Directors’ Report
Other Disclosures

The Directors present their annual report on the affairs of the Group, together with the audited Group financial statements for the year ended 30 June 2020. 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. Therefore, this report should be read in conjunction with the Strategic Report (which includes the Corporate Social Responsibility report) on pages 10 to 77 along with the other sections of the Governance Report. They are incorporated by reference into this Directors’ Report and include:

- Details in respect of the Board of Directors;
- Statement of Directors’ Responsibilities;
- Review of the Group’s business during the year and any likely future developments;
- Details of acquisitions and disposals during the year;
- Going concern, viability statements and risk management;
- Employee involvement and approach to employees with disabilities; and

Information in relation to financial risk management (including the exposure to price, credit and liquidity risk) and post-balance sheet events can be found in notes 24 and 37 respectively to the Financial Statements.

Section 172 Statement
The disclosures regarding how the Directors have:

- engaged with employees;
- have regard to employee interests and the effect of that regards, including on the principal decision taken by the Company during the financial year; and
- regard to the need to foster business relationships with suppliers, customers and others, and the effect of that regards, including on the principal decisions taken by the Company during the financial year;

can be found on pages 46 and 47.

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 33, the Group has bank facilities 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 SA (CIC Bank) in July 2019), 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.

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), which includes a change of control provision whereby a change of control of the Company may result in the Private Placement Notes having to be repaid in full.

No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

The Company does not have agreements with any Director or employee that provide compensation for loss of office or employment resulting from a takeover, other than the Company share schemes. Under such schemes outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time. In the event of a change of control, unvested awards under the Long Term Incentive Plan will vest to the extent determined by the Remuneration Committee taking into account the relevant performance conditions and, unless the Remuneration Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the relevant performance period that has elapsed.

The Directors consider that there are no contracted or other single arrangements, such as those with major suppliers, which are likely to influence, directly or indirectly, the performance of the business and its values. Furthermore, there are no contracts of significance subsisting during the financial year between any Group undertaking and a controlling shareholder or in which a Director is or was materially interested.

Directors
The Articles of Association state that a Director may be appointed by an ordinary resolution of the shareholders or by the Directors, either to fill a vacancy or as an addition to the existing Board but so that the total number of Directors does not exceed the maximum number of Directors allowed pursuant to the Articles of Association. The maximum number of Directors currently allowed pursuant to the Articles of Association is ten.

The Articles of Association also state that the Board of Directors is responsible for the management of the business of the Company and in doing so may exercise all the powers of the Company subject to the provision of relevant legislation and the Company’s Articles of Association. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buy-back of shares.

Director Insurance and Indemnities
The Company maintains an appropriate level of Directors’ and Officers’ insurance in respect of legal action against Directors as permitted under the Company’s Articles of Association and the Companies Act 2006. The Company also indemnifies the Directors under an indemnity deed with each Director in respect of legal action to the extent allowed under the Company’s Articles of Association and the Companies Act 2006. 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.

Political Donations and Expenditure
No political donations were made during the year ended 30 June 2020 (2019: 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 strengthening further the Group’s competitive position. Further information in relation to product development can be found on pages 40 to 43. The expense on this activity for the year ended 30 June 2020 was £28.4 million (2019: £25.1 million) and a further £1.8 million (2019: £1.2 million) was capitalised as development costs.

Results and Dividends
The results for the year and financial position at 30 June 2020 are shown in the Consolidated Income Statement on page 153 and Consolidated Statement of Financial Position on page 155. The Directors are recommending the payment of a final dividend of 24.00 pence per share which, if approved by shareholders, will be paid on 27 November 2020 to shareholders registered at 6 November 2020. The shares will become ex-dividend on 5 November 2020. An interim dividend of 10.29 pence per share was paid on 8 April 2020, making a total dividend for the year of 34.29 pence per share (2019: 31.60 pence per share). The total dividend payment is £23.7 million (2019: £32.5 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 108,010,960 fully paid ordinary shares were in issue, which included 229,858 ordinary shares issued during the year in connection with the exercise of options under the Company’s share option schemes.

5,132,500 new ordinary shares were offered by way of a placing at an issue price of 2600 pence per share, raising 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. These new ordinary shares were issued on 8 June 2020 fully paid and rank pari passu in all respects with the existing ordinary shares.

The holders of shares are entitled to receive dividends when declared, to receive the Company’s Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of shares in the Company, nor are there any requirements to obtain prior approval in respect of any transfer of shares. The Directors are not aware of any agreements which limit the transfer of shares or curtail voting rights attached to those shares.

At the Annual General Meeting of the Company held on 18 October 2019, the Company was authorised to purchase up to 10,265,100 of its ordinary shares, representing 10% of the issued share capital of the Company as at 5 September 2019. 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 2019 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2020 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.

<table>
<thead>
<tr>
<th>Substantial Interests in Voting Rights</th>
<th>Aggregate voting rights</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity Management &amp; Research</td>
<td>9,412,758</td>
<td>8.71</td>
</tr>
<tr>
<td>Standard Life Aberdeen</td>
<td>9,034,421</td>
<td>8.36</td>
</tr>
<tr>
<td>BlackRock Inc</td>
<td>5,394,799</td>
<td>4.99</td>
</tr>
<tr>
<td>The Vanguard Group, Inc</td>
<td>4,025,635</td>
<td>3.73</td>
</tr>
<tr>
<td>Royal London Mutual Assurance Society</td>
<td>3,955,824</td>
<td>3.66</td>
</tr>
</tbody>
</table>

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
7 September 2020