





PRINCIPAL RISKS AND UNCERTAINTIES

| Risk | Description and potential impact | Mitigation | Trend |
|---------------------------------|---|--|--|
| Product development risk | <p>Pharmaceutical development is complex, involving technical, regulatory and financial risk. Failure to successfully deliver new product development projects could have a material impact on the Group's results and damage our market position and relationship with our customers.</p> <p>Complete failure of a project or failure to meet commercial expectations due to for example competitor launches (generic or novel) would result in impairment of capitalised development costs.</p> | <p>Following careful selection of development strategy, each new product development project undergoes rigorous review by the cross-discipline senior management team with final sign off by the Board. The pipeline is reviewed regularly, with corresponding updates provided to the Board, to ensure each project is progressing according to plan. External consultants, where deemed necessary, are employed to aid effective management of the development and regulatory process.</p> |  <p>The Group plans to commit significantly higher resources to expand our portfolio.</p> |
| Market risk | <p>The veterinary market continues to see a customer base that is consolidating via the emergence of buying groups and corporate customers who are looking for value from the products and services we provide. This presents an opportunity for growth but potentially at the expense of margins.</p> | <p>The reorganisation of the sales team completed in the financial year was in part driven by our strategy to strengthen key account support and achieve our goal to better serve our changing customer base. Our marketing offering is also evolving via more tailored propositions to further strengthen support to our sales team, veterinary practices and their customers.</p> |  |
| Supply chain risk | <p>The Group purchases goods for resale under contract manufacturer supply and distribution agreements. Any disruption to the relationship with our key supply partners or interruption to the supply chain could result in significant loss of Group revenue. Generally, it is not in the commercial interests of the Group to implement dual sourcing for finished product.</p> | <p>Supply chain risk mitigation strategies include close monitoring of supplier performance, dual sourcing of raw material and the maintenance of contingency stocks where appropriate.</p> |  |
| People risk | <p>The Group has a small Executive and senior management team whose skills, knowledge, experience and performance make a large contribution to the success of the Group. Failure to retain and attract high calibre individuals could impact the successful implementation of our strategy.</p> | <p>Succession planning for the Board is overseen by the Nomination Committee. Planning for key senior management positions is given consideration by the Board. Remuneration packages are reviewed annually to help ensure that the Group has the right mix of base salary, short-term and long-term incentives to attract, retain and reward key employees to execute our growth strategy.</p> |  |



Increase



Decrease



Unchanged