
Expected life	2.93 years	2.93 years	2.93 years	2.93 years	2.93 years	2.93 years	6.5 years
Risk-free rate	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.05%
Volatility	27.95%	27.95%	27.95%	27.95%	27.95%	27.95%	27.95%
Dividend yield	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
Fair value per share	943p	1939p	943p	1939p	1036p	2131p	596p

26. Share-based Payments continued

Save As You Earn Option Scheme and Global SAYE Scheme

Date of grant	19/10/2020	19/10/2020	16/10/2019	04/10/2019	29/11/18	12/10/17	13/10/16
Number of shares awarded	41,600	6,866	20,632	30,073	34,527	73,108	52,877
Share price at date of grant	3474p	3474p	2626p	2736p	2136p	2175p	1370p
Exercise price	2868p	2868p	2571p	2573p	1974p	1646p	1095p
Expected life							
– two year scheme	–	2.0 years	2.0 years	–	–	–	–
– three year scheme	3.0 years	–	–	3.0 years	3.4 years	3.25 years	3.25 years
– five year scheme	–	–	–	–	5.4 years	5.25 years	5.25 years
Risk-free rate							
– two year scheme	–	-0.08%	0.52%	–	–	–	–
– three year scheme	-0.10%	–	–	0.25%	0.77%	0.54%	0.22%
– five year scheme	–	–	–	–	0.91%	0.79%	0.44%
Volatility							
– two year scheme	–	28.40%	32.10%	–	–	–	–
– three year scheme	31.80%	–	–	28.60%	27.94%	21.6%	22%
– five year scheme	–	–	–	–	25.09%	22.2%	24%
Dividend yield	1.00%	1.00%	1.20%	1.20%	0.95%	1.91%	1.51%
Fair value per share							
– two year scheme	–	758p	486p	–	–	–	–
– three year scheme	850p	–	–	504p	485p	551p	302p
– five year scheme	–	–	–	–	530p	587p	346p

Expected volatility was determined by calculating the historical volatility of the Group's share price over its entire trading history.

National Insurance contributions are payable by the Company in respect of some of the share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments and are therefore treated as cash settled awards. The Group had an accrual at 30 June 2021 of £1.5 million (2020: £0.6 million), of which £0.3 million (2020: £0.1 million) related to vested options. The total charge to the Consolidated Income Statement within administrative expenses in respect of share-based payments was:

	2021 **£m**	2020 £m
Equity settled share-based transactions	**2.8**	1.5
Cash settled share-based transactions	**0.9**	–
	3.7	1.5

27. Changes in Net Debt

	At 1 July 2020 £m	Cash flows £m	New lease liabilities £m	Foreign exchange movements £m	Other non-cash movements £m	**At** **30 June 2021** **£m**
Cash and cash equivalents	227.4	(102.1)	–	(6.9)	–	**118.4**
Lease liabilities within one year	(3.2)	4.1	–	–	(4.0)	**(3.1)**
Bank loans within one year	(1.4)	1.4	–	–	–	**–**
Lease liabilities after one year	(11.8)	–	(5.8)	0.4	4.4	**(12.8)**
Bank loans and senior loan notes after one year	(338.6)	14.5	–	22.0	(0.6)	**(302.7)**
Net debt	(127.6)	(82.1)	(5.8)	15.5	(0.2)	**(200.2)**

Notes to the Consolidated Financial Statements

continued

28. Foreign Exchange Rates

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

	Average rate for 2020	Closing rate at 30 June 2020	Average rate for 2021	Closing rate at 30 June 2021
Australian Dollar	1.8784	1.7913	1.8035	1.8476
Brazilian Real	5.6245	6.6986	7.2518	6.8819
Danish Krone	8.5080	8.1681	8.3981	8.6664
Euro	1.1396	1.0960	1.1287	1.1654
US Dollar	1.2601	1.2273	1.3466	1.3850

29. Acquisitions

Acquisition of Osurnia

On 27 July 2020, the Group completed the acquisition of the worldwide rights of the *Osurnia* product portfolio from Elanco Animal Health Incorporated for a total consideration of USD135.0 million (£106.5 million). The Group has adopted the amendments to IFRS 3 'Business Combinations' and applied the optional concentration test for this transaction. Accordingly, it has been concluded that substantially all the value arising from the transaction relates to the product rights which are recognised as an intangible asset. The total intangible asset recognised in relation to this acquisition is £106.5 million. A payment of £4.7 million was also made for inventory.

Prior Year Acquisitions

Following the acquisition of 100% of the share capital of Ampharmco LLC and its associated companies Dragon Fire Holdings LLC and Black Griffin Holdings LLC (collectively Ampharmco), together with its manufacturing site based in Fort Worth, Texas in August 2019, the disclosure of final fair values of the assets and liabilities acquired has been included in the financial statements for the year ended 30 June 2020.

