Dechra Finance Limited

Annual Report and Financial Statements

Registered number 09129928

For the year ended 30 June 2023

Contents

Strategic Report

Principal activities

The Company acts as a financing company and is limited by shares. The functional currency is Euro as the majority of transactions entered into by the Company are transacted in Euros.

Business review

Results
The results for the year and financial position at year end are set out on pages 8 and 9.

Review of operating performance

Company performance

The Company received finance income of €4,674,000 *(2022: €7,326,000)* and had finance costs of €4,062,000 *(2022: €3,138,000)* during the year.

The financial position at the end of the year had equity shareholders' funds standing at €9,816,000 *(2022: €27,598,000)*. During the year the company undertook a capital reduction of €18,266,000.

Key performance indicators

The directors of Dechra Pharmaceuticals PLC manage the group's operations on a segmental basis. For this reason and the nature of the entity as a holding company, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Dechra Finance Limited. The development, performance and position of the Company's segment of Dechra Pharmaceuticals PLC Group, which includes the Company, is discussed in the Group's Annual Report which does not form part of this report.

Funding

The Company is principally funded by investment from the Company's parent. On 18 July 2022, the company entered into an Intercompany Loan Facility Agreement to borrow €150.0 million. Interest is fixed at 2.25% and is repayable in July 2032. The cash was used to repay the Revolving Credit Facility.

Risks and uncertainties

The Company, like every business, faces risks and uncertainties in both its day to day operations and through events relating to the achievement of its long term strategic objectives.

The Board has ultimate responsibility for risk management within the Company and there is an ongoing and embedded process of assessing, monitoring, managing and reporting on significant risks faced by the Company.

The key risks to the Company are inextricably linked to the recoverability of its receivables balance owed by group undertakings. The potential risks relating to recoverability of this balance are monitored on a periodic basis. For further details, refer to note 7 and 8.

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

On behalf of the board

PN Sandland
Director

11 January 2024

Directors' Report

The directors present their report and the audited financial statements for the year ended to 30 June 2023.

Future developments

The company will continue to act as a financing company for other companies within the Dechra Pharmaceuticals PLC Group.

Directors

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

ID Page
AG Griffin (Resigned 27 November 2023)
PN Sandland

Political and charitable contributions

The company made no political or charitable contributions during the year.

Financial risk management

The Company uses various financial instruments to manage its financial risk. These include loans and cash that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the wider Group's operations.

Liquidity risk

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

Interest rate risk
The Company finances its operations through a mixture of retained profits and where necessary intercompany loans. As all borrowings held by the Company are under fixed interest rates, the Company's exposure to interest rate risk is considered low.

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

Dividends
An interim dividend of €23,000,000 *(2022: €112,203,000)* was declared and paid during the year. During the year the Company inadvertently paid a dividend in excess of its distributable reserves at the time. Following the year end, the dividend of €18,000,000 was paid back to the Company, with Dechra Pharmaceuticals PLC (the Parent) also agreeing to waive and release any and all claims it may have against the Company's Directors in respect of this matter. This balance is held as a debtor in amounts owed by Group undertakings as at the year end date. Management does not recommend payment of the final dividend.

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;

Directors' Report *(continued)*

Statement of Directors' responsibilities in respect of the financial statements *(continued)*

- 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' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 benefited 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 upon request at the registered office.

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 2 June 2023, the boards of directors of Dechra (the Company's Parent Company) and Freya Bidco Limited (Bidco) announced that they had reached agreement on the terms and conditions of a recommended cash acquisition by Bidco of the entire issued, and to be issued, ordinary share capital of Dechra (the Acquisition). As announced by Dechra on 20 July 2023, the acquisition and its implementation were approved on 20 July 2023 and the Acquisition is expected to complete in early 2024, after the date of approval of these Financial Statements.

