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 Consolidated 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 2020 and of the Group’s profit and cash flows for the year then ended;

• the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;

• 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statement of Changes in Shareholders’ Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 July 2019 to 30 June 2020.

Our audit approach

Overview

- Overall Group materiality: £3.8 million (2019: £3.8 million), based on 3% of underlying operating profit.
- Overall Company materiality: £3.1 million (2019: £2.4 million), based on 0.5% of net assets.
- Following our assessment of the risks of material misstatement of the Group financial statements we performed audits of the complete financial information of 22 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 90% of Group revenue, 82% of Group underlying operating profit and 84% of Group profit before tax.
- As part of the supervision process, the Group engagement team have interacted with all component teams. These interactions have included formal written instructions, regular meetings and review of selected working papers. In addition the Group engagement team are also directly responsible for the performance of the audits of all in scope UK components.

Our assessment of the risk of material misstatement also informed our views of the areas of particular focus of our work which are listed below:

- Acquisition accounting (Group);
- Impairment of intangible assets (Group);
- Licensing agreements and associated contingent considerations (Group);
- Taxation (Group); and
- Consideration of the impact of Covid-19 (Group).
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.

Capability of the audit in detecting irregularities, including fraud
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 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 preparation of 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;
- 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, namely in respect of the cut-off of revenue recognised in Dechra Veterinary Products NA; and
- Assessing key judgements and estimates made by management for evidence of inappropriate bias. Key judgements and estimates include acquisition accounting, carrying value and impairment of intangible assets, licensing agreements and associated contingent considerations and uncertain tax positions. Details of our procedures in these areas are included in our key audit matters below.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

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.
<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How our audit addressed the key audit matter</th>
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<tbody>
<tr>
<td>Acquisition accounting - assessment of the acquisition accounting in respect of the acquisition of Ampharmco LLC, the trade and assets associated with the Mirataz® product portfolio and measurement period adjustments in respect of the acquisition of Dechra Brasil Produtos Veterinarios Ltda (formerly Laboratorios VencoFarma do Brasil Ltda) (relevant to the Consolidated Financial Statements)</td>
<td>Ampharmco LLC &lt;br&gt; We read the sale and purchase agreement in order to understand the nature of the transaction and ensure that relevant clauses that impact the accounting had been considered by management. Additionally we agreed the consideration paid back to the terms of the sale and purchase agreement and transfer of cash. We reviewed and challenged management’s assessment of the acquired assets and liabilities to ensure that the identification process was complete and accurate. We obtained the purchase price allocation performed by management’s valuation experts and corroborated that the cash flow forecasts supporting the valuation of those intangible assets identified were consistent with those approved by the Board as part of the acquisition process. In addition, we performed look-back tests to assess the accuracy of the Group’s forecasts and assumptions, and performed sensitivity analysis over the key assumptions to determine if a reasonable change could have a significant impact over the value recorded. We engaged our valuation specialists who confirmed that the methodology used to value each intangible asset is in line with expectation. Our valuation specialists also agreed that the discount rates were consistent with those applied by companies of comparable size, geographical spread and within the relevant industry. For the remaining fair values of other assets and liabilities acquired, we performed substantive testing to verify the existence, accuracy and completeness of material assets and liabilities including taxation. Additionally, we audited the disclosure note associated with the acquisition to ensure this met the disclosure requirements of IFRS 3 and captured all of the key elements within the purchase agreements. Overall we have found the accounting for this business combination and related disclosures to be appropriate and consistent with the audit evidence obtained.</td>
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<tr>
<td>Acquisition of Ampharmco LLC</td>
<td>Acquisition of Mirataz® &lt;br&gt; We read the asset purchase agreement in order to understand the nature of the transaction and ensure that relevant clauses that impact the accounting had been considered by management. Additionally we agreed the consideration paid back to the terms of the asset purchase agreement and transfer of cash. 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 was concentrated in a single asset with reference to the asset purchase agreement and valuation assigned to each asset. Additionally, we audited the disclosure note associated with the trade and asset acquisition to ensure this met the requirements of each applicable standard. Overall we found the accounting for this trade and asset acquisition and related disclosures to be appropriate and consistent with the audit evidence obtained.</td>
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<tr>
<td>Measurement period adjustments in respect of Dechra Brasil Produtos Veterinarios Ltda</td>
<td>Measurement period adjustments in respect of Dechra Brasil Produtos Veterinarios Ltda &lt;br&gt; We read the documents submitted to the Brazilian tax authorities and confirmed that these were sufficient to establish a tax base in Brazil for certain assets identified on acquisition. We have also corroborated that this has been approved by the Brazilian tax authorities. We have challenged management whether this election was contemplated and available at the acquisition date, or was considered subsequently. We have corroborated that this was available and contemplated in advance of the acquisition and thus was appropriate to be recognised as a measurement period adjustment. We have audited the disclosure note associated with this measurement period adjustment to ensure this met the requirements of IFRS 3. Overall we have found the accounting for this business combination and related disclosures to be appropriate and consistent with the audit evidence obtained.</td>
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During the measurement period management have enacted elections available and contemplated at the acquisition date which enable a tax base to be established in Brazil for certain assets identified on acquisition. This resulted in the derecognition of £7.0m of deferred tax liabilities with a corresponding adjustment to goodwill.
Key audit matter