30. Contingent Consideration Liabilities

	2021 £m	2020 £m
Contingent consideration – less than one year	22.6	8.9
Contingent consideration – more than one year	57.6	47.3
	80.2	56.2

The consideration for certain acquisitions and licensing agreements includes amounts contingent on future events such as development milestones or sales performance. The Group has provided for the fair value of this contingent consideration as follows:

	Tri-Solfen® £m	StrixNB® & DispersinB® £m	Injectable Solution 1 £m	Injectable Solution 2 £m	*Mirataz* £m	Phycox® £m	Other £m	Total £m
As at 1 July 2019	22.0	0.7	4.4	5.2	–	2.2	1.5	36.0
Additions	–	0.2	–	–	10.9	–	0.2	11.3
Remeasurement through intangibles	9.9	–	0.2	–	–	0.8	–	10.9
Cash payments: investing activities	–	(0.1)	(1.5)	(0.9)	–	(0.8)	(0.2)	(3.5)
Finance expense	0.4	–	0.1	0.1	–	–	–	0.6
Foreign exchange adjustments	0.7	–	0.1	–	–	0.1	–	0.9
At 30 June 2020	33.0	0.8	3.3	4.4	10.9	2.3	1.5	56.2
Additions	24.7	–	–	–	–	–	3.2	27.9
Remeasurement through intangibles	2.3	0.1	(0.6)	(2.3)	5.4	(0.1)	0.1	4.9
Cash payments: investing activities	(2.8)	(0.3)	(0.8)	(0.2)	(0.6)	(0.9)	(0.4)	(6.0)
Finance expense	0.6	–	–	–	0.1	0.1	0.2	1.0
Foreign exchange adjustments	(1.6)	–	(0.3)	(0.1)	(1.4)	(0.2)	(0.2)	(3.8)
At 30 June 2021	**56.2**	**0.6**	**1.6**	**1.8**	**14.4**	**1.2**	**4.4**	**80.2**

The table below shows on an indicative basis the sensitivity to reasonably possible changes in key inputs to the valuations of the contingent consideration liabilities. There will be a corresponding opposite impact on the intangible asset.

	Tri-Solfen®	StrixNB® & DispersinB®	Injectable Solution 1	Injectable Solution 2	*Mirataz*	Phycox®	Other
Increase/(decrease) in financial liability							
10% increase in royalty forecasts £m	3.5	0.1	N/A	N/A	1.4	0.1	0.2
10% decrease in royalty forecasts £m	(3.5)	(0.1)	N/A	N/A	(1.4)	(0.1)	(0.2)
1% increase in discount rates £m	(3.7)	–	–	–	(0.7)	–	(0.1)
1% decrease in discount rates £m	3.7	–	–	–	0.7	–	0.1
5% appreciation in currency £m	(2.7)	–	(0.1)	(0.1)	(0.7)	(0.1)	(0.2)
5% depreciation in currency £m	2.7	–	0.1	0.1	0.7	0.1	0.2
Discount rate range in 2021 financial year	0.0%–19.7%	10.4%–11.7%	9.2%	9.2%	7.5%–9.9%	10.4%	8.6%–10.4%
Discount rate range in 2020 financial year	2.5%–16.6%	10.1%–13.1%	9.2%	9.2%	6.8%–10.2%	10.1%	9.4%
Aggregate cash outflow in relation to royalties (remaining term of royalty agreement)							
2021 £m (years)	58.5 (10.0)	0.8 (6.0)	N/A	N/A	22.5 (9.5)	1.3 (2.5)	3.4 (10.0)
2020 £m (years)	50.6 (10.0)	1.1 (7.0)	N/A	N/A	17.6 (10.0)	2.8 (3.5)	N/A

Notes to the Consolidated Financial Statements
continued

30. Contingent Consideration Liabilities continued

The consideration payable for Tri-Solfen® is expected to be payable over a number of years, and relates to development milestones and sales performance. During the year, the development milestones and sales performance royalties have been remeasured. On 5 February 2021, the Group entered into a licensing agreement with Animal Ethics Pty Ltd for the marketing authorisations of Tri-Solfen® in Australia and New Zealand for a total consideration of AUD31.0 million (£17.2 million) and sales performance royalties. At 30 June 2021, AUD26.0 million (£14.1 million) of the total consideration was not discounted given that settlement took place in July 2021. The remaining liability was discounted between 1.2% and 19.7%. 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 CAPM-based approach, also taking into account systematic risk associated with elements of the future cash flows.

The consideration payable for *Mirataz* relates to sales performance and is expected to be payable over a number of years.

The consideration payable for StrixNB® and DispersinB® is expected to be payable over a number of years, and relates to sales performance. During the year the contingent consideration has been remeasured based on management's best estimate of forecasted sales performance. An Addendum to the contract was agreed during the year for a development milestone and sales performance in the Brazilian market.

The consideration for two separate licensing agreements for injectable solutions both relate to development milestones. *Phycox* relates to sales performance and arose as part of the acquisition of the trade and assets of PSPC Inc. in 2014.

Where a liability is expected to be payable over a number of years the total estimated liability is discounted to its present value. With the exception of *Phycox*, all contingent consideration liabilities relate to licensing agreements.

31. Related Party Transactions

Subsidiaries

The Group's ultimate Parent Company is Dechra Pharmaceuticals PLC. A listing of subsidiaries is shown within the financial statements of the Company on pages 218 to 220.

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 129 to 139. The remuneration of key management is disclosed in note 8.

Associates

On 5 February 2021, the Group entered into a licensing agreement with Animal Ethics Pty Ltd for the marketing authorisations of Tri-Solfen® in Australia and New Zealand for a total consideration of AUD31.0 million (£17.2 million). An upfront payment of AUD5.0 million (£2.8 million) was payable on signing, with the balance of the payment made in July 2021 on the first commercial sale by Dechra into the Australian market. A royalty will also be paid on net sales. The Group also acquired a further 1.5% of the issued share capital of Medical Ethics Pty Ltd, the parent company of Animal Ethics, for a total consideration of AUD1.5 million (£0.8 million) from the current shareholders. Following this acquisition the Group holds 49.5% of the issued share capital of Medical Ethics Pty Ltd, and this has not resulted in a change of control or accounting treatment of the entity. Refer to note 6 for further information on the results of the associate in the period.