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

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

Directors' Report *(continued)*

Post balance sheet events

On 20 July 2023, the shareholders of the Dechra Pharmaceuticals PLC (ultimate parent company) voted in favour of the proposed cash offer by Freya Bidco Limited. The pending acquisition of the ultimate parent company is conditional upon respective antitrust approvals or the expiry of the applicable waiting periods in the relevant jurisdictions.

Independent auditors

PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was approved by the shareholders.

On behalf of the board

PN Sandland
Director

24 Cheshire Avenue
Cheshire Business Park
Lostock Gralam
Northwich
CW9 7UA

11 January 2024

Independent auditors' report to the members of Dechra Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion, Dechra Finance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- 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 Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 June 2023; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. On 20 July 2023, the shareholders of Dechra Pharmaceuticals PLC ("Dechra"), the ultimate controlling party of the Group, approved the recommended cash acquisition by Freya Bidco Limited of the entire issued, and to be issued, ordinary share capital of Dechra. The acquisition is now expected to complete in early 2024 which is after the date of approval of the entity's financial statements. The going concern assessment of the entity is therefore subject to uncertainties relating to the potential change in ownership of Dechra and the actual funding requirements and financing arrangements that will be available to the company post completion. For this reason, the Directors cannot reasonably predict the financial position of the entity post-completion, including the details of any financing arrangements related to the transaction that could affect the company. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Dechra Finance Limited (*Continued*)

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, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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 in respect of the financial statements, 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 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 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.

Independent auditors' report to the members of Dechra Finance Limited (*Continued*)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and Tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Reviewing minutes of meetings of those charged with governance;
- Identifying and testing unusual journal entries which manipulate the financial performance of the business; and
- Challenging and auditing assumptions and judgements made by management in their significant accounting estimates and judgements given the potential risk of management bias.

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.

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.

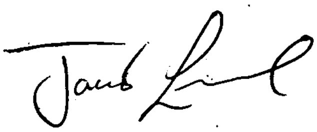
Other required reporting

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jacob Leonard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
11 January 2024

Income statement
for the year ended 30 June 2023

	Note	2023 €'000	2022 €'000
Administrative expenses		**(13,203)**	(678)
Operating loss		**(13,203)**	(678)
Finance income	*4*	**4,674**	7,326
Finance costs	*5*	**(4,062)**	(3,138)
(Loss)/profit before income tax	*2*	**(12,591)**	3,510
Income tax expense	*6*	**(191)**	(765)
(Loss)/profit for the financial year		**(12,782)**	2,745

All amounts relate to continuing operations.

There are no other comprehensive income recognised in either the current or preceding year other than the profit for this year.

The notes on pages 11 to 17 form part of the financial statements.

Statement of financial position
as at 30 June 2023

	Note	**2023**	2022
		€'000	€'000
Non-current assets			
Trade and other receivables	*7*	**168,269**	210,762
		168,269	210,762
Current assets			
Trade and other receivables	*8*	**22,748**	25,391
		22,748	25,391
Creditors: amounts falling due within one year	*9*	**(9,099)**	(8,555)
Net current assets		**13,649**	16,836
Creditors: amounts falling due after more than one year	*10*	**(172,102)**	(200,000)
Net assets		**9,816**	27,598
Equity			
Called up share capital	*12*	-	18,266
Share premium account		**2,083**	2,083
Retained earnings		**7,733**	7,249
Total shareholders' funds		**9,816**	27,598

The notes on pages 11 to 17 form part of the financial statements.