Impairment of intangible assets – assessment of the carrying value of acquired intangible assets and other relevant assets.
(relevant to the Consolidated Financial Statements)

Refer to the Audit Committee Report on page 108, the critical accounting estimates and judgements in note 1 (b) to the accounts on page 158, note 12 (Intangible assets) and note 14 (Impairment reviews).

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.

Where a full impairment assessment is required to support the carrying value of the assets held, management have determined appropriate cash generating units and prepared discounted cash flows which include a number of assumptions. The assumption which is deemed to be the most significant in these forecasts is in respect of the future performance of products. The long term growth and discount rate are also considered to be subjective.

How our audit addressed the key audit matter

We reviewed the forecast financial performance of individual intangible assets and held discussions with management in respect of future market conditions to identify any potential indicators of impairment.

We considered management’s determination of the cash generating units for assessing impairment of goodwill and indefinite life intangibles.

We audited management’s impairment model and reperformed all calculations within the discounted cash flow. We agreed that the current and future cash flow forecasts used as the basis of the model are consistent with previous performance.

The forecasts used for years 1 and 2 were agreed to approved budgets and growth assumptions were verified to both forecast organic growth and new product introductions.

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 certain growth rates to economic and industry averages with references to third party data.

We assessed the sufficiency of headroom through the performance of sensitivity analysis on key assumptions, confirming that an impairment is not reasonably possible.

Managements historical forecasting accuracy was also considered across multiple previous years’ assessments.

Additionally, 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 acquired intangible assets and other relevant assets and associated disclosures to be appropriate and consistent with the evidence obtained.

Licensing agreements and associated contingent considerations
– recognition and subsequent remeasurement of acquired intangible assets in respect of licensing agreements.
(relevant to the Consolidated Financial Statements)

Refer to the Audit Committee Report on page 108, the critical accounting estimates and judgements in note 1 (b) to the accounts on page 158, and note 32 (Contingent consideration liabilities).

Mirataz®
The Group acquired the trade, assets and worldwide rights to the Mirataz® product portfolio on 16 March 2020. This was for an initial consideration of $43.0 million alongside 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 Mirataz® 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 around the timing and quantum of future cash flows alongside the discount rate used.

Remeasurement of existing agreements

During the year, related liabilities in respect of Tri-Solfen®, Injectable solution 1 and Phycox® were reassessed for the timing and quantum of future cash flows along with a reassessment of the discount rate applied. The variability of the timing and quantum of future cash flows, along with the discount rate represent areas of judgement.

We audited management’s impairment model and reperformed all calculations for assessing impairment of goodwill and indefinite life intangibles.

We considered management’s determination of the cash generating units for assessing impairment of goodwill and indefinite life intangibles.

We performed sensitivity analysis on these cash flow forecasts and the discount rate applied to corroborate that a material misstatement is not possible based on a reasonable change in key assumptions.