In 2017 the Group entered into a licensing agreement with Animal Ethics Pty Ltd for Tri-Solfen® for which the fair value of associated contingent consideration is disclosed in note 30.

32. Off Balance Sheet Arrangements

The Group has no off balance sheet arrangements to disclose as required by S410A of the Companies Act 2006.

33. Contingent Liabilities

The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concluded that the legislation up until December 2018 does partially represent State Aid. The Group considers that the potential amount of additional tax payable remains between £nil and £4.0 million depending on the basis of calculation and the outcome of HMRC's appeal to the EU Commission. 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.

During the period, the Group received charging notices from HMRC under The Taxation (Post Transition Period) Bill for part of the exposure (£2.75 million) and has paid this to HMRC. As the Group considers that the appeal will be successful, the charging notices have been settled in full and a current asset has been recorded in respect of the payment on the basis that the amount will be repaid in due course.

At 30 June 2021, contingent liabilities arising in the normal course of business amounted to £13.0 million (2020: £11.4 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.

34. Subsequent Events

On 2 July 2021 the Group acquired the marketing rights to two anaesthesia products for an initial payment of USD1.25 million. A final payment of USD10.75 million will be made on 30 December 2021.

35. Underlying Operating Profit, EBITDA and Profit Before Taxation reconciliation

	2021 £m	2020 £m
Operating profit		
Underlying operating profit/EBIT is calculated as follows:		
Operating profit	**84.0**	52.2
Non-underlying operating expenses (note 5)	**78.2**	76.1
Underlying operating profit/EBIT	**162.2**	128.3
Depreciation	**11.0**	9.9
Amortisation and impairment	**4.5**	4.3
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	**177.7**	142.5
Profit before taxation		
Underlying profit before taxation is calculated as follows:		
Profit before taxation	**74.0**	40.9
Non-underlying operating expenses	**78.2**	76.1
Amortisation of fair value adjustments relating to Medical Ethics (net of tax)	**0.7**	0.6
Fair value and other movements on contingent consideration	**(2.8)**	1.5
Loss on extinguishment of debt	**–**	1.0
Underlying profit before taxation	**150.1**	120.1

Company Statement of Financial Position

At 30 June 2021

	Note	2021 £m	2020 £m
Non-current assets			
Investments	iv	758.9	743.6
Intangible assets	v	8.1	9.3
Tangible assets	vi	1.1	1.2
		768.1	754.1
Current assets			
Trade and other receivables (includes amounts falling due after more than one year of £47.9 million (2020: £47.6 million))	vii	91.1	110.7
Cash at bank and in hand	viii	82.0	200.1
		173.1	310.8
Borrowings	x	(0.2)	(0.2)
Trade and other payables	ix	(153.1)	(267.3)
Net current assets		19.8	43.3
Total assets less current liabilities		787.9	797.4
Non-current liabilities			
Borrowings	x	(138.8)	(166.6)
Net assets		649.1	630.8
Equity			
Called up share capital	xii	1.1	1.1
Share premium account		411.6	409.3
Foreign currency translation reserve		0.6	0.6
Merger reserve		82.6	82.6
At 1 July		137.2	136.6
Profit for the year attributable to the owners		50.2	32.3
Other changes in retained earnings		(34.2)	(31.7)
Retained earnings		153.2	137.2
Total shareholders' funds		649.1	630.8

The financial statements were approved by the Board of Directors on 6 September 2021 and are signed on its behalf by:

Ian Page
Chief Executive Officer
6 September 2021

Paul Sandland
Chief Financial Officer
6 September 2021

Company number: 3369634

Company Statement of Changes in Shareholders' Equity

For the year ended 30 June 2021

	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 2020						
At 1 July 2019	1.0	277.9	0.6	82.6	136.6	498.7
Profit for the period	–	–	–	–	32.3	32.3
Total comprehensive income	–	–	–	–	32.3	32.3
Transactions with owners						
Dividends paid	–	–	–	–	(33.3)	(33.3)
Share-based payment charge	–	–	–	–	1.6	1.6
Shares issued	0.1	131.4	–	–	–	131.5
Total contributions by and distributions to owners	0.1	131.4	–	–	(31.7)	99.8
At 30 June 2020	**1.1**	**409.3**	**0.6**	**82.6**	**137.2**	**630.8**
Year ended 30 June 2021						
At 1 July 2020	1.1	409.3	0.6	82.6	137.2	630.8
Profit for the period	–	–	–	–	50.2	50.2
Total comprehensive income	–	–	–	–	50.2	50.2
Transactions with owners						
Dividends paid	–	–	–	–	(37.9)	(37.9)
Share-based payment charge	–	–	–	–	3.7	3.7
Shares issued	–	2.3	–	–	–	2.3
Total contributions by and distributions to owners	–	2.3	–	–	(34.2)	(31.9)
At 30 June 2021	**1.1**	**411.6**	**0.6**	**82.6**	**153.2**	**649.1**

Refer to the Group notes for dividend paid (note 10), share-based payment charge (note 26) and shares issued (note 25).

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 2021 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 £50.2 million (2020: £32.3 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.

Adoption of New and Revised Standards

A number of amendments to IFRSs became effective for the financial year beginning on 1 July 2020. None of these standards 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.

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

(i) Principal Accounting Policies of the Company continued

Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid. Dividends receivable from subsidiaries are recognised when either received in cash or applied to reduce a creditor balance with the subsidiary.

Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Employee Benefits

(a) Pensions

The Company operates a Group stakeholder personal pension scheme for certain employees. Obligations for contributions are recognised as an expense in the income statement as incurred.

(b) Share-based Payment Transactions

The Company operates a number of equity settled share-based payment programmes that allow employees to acquire shares of the Company. The Company also operates Long Term Incentive Plans for Directors and Senior Executives.

The fair value of shares or options granted is recognised as an employee expense on a straight-line basis in the income statement with a corresponding movement in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares or options (the vesting period). The fair value of the shares or options granted is measured using a valuation model, taking into account the terms and conditions upon which the shares or options were granted. The amount recognised as an expense in the income statement is adjusted to take into account an estimate of the number of shares or options that are expected to vest together with an adjustment to reflect the number of shares or options that actually do vest except where forfeiture is only due to market-based conditions not being achieved.

The fair values of grants under the Long Term Incentive Plan have been determined using the Monte Carlo simulation model. The fair values of options granted under all other share option schemes have been determined using the Black–Scholes option pricing model.

National Insurance contributions payable by the Company on the intrinsic value of share-based payments at the date of exercise are treated as cash settled awards and revalued to market price at each statement of financial position date. Where the Company grants options over its own shares to the employees of its subsidiaries, it recharges the expense to those subsidiaries.

Foreign Currency

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the closing rate at the reporting date. Foreign exchange gains and losses are recognised in the income statement.

Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for the UK, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Financial Guarantee Contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

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.

Notes to the Company Financial Statements

continued

(ii) Directors and Employees

Total emoluments of Directors (including pension contributions) amounted to £4.4 million (2020: £2.8 million). Information relating to Directors' emoluments, share options and pension entitlements is set out in the Directors' Remuneration Report on pages 129 to 139. 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 1.1287 (2020: 1.096).

	2021 Number	2020 Number
Administration	65	53
Total	**65**	53

The costs incurred in respect of these employees were:

	2021 £m	2020 £m
Wages and salaries	6.4	5.0
Social security costs	0.9	0.7
Other pension costs	0.3	0.2
Share-based payments charge (see note 26)	3.7	1.5
Total	**11.3**	7.4

The Group operates a stakeholder personal pension scheme for certain employees and contributed between 4% and 14% of pensionable salaries. Total pension contributions amounted to £0.3 million (2020: £0.2 million).

(iii) Profit Before Taxation

The following items have been included in arriving at profit before taxation of continuing operations:

	2021 £m	2020 £m
Depreciation of property, plant and equipment		
– owned assets	0.1	0.1
– right-of-use assets	0.2	0.2
Amortisation of intangible assets	2.6	2.2
Lease rental payables in respect of low value assets	–	–
Auditors' remuneration – audit of these financial statements	0.1	0.1

(iv) Investments

	Shares in subsidiary undertakings £m
Cost	
At 1 July 2020	755.8
Additions	237.5
Disposals	(222.2)
At 30 June 2021	**771.1**
Impairment	
At 1 July 2020	12.2
Charge for the period	–
At 30 June 2021	**12.2**
Net book value	
At 30 June 2021	**758.9**
At 30 June 2020	743.6

On 21 December 2021, the Company invested £15.3 million into the share capital of Eurovet Animal Health BV, a wholly owned subsidiary.

On 31 December 2021, the Company sold its shares in Eurovet Animal Health BV, Dechra Regulatory BV and Dechra Finance BV to Dechra Holdings Netherlands BV, in exchange for shares in Dechra Holdings Netherlands BV.

A list of subsidiary undertakings is given in note (xiii).

(v) Intangible Assets

	Product Rights £m	Software £m	Total Intangible assets £m
Cost			
At 1 July 2020	5.1	12.2	17.3
Additions	–	1.4	1.4
At 30 June 2021	**5.1**	**13.6**	**18.7**
Accumulated Amortisation			
At 1 July 2020	4.3	3.7	8.0
Charge for the year	0.5	2.1	2.6
At 30 June 2021	**4.8**	**5.8**	**10.6**
Net book value			
At 30 June 2021	**0.3**	**7.8**	**8.1**
At 30 June 2020	0.8	8.5	9.3

(vi) Tangible Assets

	Short leasehold buildings £m	Motor vehicles £m	Plant and fixtures £m	Total £m
Cost				
At 1 July 2020	1.0	0.3	0.7	2.0
Additions	–	0.2	–	0.2
At 30 June 2021	**1.0**	**0.5**	**0.7**	**2.2**
Accumulated Depreciation				
At 1 July 2020	0.2	0.1	0.5	0.8
Charge for the year	0.1	0.1	0.1	0.3
At 30 June 2021	**0.3**	**0.2**	**0.6**	**1.1**
Net book value				
At 30 June 2021	**0.7**	**0.3**	**0.1**	**1.1**
At 30 June 2020	0.8	0.2	0.2	1.2
Net book value of right-of-use assets				
At 30 June 2021	**0.7**	**0.3**	**–**	**1.0**
At 30 June 2020	0.8	0.2	–	1.0
Depreciation charge of right-of-use assets				
2021	**0.1**	**0.1**	**–**	**0.2**
2020	0.1	0.1	–	0.2

Included in additions are £0.2 million (2020: £0.2 million) of right-of-use assets.

Notes to the Company Financial Statements

continued

(vii) Trade and Other Receivables

	2021 £m	2020 £m
Amounts owed by subsidiary undertakings	84.8	104.7
Group relief receivable	2.5	3.8
Deferred taxation (see note (xi))	1.5	0.4
Other receivables	1.5	1.0
Prepayments and accrued income	0.8	0.8
	91.1	110.7

Included in debtors are amounts of £1.5 million (2020: £0.4 million) due after more than one year relating to deferred tax assets.

Of the amounts owed by subsidiary undertakings, £46.4 million is due after more than one year (2020: £47.2 million). This is made up of a balance of £0.9 million repayable in 2023 (interest of 1.5% above LIBOR), and a balance of £45.5 million repayable in 2027 (interest of 1.7%). The remaining amounts owed by subsidiary undertakings of £38.4 million is unsecured and repayable on demand. Of the £38.4 million, £29.0 million attracts interest of between 0.98% and 2.43% above LIBOR, with the remaining trade balance of £9.4 million being interest free. The provision for impairment against amounts owed by subsidiary undertakings is immaterial and has been considered in accordance with IFRS 9.

(viii) Cash at Bank and in Hand

	2021 £m	2020 £m
Cash at bank and in hand	82.0	200.1
	82.0	200.1

(ix) Trade and Other Payables

	2021 £m	2020 £m
Trade payables	1.3	1.2
Other payables	0.1	–
Amounts due to subsidiary undertakings	144.7	261.2
Other taxation and social security	–	0.2
Accruals and deferred income	7.0	4.7
	153.1	267.3

Amounts due to subsidiary undertakings are primarily unsecured and repayable on demand. £116.1 million attracts interest between 0.12% and 0.25% below LIBOR, the balance is interest free.

In accordance with IAS 10 'Events after the Balance Sheet Date', the proposed final dividend for the year ended 30 June 2021 of 29.39 pence per share (2020: 24.00 pence per share) has not been accrued for in these financial statements. It will be shown in the financial statements for the year ending 30 June 2022. The total cost of the proposed final dividend is £31.8 million (2020: £25.9 million).

(x) Borrowings

	2021 £m	2020 £m
Borrowings due within one year		
Lease liabilities	0.2	0.2
Borrowings due after more than one year		
Aggregate bank loan and lease liabilities instalments repayable:		
– between one and two years	0.2	0.2
– between two and five years	25.2	41.5
– over five years	115.5	127.6
Arrangement fees netted off	(2.1)	(2.7)
	138.8	166.6
Total borrowings	139.0	166.8

(x) Borrowings continued

At 30 June 2021, £25.0 million was drawn against the £340.0 million Revolving Credit Facility maturing 25 July 2024 in the Company. Interest is charged on this facility at a minimum of 1.30% over LIBOR and a maximum of 2.20% over LIBOR, dependent upon the Leverage (the ratio of Total Net Debt to Adjusted EBITDA) of the Group. As at 30 June 2021, interest being charged on this facility is 1.50% above LIBOR.

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 2021 amounting to £115.1 million. The Private Placement amounts are not secured on any specific assets of the Group, but are supported by a joint and several guarantee structure. Interest is charged on the EUR50.0 million amount at a fixed rate of 1.19% until maturity (January 2027). Interest is charged on the USD100.0 million amount at a fixed rate of 3.34% until maturity (January 2030).

No interest has been capitalised during the year (2020: £nil).

Contingent Liabilities

The Company guarantees certain borrowings of other Group companies under the above facilities, which at 30 June 2021 amounted to £164.7 million (2020: £174.3 million).

(xi) Deferred Tax

	£m
At 1 July 2020 (included in trade and other receivables)	0.4
Recognised in the income statement	0.4
Recognised in equity/OCI	0.7
At 30 June 2021 (included in trade and other receivables)	**1.5**

Deferred tax has been calculated using the rate of 19.0% or 25.0% based on the timing of when each individual deferred tax balance is expected to reverse in the future as follows (2020: 17.0% or 19.0%):

	2021 £m	2020 £m
Short term timing differences	1.7	0.7
Accelerated capital allowances	(0.2)	(0.3)
	1.5	0.4

Deferred tax assets in relation to losses amounting to £nil (2020: £nil) have not been recognised due to uncertainty over their recoverability.

(xii) Called up Share Capital

		Ordinary shares of 1p each
Issued share capital	£m	Number
Allotted, called up and fully paid at 1 July 2020	1.1	108,010,960
New shares issued	0.0	204,363
Allotted, called up and fully paid at 30 June 2021	**1.1**	**108,215,323**

Details of new ordinary shares issued following the exercise of options under the Long Term Incentive Plan and the Approved, Unapproved and SAYE Share Option Schemes are shown in notes 25 and 26 to the Consolidated Financial Statements.

Share Options

Details of outstanding share options over ordinary shares of 1 pence at 30 June 2021 under the various Group share option schemes are shown in note 26 to the Consolidated Financial Statements.