The financial statements on pages 8 to 17 were approved by the board of directors on 11 January 2024 and were signed on its behalf by:

PN Sandland
Director

Company number: 09129928

Statement of changes in equity
for the year ended 30 June 2023

	Called up share capital €'000	Share premium account €'000	Retained earnings €'000	Total shareholders' funds €'000
Year ended 30 June 2022				
At 1 July 2021	130,469	2,083	4,504	137,056
Profit for the year	-	-	2,745	2,745
Dividends paid (note 13)	-	-	(112,203)	(112,203)
Capital reduction (note 12)	(112,203)	-	112,203	-
At 30 June 2022	**18,266**	**2,083**	**7,249**	**27,598**
Year ended 30 June 2023				
At 1 July 2022	18,266	2,083	7,249	27,598
(Loss) for the year	-	-	(12,782)	(12,782)
Dividends paid (note 13)	-	-	(23,000)	(23,000)
Repayment of dividend	-	-	18,000	18,000
Capital reduction (note 12)	(18,266)	-	18,266	-
At 30 June 2023	-	**2,083**	**7,733**	**9,816**

During the year the Company inadvertently paid a dividend in excess of its distributable reserves at the time. Following the year end, the dividend of €18,000,000 was paid back to the Company, with Dechra Pharmaceuticals PLC (the Parent) also agreeing to waive and release any and all claims it may have against the Company's Directors in respect of this matter. This balance is held as a debtor in amounts owed by Group undertakings as at the year end date.

Notes to the financial statements

1 Principal accounting policies

General information

Dechra Finance Limited acts as a financing company. The Company is incorporated and domiciled in England, UK, and is a private limited company. The address of the registered office is 24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, Cheshire, CW9 7UA.

Basis of preparation

The financial statements of Dechra Finance Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a high degree of judgement or estimates given the nature of the entity. All accounting policies have been applied consistently other than where new policies have been adopted.

The following exemptions have been taken in preparing the financial statements;

a) The requirements of IFRS 7 'Financial Instruments: Disclosures'

b) 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.

c) The requirements of IAS 7 'Statement of Cash Flows', exempting the Company from preparing a cash flow statement

d) The requirements of paragraph 17 of IAS 24 'Related Party Disclosures', exempting the Company from disclosing details of all key management compensation.

e) The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions with wholly-owned members of the Group.

f) 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.

The directors intend that the Company will take advantage of the above disclosure exemptions for the year ended 30 June 2024.

Significant accounting estimates and judgements

In the process of applying the Company's accounting policies, the Directors have made the following estimates where the actual outcome may differ from that calculated. The Directors have made no critical judgements in applying the Company's accounting policies. The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying values of the assets and liabilities within the next financial year, are summarised below.

Expected credit loss provision in respect of amounts due from group undertakings

During the period the Directors obtained new credit ratings for the counterparty to amounts due from group undertakings which highlighted this had worsened from BBB- to BB+. Following obtaining this, the Directors have performed an assessment to calculate the lifetime expected credit loss for the amounts receivable, taking into

Notes to the financial statements *(continued)*

1 Principal accounting policies *(continued)*

account the future cash flows of the counterparty to establish a probability of default and loss given default for the loan. With the loan considered low credit risk in prior years, a 12 month expected credit loss was calculated.

With the counterparty forecast to default on the loan at maturity, the Directors have a range of options to mitigate the exposure to the Company, including but not limited to entering into a repayment plan with the counterparty, extending the loan maturity to when the counterparty can repay in full, or providing a financial guarantee from a fellow group company. Using the forecast cash flows for the counterparty, this gives a range of potential expected credit loss outcomes of €6,500,000 to €14,400,000. A reasonable potential increase or decrease of 5% in forecasted cash flows for the counterparty would change this range from between €6,200,000 to €14,400,000 and €6,700,000 to €14,400,000 respectively. The Directors have concluded that an expected credit loss provision of €14,400,000 should be recognised.

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 2 June 2023, the boards of directors of Dechra (the Company's Parent Company) and Freya Bidco Limited (Bidco) announced that they had reached agreement on the terms and conditions of a recommended cash acquisition by Bidco of the entire issued, and to be issued, ordinary share capital of Dechra (the Acquisition). As announced by Dechra on 20 July 2023, the acquisition and its implementation were approved on 20 July 2023 and the Acquisition is expected to complete in early 2024, after the date of approval of these Financial Statements.

