

Directors' Report

The Directors present their report and financial statements for the year ended 30 June 2024.

Principal activities

This have been detailed within the Strategic Report on page 1.

Future developments

These have been detailed within the Strategic Report on page 6

Post balance sheet events

These have been detailed within the Strategic Report on page 1.

Directors

The directors who were in office during the year and up to the date of signing the financial statements were:

ID Page (resigned 10 June 2024)
PN Sandland
AG Griffin (resigned 27 November 2023)
MJ McCann (appointed 10 June 2024)
JD Nordengaard (appointed 26 June 2024)

Employees

We recognise that the success of the Company is dependent on our ability to attract, develop, motivate and retain skilled employees. The Company reports labour turnover as a non-financial KPI and this is measured using the standard formula:

Total number of leavers over year

Average total number employed over year $\times 100$

It is the Company's policy to provide equal recruitment and other opportunities for all employees, regardless of age, sex, sexual orientation, religion, race or disability. The Company considers applications from disabled people, where they adequately fulfil the requirements of the role. Where existing employees become disabled, it is the Company's policy whenever practicable to provide continuing employment under the Company's terms and conditions and to provide training and career development whenever appropriate.

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

Section 172 Statement

The Directors are 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 Directors appreciate that wider engagement with stakeholders is an important component of long term sustainability and success and believes that by engaging with all important stakeholders in a fair manner, the business is made stronger and more resilient.

The Board of Directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company, for the benefit of its members as a whole and having due regard to the requirements of section 172 of the Companies Act 2006, in the decision taken during the year ended 30 June 2024.

The section addressing the key risks and uncertainties includes the potential impacts, controls and mitigating actions in connections with our key stakeholders. Our Sustainability strategy is centred around the four pillars of Business, Environment, People and Community, and we believe that effective engagement drives sustainable value for all stakeholders. Further details on the Group's Sustainability strategy can be found in the consolidated accounts of the ultimate UK parent company, Dechra Topco Limited.

Directors' Report *(continued)*

Section 172 Statement *(continued)*

The table below shows who the Directors have identified as important stakeholders, why they feel it is important to engage, and how they have engaged.

Stakeholder	Why it is important to engage	How we engage	Material interests
Employees	To make Dechra a great and safe place to work, and attract, retain and develop talent	<ul style="list-style-type: none"> • Group intranet • Town Hall meetings • Engagement surveys • Performance Development Reviews, and employee development and training 	<ul style="list-style-type: none"> • Development opportunities • Making a difference • Agile and friendly place to work
Veterinary Professionals	To improve animal health and welfare	<ul style="list-style-type: none"> • Technical support via product information 	<ul style="list-style-type: none"> • Innovative and effective products • Information on correct use of products
Communities	To give back to the communities in which we operate	<ul style="list-style-type: none"> • Community activities • Donations • Product and local donations • Development and education of young people 	<ul style="list-style-type: none"> • Prosperity within our communities • Community projects and initiatives
Suppliers	To trade with honesty and integrity, and to source quality raw materials, finished products and services	<ul style="list-style-type: none"> • Quality audits • Due diligence • ABC training • Third Party Code of Conduct 	<ul style="list-style-type: none"> • Fair Payment Terms • Long term relationships
Environment	To minimise our impact on the environment	<ul style="list-style-type: none"> • Climate impact assessments 	<ul style="list-style-type: none"> • Integrated Group Climate Strategy • Waste management
Regulatory Authorities	To meet high standards of product safety and efficacy	<ul style="list-style-type: none"> • Regulatory training for employees • Manufacturing facility inspections • Market authorisation applications • Product safety update reports (PSURs) 	<ul style="list-style-type: none"> • Safety • Efficacy • Responsible marketing of regulated pharmaceuticals

The following examples gives an insight on how Directors have considered section 172 factors in their decision making in relation to material transactions during the year:

Product Acquisitions

On 29 August 2023 the Director approved the acquisition of the North American and Canadian product rights of to Zycosan, a drug indicated for the control of clinical signs associated with osteoarthritis for the use in the field of equine health. The Directors, considering the proposal, noted that the acquisition was in line with the strategic driver of portfolio focus. The Directors agreed that this acquisition would:

- enhance Dechra's presence and provide a unique offering to veterinarians;
- broaden the portfolio of products for the sales team; and
- improve animal welfare.

Directors' Report *(continued)*

Section 172 Statement *(continued)*

Capital Projects

On 29 April 2024 the Board approved the purchase of the freehold of Building 1, Unit 29, Snaygill Industrial Estate, Keighley Road, Skipton for a £3,975,000. The Board considered their section 172 duties in approving the purchase, noting that DPM Skipton was one of the main manufacturing sites that supplied pharmaceutical products to the Dechra Group of Companies and that the purchase would increase continuity of manufacturing, increase the profitability of the site and secure the continued viability of the site including the employment opportunities provided to the local community.

Payment to Suppliers

The Company seeks to agree the terms of payment with suppliers prior to the placing of business and it is the Company's policy to settle liabilities by the due date. At 30 June 2024, the Company had an average of 37 days (2023: 85 days) purchases outstanding in creditors.

Research and Development

The Company 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 further strengthen the Company's competitive position. The expense on this activity for the year ended 30 June 2024 was £48,287,000 (2023: £41,953,000).

Political donations and expenditure

No political donations were made during the year ended 30 June 2024 (2024: £nil). The Company 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.

Dividends

No interim dividends (2023: £10,000,000) were declared or paid during the year. Management does not recommend payment of a final dividend.

Financial risk management

The Company uses various financial instruments to manage its financial risk.

Interest rate risk

The Company finances its operations through a mixture of retained profits and where necessary intercompany loans and facilities. The Company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Liquidity risk

The Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably. The Directors review the cash projections on a regular basis to ensure the business has adequate liquidity and working capital.

Credit risk

Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Foreign exchange risk

Foreign currency transaction exposure arising on normal trade flows is not hedged. The Company 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 Company trades.

Directors' Report (*continued*)

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 United Kingdom Accounting Standards, comprising FRS 101 have been followed, 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 company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' and officers' liability

The Company maintains an appropriate level of directors' and officers' insurance whereby directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act 2006. The Directors also benefitted from qualifying third party indemnity provisions in place during the financial year and at the date of this report. A copy of the indemnity provisions will be available for inspection at the Company's ultimate parent's registered office (see note 28 for further details).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. In reaching this conclusion, the Directors have given due regard to post balance sheet events, the particulars of which can be found in the Strategic report.

On behalf of the board



PN Sandland
Director

12 March 2025

Snaygill Industrial Estate
Keighley Road
Skipton
North Yorkshire
BD23 2RW