Notes to the Company Financial Statements

continued

(xiii) Subsidiary Undertakings

Operating Subsidiaries

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Ampharmco, LLC	USA	Manufacturer of veterinary pharmaceuticals	1401 Joel East Road, Fort Worth, TX76140-6003, United States	Dechra Holdings US Inc
AST Farma B.V.	The Netherlands	Marketer of veterinary pharmaceuticals and distributor of veterinary pharmaceuticals and equipment	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Dechra Finance B.V.
Dechra Brasil Produtos Veterinarios LTDA	Brazil	Developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	Travessa Dalva de Oliveira, 237, Industrias Leves, Londrina, Parana 86030-370, Brazil	AST Farma B.V.
Dechra Development LLC	USA	Contract regulatory and product development services for the Group	Principal Place of Business: 7015 College Blvd, Suite 510, Overland Park KS 66211, United States	Dechra Holdings US Inc
Dechra Limited	England and Wales	Developer, regulatory, product development, manufacturer and marketer of veterinary pharmaceuticals	Snaygill Industrial Estate, Keighley Road, Skipton, BD23 2RW, United Kingdom	Dechra Investments Limited
Dechra Finance Australia Limited	England and Wales	Financial services	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Limited
Dechra Finance B.V.	The Netherlands	Financial services and Holding Company	Pettelaarpark 38, 5216PD 's-Hertogenbosch, The Netherlands	Dechra Holdings Netherlands B.V.
Dechra Finance Ireland Designated Activity Company	Republic of Ireland	Financial services	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland	Dechra Limited
Dechra Finance Limited	England and Wales	Financial services and Holding Company	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC & Dechra Finance Sterling Limited
Dechra Finance Sterling Limited	England and Wales	Financial services	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC
Dechra Regulatory B.V.	The Netherlands	Regulatory	Handelsweg 25, 5531AE Bladel, The Netherlands	Dechra Holdings Netherlands B.V.
Dechra Veterinary Products (Australia) Pty Limited	Australia	Developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	2 Cal Close, Somersby NSW 2250, Australia	Dechra Holding Australia Pty Limited
Dechra Veterinary Products GmbH	Austria	Marketer of veterinary pharmaceuticals and pet diets	Hintere Achmhlerstrasse 1a, 6850 Dornbirn, Austria	Dechra Limited
Dechra Veterinary Products N.V.	Belgium	Marketer of veterinary pharmaceuticals and pet diets	Achterstenhoek 48 2275 Lille, Belgium	Eurovet Animal Health B.V.
Dechra Veterinary Products, Inc	Canada	Marketer of veterinary pharmaceuticals and pet diets	100 King Street West, Suite 6100, 1 First Canadian Place, Toronto ON M5X 1B8, Canada	Dechra Limited
Dechra Veterinary Products A/S	Denmark	Marketer of veterinary pharmaceuticals and pet diets	Mekuvej 9, DK-7171 Uldum, Denmark	Dechra Pharmaceuticals PLC
Dechra Veterinary Products Limited	England and Wales	Marketer of veterinary pharmaceuticals and pet diets	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Veterinary Products A/S
Dechra Veterinary Products Oy	Finland	Marketer of veterinary pharmaceuticals and pet diets	Linnoitustie 4, 02600 Espoo, Finland	Dechra Veterinary Products A/S
Dechra Veterinary Products SAS	France	Marketer of veterinary pharmaceuticals and pet diets	60 Avenue du Centre, 78180 Montigny le Bretonneux, France	Dechra Veterinary Products A/S
Dechra Veterinary Products Deutschland GmbH	Germany	Marketer of veterinary pharmaceuticals and distributor of veterinary pharmaceuticals and equipment	Hauptstr. 6-8, Aulendorf, Germany	Eurovet Animal Health B.V.
Dechra Veterinary Products S.r.l.	Italy	Marketer of veterinary pharmaceuticals and pet diets	Via Agostino da Montefeltro 2, 10134 Torino, Italy	Dechra Limited
Dechra Veterinary Products B.V.	The Netherlands	Marketer of veterinary pharmaceuticals and pet diets	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Dechra Veterinary Products A/S

(xiii) Subsidiary Undertakings continued

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Dechra Veterinary Products NZ Limited	New Zealand	Marketer of veterinary pharmaceuticals and distributor of veterinary pharmaceuticals and equipment	Level 11, 41 Shortland Street, Auckland, 1010, New Zealand	Dechra Holding Australia Pty Limited
Dechra Veterinary Products AS	Norway	Marketer of veterinary pharmaceuticals and pet diets	Henrik Ibsens Gate 90, Postboks 2943 Solli, 0230 Oslo, Norway	Dechra Veterinary Products A/S
Dechra Veterinary Products Sp. z o.o.	Poland	Marketer of veterinary pharmaceuticals and pet diets	1st Floor, 61 Moldlinska Str., 03-199 Warsaw, Poland	Dechra Limited
Dechra Veterinary Products, S.L. Unipersonal	Spain	Marketer of veterinary pharmaceuticals and pet diets	Tuset 20, 6º, 08006, Barcelona, Spain	Dechra Veterinary Products A/S
Dechra Veterinary Products AB	Sweden	Marketer of veterinary pharmaceuticals and pet diets	Principal Place of Business: Stora Wäsby Orangeriet 3, Upplands Väsby, 194 37, Sweden	Dechra Veterinary Products A/S
Dechra Veterinary Products, LLC	USA	Marketer of veterinary pharmaceuticals and pet diets	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Holdings US Inc
Dechra Productos Veterinarios, S.A. de C.V. (Formerly Dechra-Brovel, 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
Eurovet Animal Health B.V.	The Netherlands	Holding Company, developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals	Handelsweg 25, 5531AE Bladel, The Netherlands	Dechra Holdings Netherlands B.V.
Genera d.d.	Croatia	Holding Company, developer, regulatory, manufacturer and marketer of veterinary pharmaceuticals and crop protection	Svetonedeljska cesta 2, Kalinovica, 10436 Rakov Potok, Croatia	Eurovet Animal Health B.V.
Genera d.o.o Sarajevo	Bosnia and Herzegovina	Marketer of veterinary pharmaceuticals	Trg medunarodnog prijateljstva 10, 71000 Sarajevo, Bosnia and Herzegovina	Genera d.d.
Genera Pharma d.o.o.	Serbia	Marketer of veterinary pharmaceuticals	Gostivarska 70, Vozdovac, 11000 Beograd, Serbia	Genera d.d.
Genera Sl d.o.o	Slovenia	Marketer of veterinary pharmaceuticals	Parmova Ulica, Ljubljana, Slovenia	Genera d.d.
Le Vet. Beheer B.V.	The Netherlands	Holding Company	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Dechra Finance B.V.
Le Vet. B.V.	The Netherlands	Marketer of veterinary pharmaceuticals	Wilgenweg 7, 3421TV Oudewater, The Netherlands	Le Vet Beheer B.V.