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

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

New standards, amendments and IFRIC

There are no amendments to accounting standards, no new standards of IFRIC interpretations that are effective for the year ended 30 June 2023 that have a material impact on the financial statements.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Current and deferred income tax

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.

Notes to the financial statements *(continued)*

1 Principal accounting policies *(continued)*

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 group companies, 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.

Trade and other receivables

Trade and other receivables are amounts due from other Group entities. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Amounts owed by other Group entities are initially recognised at fair value and subsequently measured at this value less loss allowances, calculated using the three stage IFRS 9 model.

Creditors

Creditors are amounts due to other Group entities. If payment is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current lliabilities. If not, they are presented as non-current lliabilities. Amounts owed to other Group entities are initially recognised at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid.

2 (Loss) before income tax

Auditors' remuneration for audit work of €13,000 (*2022: €12,000*) has been borne by the ultimate parent undertaking in both years and not recharged to the company.

A support service fee of €12,000 *(2022:€11,000)* has been incurred during the year from Group Finance for treasury and accounting functions.

The movement on the credit loss provision against amounts owed by Group undertakings of €13,186,000 (*2022: €1,184,000*) has been included within administrative expenses.

Notes to the financial statements *(continued)*

3 Employees and directors

Excluding directors, the Company did not employ any persons during the year (2022: nil). The remuneration of the directors of the Company is paid by the parent company which makes no recharge to the Company. The directors of the Company are also directors of the ultimate parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of the directors of the Company. Their total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company.

4 Finance income

	2023	2022
	€'000	€'000
Interest income from group undertakings	**4,674**	7,326
Total finance income	**4,674**	7,326

5 Finance costs

	2023	2022
	€'000	€'000
External bank interest	**98**	2,205
Inter-company interest payable	**3,964**	862
Foreign exchange loss	**-**	65
Interest on taxes	**-**	6
Total finance costs	**4,062**	3,138

6 Income tax expense

Tax expense included in the income statement

	2023	2022
	€'000	€'000
Current tax		
UK corporation tax on (losses)/profits for the year	**122**	728
Adjustments to the tax expense in respect of prior periods	**58**	29
Foreign tax suffered	**11**	8
Total tax expense	**191**	765

Notes to the financial statements *(continued)*

6 Income tax expense *(continued)*

The current tax expense is higher *(2022; higher)* than the standard rate of corporation tax in the UK of 20.5% *(2022: 19.0%)*. The differences are explained below:

	2023	2022
	€'000	€'000
(Losses)/profit before taxation	**(12,591)**	3,510
(Losses)/profit before taxation multiplied by standard rate of corporation tax in the UK of 20.5% (2022: 19.0%)	**(2,581)**	667
Effects of:		
Expenses not deductible	**2,714**	69
Adjustments to the tax expense in respect of prior periods	**58**	29
Total tax expense	**191**	765

UK Finance Act 2021 was substantively enacted on 24 May 2021, including an increase in main rate of UK corporation tax from 19.0% to 25.0% with effect from 1 April 2023.

7 Non-current: trade and other receivables

	2023	2022
	€'000	€'000
Amounts owed by group undertakings	**168,269**	210,762
	168,269	210,762

Amounts owed by group undertakings are unsecured. Of the amounts owed by group undertakings, €150,000,000 (2022: €150,000,000) is repayable in 2025 (attracting interest of 2.25%), €9,954,000 (2022: €9,959,000) is repayable in 2026 (attracting interest of 2.68%), and €20,238,000 (2022: €20,237,000) is repayable in 2026 (attracting interest of 1.58%). €2,510,000 (2022: €3,915,000) is repayable over the period to March 2026 (attracting interest of 1.50%). The credit loss provision against amounts owed by group undertakings is €14,433,000 (2022: €1,247,000).