We assessed the sufficiency of headroom through the performance of sensitivity analysis on key assumptions, confirming that an impairment is not reasonably possible.

Managements historical forecasting accuracy was also considered across multiple previous years’ assessments.

Additionally, 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 acquired intangible assets and other relevant assets and associated disclosures to be appropriate and consistent with the evidence obtained.
### Key audit matter

**Taxation – assessment of uncertain tax positions**  
(relevant to the Consolidated Financial Statements)

Refer to the Audit Committee Report on page 108, the critical accounting estimates and judgements in note 1 (b) to the accounts on page 158, 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.

**Consideration of the impact of Covid-19**  
(relevant to the Consolidated and Company Financial Statements)

Refer to the Viability statement on page 77 of the Strategic Report and note 1 (b) (Basis of preparation).

The emergence of Coronavirus ("Covid-19") during 2020 has impacted all businesses, both financially and operationally. Whilst the Group has noted an impact of the pandemic, this has been limited compared to other sectors.

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 modelled potential downside scenarios, including a severe downside scenario, 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.

### How our audit addressed the key audit matter

**Taxation – assessment of uncertain tax positions**  
(relevant to the Consolidated Financial Statements)

In conjunction with our UK, US, Dutch and international tax specialists, we evaluated and challenged management’s judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group’s tax provisions. This 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 judgements, we considered the status of recent and current tax authority audits and enquiries, the outturn of previous claims, judgemental positions taken in tax returns and current year end estimates and developments in the tax environment. These were then considered in the context of the valuation of the uncertain tax position with reference to the appropriateness of valuation technique used in accordance with IFRIC 23, and where based on expected value, the amounts assigned to each probability.

Additionally, we reviewed the disclosure note associated with uncertain tax provisions 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.

**Consideration of the impact of Covid-19**  
(relevant to the Consolidated and Company Financial Statements)

We have evaluated management’s base cash flows, including challenging key assumptions being the profile of forecast revenue and anticipated margins.

We checked the integrity of management’s models, as well as agreeing 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 22 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 90% of Group revenue, 82% of underlying operating profit and 84% 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 and Germany.

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 work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending 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.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those locations to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. We issued formal, written instructions to component auditors setting out the work to be performed by each of them and maintained regular communication throughout the audit cycle. These interactions included attending component clearance video conference calls and holding regular conference calls, as well as reviewing and assessing matters reported.

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 22 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.
**Financial Statements**

**Independent Auditors’ Report to the Members of Dechra Pharmaceuticals PLC**

**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:

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<th>Group financial statements</th>
<th>Company financial statements</th>
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<tbody>
<tr>
<td>Overall materiality</td>
<td>£3.8 million (2019: £3.8 million)</td>
<td>£3.1 million (2019: £2.4 million)</td>
</tr>
<tr>
<td>How we determined it</td>
<td>3% of underlying operating profit.</td>
<td>0.5% of net assets.</td>
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**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 £0.02 million and £2.85 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (Group audit) (2019: £0.2 million) and £0.2 million (Company audit) (2019: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**Going concern**

In accordance with ISAs (UK) we report as follows:

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<tr>
<th>Reporting obligation</th>
<th>Outcome</th>
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<tr>
<td>We are required to report if we have anything material to add or draw attention to in respect of the Directors’ statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors’ identification of any material uncertainties to the Group’s and the Company’s ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.</td>
<td>We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s and Company’s ability to continue as a going concern.</td>
</tr>
<tr>
<td>We are required to report if the directors’ statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.</td>
<td>We have nothing to report.</td>
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</table>

**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 the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).
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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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. (CA06)

The Directors’ assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors’ confirmation on page 109 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors’ explanation on page 77 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors’ statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors’ process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the “Code”); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 109, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group’s and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 108 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- 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.

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. (CA06)
Financial Statements

Independent Auditors’ Report to the Members of Dechra Pharmaceuticals PLC

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.

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 received 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 5 years, covering the years ended 30 June 2016 to 30 June 2020.

Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
7 September 2020