Notes to the Company Financial Statements
continued

(xiii) Subsidiary Undertakings continued
Other subsidiaries

Name	Country of Incorporation	Principal Activity	Registered Address	Shareholder
Arnolds Veterinary Products Limited	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Black Griffin Holdings, LLC	USA	Holding Company	1401 Joel East Road, Fort Worth TX TX 76140-6003, United States	Dechra Holdings US Inc
Broomco 4263 Limited	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Dales Pharmaceuticals Limited	England and Wales	Non-trading	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Veneto Limited
Dechra Holding Australia Pty Limited	Australia	Holding Company	2 Cal Close, Somersby NSW 2250, Australia	Dechra Limited
Dechra Holdings Brasil Ltda (merged with and into Dechra Brasil Produtos Veterinarios LTDA as of 18 January 2021)	Brazil	Holding Company	Travessa Dalva de Oilveira No. 237, office ADM I, Industrias Leves, Londrina, Parana 86030-370, Brazil	AST Farma B.V.
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 Holdings Netherlands B.V.	The Netherlands	Holding Company	Pettelaarpark 38, 5216PD ‘s-Hertogenbosch, Netherlands	Dechra Pharmaceuticals PLC
Dragon Fire Holdings, LLC	USA	Holding Company	1401 Joel East Road, Fort Worth TX TX 76140-6003, United States	Dechra Holdings US Inc
DermaPet, Inc	USA	Non-trading	Principal Place of Business: 7015 College Blvd, Suite 525, Overland Park KS 66211, United States	Dechra Veterinary Products LLC
Farvet Laboratories B.V.	The Netherlands	Non-trading	Handelsweg 25, 5531AE Bladel, The Netherlands	Eurovet Animal Health B.V.
Veneto Limited	England and Wales	Holding Company	24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA, United Kingdom	Dechra Pharmaceuticals PLC

Financial History

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Consolidated Income Statement					
Revenue	608.0	515.1	481.8	407.1	359.3
Underlying operating profit	162.2	128.3	127.4	99.2	81.3
Underlying profit after taxation	117.6	95.4	92.5	74.5	60.1
Underlying earnings per share					
– basic (pence)	108.77	92.50	90.24	76.85	64.68
– diluted (pence)	108.14	92.19	90.01	76.45	64.33
Dividend per share (pence)	40.50	34.29	31.60	25.50	21.44
Operating profit	84.0	52.2	39.0	34.1	33.2
Profit after taxation	55.5	33.9	30.9	36.1	26.1
Earnings per share					
– basic (pence)	51.33	32.87	30.15	37.24	28.09
– diluted (pence)	51.03	32.76	30.07	37.04	27.93
Consolidated Statement of Financial Position					
Non-current assets	821.9	788.7	750.0	769.4	453.1
Current assets	392.2	448.9	291.5	247.9	185.0
Current liabilities	(155.8)	(137.3)	(118.1)	(91.6)	(66.4)
Non-current liabilities	(425.4)	(462.8)	(414.3)	(420.7)	(269.1)
Shareholders' funds	632.9	637.5	509.1	505.0	302.6
Consolidated Statement of Cash Flows					
Net cash inflow from operating activities	89.1	106.4	81.8	64.0	77.4
Net cash outflow from investing activities	(136.1)	(81.5)	(61.9)	(241.7)	(57.2)
Net cash (outflow)/inflow from financing activities	(55.1)	118.9	(20.1)	193.8	1.6

Our pet diets support the wellbeing of animals with numerous therapeutic conditions

Read more about Nutrition on page 15.

Additional Information

Glossary

The following is a glossary of a number of the terms and acronyms which can be found within this document:

ABC
Anti-Bribery and Anti-Corruption

AER
Actual Exchange Rates

ANZ
Australia and New Zealand

APM
Alternative Performance Measures

BEIS
Department for Business, Energy and Industrial Strategy

BEPS
Base Erosion Profit Shifting

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

Capex
Capital Expenditure

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

CRM
Client Relationship Management

CSOP
Company Share Option Plan

Dechra Values or Values
Dedication, Enjoyment, Courage, Honesty, Relationships and Ambition

DPM&S
Dechra Pharmaceuticals Manufacturing and Supply

DSC
Dechra Service Center

DTR
Disclosure and Transparency Rules

DVP
Dechra Veterinary Products

DVP EU
Dechra Veterinary Products EU or Dechra Veterinary Products Europe

DVP International
Dechra Veterinary Products International

DVP NA
Dechra Veterinary Products North America

DVP US
Dechra Veterinary Products US

EBIT
Earnings before interest and tax. This is the same as operating profit

EBITDA
Earnings before interest, tax, depreciation and amortisation

EMA
European Medicines Agency

EPS
Earnings Per Share

eQMS
Electronic Quality Management System

ERP
Enterprise Resource Planning

ESG
Environmental, Social and Governance

ESPP
Employee Stock Purchase Plan

ETR
Effective Tax Rate

EU Pharmaceuticals
European Pharmaceuticals Segment comprising DVP EU, DVP International and DPM&S

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 250/350 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 Practices

GDPR
General Data Protection Regulation

GHG
Greenhouse Gas

GMP
Good Manufacturing Practices

GRT
Gross Registered Tonnage

GPTW
Great Place To Work

HR
Human Resources

IFRSs
International Financial Reporting Standards

IT
Information Technology

KPI
Key Performance Indicator

Leverage
The ratio of Net Debt to underlying EBITDA

LIBOR
The London Inter-Bank Offered Rate

LTA
Lost Time Accident

LTAFR
Lost Time Accident Frequency Rate

LTIP
Long Term Incentive Plan

MRL
Maximum Residue Limit

NCSC
National Cyber Security Centre

Non-Executive Directors
The Non-Executive Directors of the Company, currently Tony Rice, Lisa Bright, Denise Goode, Julian Heslop, Lawson Macartney, Ishbel Macpherson and Alison Platt

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

OECD
The Organisation for Economic Cooperation and Development

Ordinary Shares
An ordinary share of 1 pence in the share capital of the Company

Oracle ERP
Enterprise Resources Planning (ERP) software

PDRA
Dechra's Product Development and Regulatory Affairs team

PPE
Personal Protective Equipment

POMs
Prescription Only Medicines

Qualifying LTIP Award
Qualifying LTIP Awards comprises a CSOP option and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option

R&D
Research and Development

RCF
Revolving Credit Facility

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Rights Issue
The three for ten rights issue of 20,040,653 shares, details of which are set out in the prospectus of the Company dated 25 April 2012

ROCE
Return On Capital Employed

RPI
Retail Price Index

SASB
Sustainability Accounting Standards Board

SAYE
Save As You Earn Share Scheme

SBTi
Science Based Target Initiative

SDG
United Nations Sustainable Development Goals

SET
Senior Executive Team

SG&A
Selling, General and Administrative Expenses

SPC
Summary of Product Characteristics

TCFD
Taskforce for Climate-related Financial Disclosures

TGA
Therapeutic Goods Administration

TSR
Total Shareholder Return

Shareholder Information

Financial Calendar

2021 Annual General Meeting	21 October 2021
Final Dividend Ex-Dividend Date	28 October 2021
Final Dividend Record Date	29 October 2021
Final Dividend Payment Date	19 November 2021
Announcement of Half Yearly Results	21 February 2022*

Dates marked with an asterix are provisional and subject to change.

Annual General Meeting

The 2021 Annual General Meeting of the Company will be held at 9.30 am on 21 October 2021 at Dechra Pharmaceuticals PLC, 6 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA. The notice of meeting (the Notice), which includes special business to be transacted at the Annual General Meeting together with an explanation of the resolutions to be considered at the meeting, is made available on the Company website or mailed to shareholders, if they have elected to receive the Notice in paper format.

Share History

Dechra floated on the London Stock Exchange in September 2000 at £1.20 per share, with a market capitalisation of £60.0 million.

On 15 January 2008, Dechra undertook a placing and open offer on the basis of 11 Open Offer shares for every 50 existing shares held on 10 December 2007 at an issue price of 303 pence. On 9 January 2008, 11,624,544 shares were issued.

On 5 April 2012, a Rights Issue was announced on the basis of three new ordinary shares for every existing ten shares held on 23 April 2012 at a subscription price of £3.00 per share. The Rights Issue resulted in 20,040,653 shares being issued with dealings commencing on 16 May 2012.

On 17 March 2016, 4,398,600 ordinary shares were offered by way of a placing at an issue price of £11.00 per share.

On 30 January 2018, 5,121,952 ordinary shares were offered by way of a placing at an issue price of £20.50 per share.

On 8 June 2020, 5,132,500 ordinary shares were offered by way of a placing at an issue price of £26.00 per share.

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) 371 384 2030, if calling from outside of the UK.

Please have your Shareholder Reference Number to hand whenever you contact the Registrar; this can be found on your share certificate or a recent dividend tax voucher.

Share Dealing Service

Equiniti Financial Services Limited offer a Share Dealing Service to buy or sell shares. Further information can be obtained from www.shareview.co.uk/dealing or by telephoning 0345 603 7037.

	Telephone share dealing	Internet share dealing	Postal share dealing
Fee (on value of transaction)			
up to £50,000	1.5%	1.5%	1.9%
Balance over £50,000	0.25%	0.25%	1.9%
Minimum charge	£60.00	£45.00	£70.00
Stamp duty charge (purchases only)	0.5%	0.5%	0.5%

Equiniti Financial Services Limited and its agents are authorised and regulated by the Financial Conduct Authority.

Please note that the price of shares can go down as well as up, and you are not guaranteed to get back the amount you originally invested. If you are in any doubt, you should contact an independent financial adviser.

Warning to Shareholders

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free Company Annual Reports. If you receive any unsolicited investment advice, whether over the telephone, through the post or by email:

- make sure you get the name of the person and organisation;
- check that they are properly authorised by the FCA before getting involved by visiting https://register.fca.org.uk/; and
- report the matter to the FCA by calling 0800 111 6768 or by completing the online form at www.fca.org.uk/consumers/report-scam-unauthorised-firm.

More detailed information and guidance is available on the shareholder information pages of our website.

Additionally, feel free to report and/or discuss any shareholder security matters with the Company. To do this, please call +44 (0)1606 814 730 and ask to be put through to a member of the Company Secretarial department.

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View our online Annual Report at: **dechra.annualreport2021.com**