8 Current trade and other receivables

	2023	2022
	€'000	€'000
Amounts owed by group undertakings	**20,411**	2,402
Amounts owed by group undertakings - cash pooling	**2,337**	22,989
	22,748	25,391

Amounts owed by group undertakings of €1,405,000 (2022: €1,384,000) is repayable over the period to June 2024, are unsecured, and attracts interest of 1.50%. The balance of €19,006,000 (2022: €1,018,000) is repayable on demand. The credit loss provision against amounts owed by group undertakings is €nil (2022: €nil). Where the amounts due from group undertakings are repayable on demand they are calculated using the expected loss model. If the loan is for a fixed term the credit loss provision is calculated using the twelve month default rate in BB+ *(2022: BBB-)* rated bonds.

Amounts owed by group undertakings (cash pooling) are unsecured, repayable on demand and attract interest at 0.188% (2022: 0.203%) below the Risk Free Reference rate.

Notes to the financial statements *(continued)*

9 Creditors: amounts falling due within one year

	2023	2022
	€'000	€'000
Amounts owed to group undertakings	**8,976**	7,810
Accruals and deferred income	**-**	17
Corporation tax	**123**	728
	9,099	8,555

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayments and are repayable on demand.

10 Creditors : amounts falling due after more than one year

	2023	2022
	€'000	€'000
Amounts owed to group undertakings	**172,102**	50,000
Borrowings (note 11)	**-**	150,000
	172,102	200,000

Amounts owed to group undertakings are unsecured. Of the amount owed to group undertakings, €150,000,000 attracts interest of 2.25% (2022: 1.70%) and is repayable in July 2032, and €22,102,000 attracts interest of 1.7% and is repayable in January 2027.

11 Borrowings

	2023	2022
	€'000	€'000
Borrowings due after one year:		
Bank loan	**-**	150,000
	-	150,000

On 19 July 2022, the company entered into an Intercompany Loan Facility Agreement to borrow €150,000,000. Interest is fixed at 2.25% and is repayable in July 2023. The cash was used to repay the Revolving Credit Facility.

12 Called up share capital

	Ordinary shares of €1 each			
	2023		**2022**	
	Number	**€'000**	**Number**	**€'000**
Allotted and fully paid				
At 1 July	18,265,546	18,266	130,468,182	130,468
Shares Issued	-	-	-	-
Capital reduction	(18,265,545)	(18,266)	(112,202,636)	(112,203)
At 30 June	**1**	**-**	**18,265,546**	**18,266**

On 22 February 2023, a capital reduction was undertaken to reduce the Company share capital by 18,265,545 ordinary shares of €1 (2022: 112,202,636).

Notes to the financial statements *(continued)*

13 Dividends paid

	2023	2022
	€'000	€'000
Paid during the year €0.27 per share (*2022: €6.14 per share*)	**23,000**	112,203
	23,000	112,203

The above consists of an interim dividend of €5,000,000 based on interim financial statements prepared at 29 November 2022 and an interim dividend of €18,000,000 based on interim financial statements prepared at 28 February 2023. During the year the Company inadvertently paid a dividend in excess of its distributable reserves at the time. Following the year end, the dividend of €18,000,000 was paid back to the Company, with Dechra Pharmaceuticals PLC (the Parent) also agreeing to waive and release any and all claims it may have against the Company's Directors in respect of this matter. This balance is held as a debtor in amounts owed by Group undertakings as at the year end date.

14 Contingent liabilities

The Company guarantees the borrowings of certain other group companies which at 30 June 2023 amounted to €573,252,000 *(2022: €217,351,000)*.

15 Post balance sheet events

On 20 July 2023, the shareholders of the Dechra Pharmaceuticals PLC (ultimate parent company) voted in favour of the proposed cash offer by Freya Bidco Limited. The pending acquisition of the ultimate parent company is conditional upon respective antitrust approvals or the expiry of the applicable waiting periods in the relevant jurisdictions.

16 Controlling parties

The immediate and ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Dechra Pharmaceuticals PLC.

Copies of the group financial statements of Dechra Pharmaceuticals PLC may be obtained from 24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA.