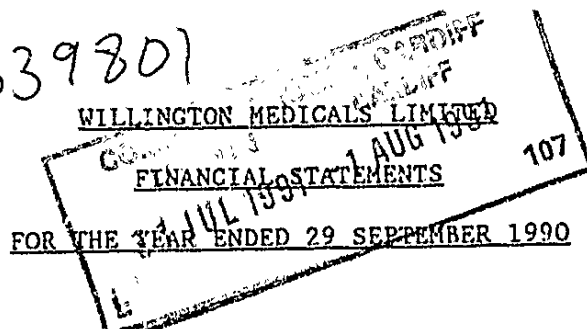


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KPMG PEAT MARWICK McLINTOCK
Chartered Accountants

Churchill House, Regent Road, Stoke on Trent, ST1 3RG

WILLINGTON MEDICALS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 29 September 1990.

Principal activities

The company continued to trade as suppliers of veterinary medicines and equipment.

Results and future developments

The results for the year are shown on page 4.

During the year the process of modernising the branch network continued with the business previously served from Bristol and Great Dunmow transferred to Stoke.

Dividend

The directors do not propose the payment of a dividend for the year (1989 - £nil).

Fixed assets

The changes in fixed assets during the year are summarised in note 9 on page 10 of the accounts.

Following a valuation of freehold properties conducted by independent Chartered Surveyors those properties have been revalued from £250,185 to £500,000. The basis of the valuation was to establish the open market value of the properties as at 29 September 1990 in accordance with the Guidance Notes for such valuations of the Royal Institute of Chartered Surveyors.

Directors and their interests

The directors who served during the year are listed below. None of the directors had any interest in the shares of the company.

I D Parsons (appointed 3 September 1990)
 S E Oakley
 D C White
 K Beevers (resigned 3 September 1990)
 M A W Baggott (resigned 27 March 1990)

The interests of I D Parsons and S E Oakley in the share capital of Macarthy PLC are disclosed in the financial statements of that company. D C White had no interest in the share capital of Macarthy PLC at 29 September 1990 or 30 September 1989.

WILLINGTON MEDICALS LIMITEDREPORT OF THE DIRECTORS (CONTINUED)Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the Annual General Meeting.

FOR AND ON BEHALF OF THE BOARD



Secretary
24 January 1991

WILLINGTON MEDICALS LIMITED

REPORT OF THE AUDITORS, KPMG PEAT MARWICK McLINTOCK
TO THE MEMBERS OF WILLINGTON MEDICALS LIMITED

We have audited the financial statements on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 29 September 1990 and of its loss and source and application of funds for the year then ended and have properly prepared in accordance with the Companies Act 1985.

Churchill House
Regent Road
Stoke on Trent
ST1 3RG
24 January 1991

KPMG Peat Marwick McLintock

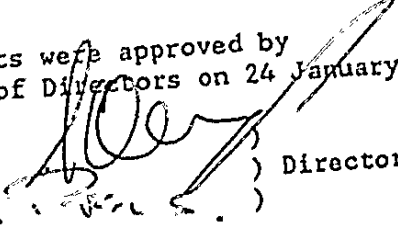
Chartered Accountants

WILLINGTON MEDICALS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 29 SEPTEMBER 1990

	<u>Notes</u>	<u>1990</u> £	<u>1989</u> £
TURNOVER	2	13,547,466	19,086,233
Cost of sales		(12,713,965)	(18,534,204)
GROSS PROFIT		833,501	552,029
Distribution costs		(1,026,993)	(1,456,285)
Administrative expenses		(307,520)	(432,800)
OPERATING LOSS		(501,012)	(1,337,056)
Exceptional item	3	(235,043)	(215,943)
Interest payable	4	-	(218,061)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(736,055)	(1,771,060)
Taxation on loss on ordinary activities	8	260,000	520,935
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(476,055)	(1,245,125)
RETAINED LOSS FOR THE FINANCIAL YEAR		(476,055)	(1,245,125)
Retained (loss)/profit brought forward		(117,459)	1,127,666
RETAINED LOSS CARRIED FORWARD		(593,514)	(117,459)

The notes on pages 7 to 13 form part of these financial statements.

WILLINGTON MEDICALS LIMITED
BALANCE SHEET AS AT 29 SEPTEMBER 1990

	Notes	£	1990	£	£	1989	£
<u>FIXED ASSETS</u>							
Tangible assets	9			735,445			526,924
<u>CURRENT ASSETS</u>							
Stocks	10		2,107,489			2,770,486	
Debtors	11		1,602,533			2,408,129	
			500			755	
Cash at bank and in hand							
			3,710,522			5,179,370	
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	12		(4,773,277)			(5,814,753)	
<u>NET CURRENT LIABILITIES</u>				(1,062,755)			(635,383)
<u>NET LIABILITIES</u>				(327,310)			(108,459)
<u>CAPITAL AND RESERVES</u>							
Called up share capital	14			9,000			9,000
Revaluation reserve	15			257,204			
Profit and loss account				(593,514)			(117,459)
<p>The accounts were approved by the Board of Directors on 24 January 1991</p> <p> Directors</p>							
				(327,310)			(108,459)

The notes on pages 7 to 13 form part of these financial statements.

WILLINGTON MEDICALS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 29 SEPTEMBER 1990

	<u>1990</u>		<u>1989</u>
	£	£	£
<u>SOURCE OF FUNDS</u>			
Loss before taxation	(736,055)		(1,771,060)
Adjustment for item not involving the movement of funds:-			
Depreciation (after adjusting for disposals)	106,969		135,337
	<hr/>		<hr/>
<u>TOTAL GENERATED FROM OPERATIONS</u>	(629,086)		(1,635,723)
<u>FUNDS FROM OTHER SOURCES</u>			
Sale of fixed assets	66,835		55,108
Group relief received	-		506,000
	<hr/>		<hr/>
	(562,686)		(1,074,615)
<u>APPLICATION OF FUNDS</u>			
Purchase of fixed assets (net of inter group transfers)	(125,121)		(408,972)
ACT paid	-		(93,333)
	<hr/>		<hr/>
	(125,121)		(502,305)
	<hr/>		<hr/>
<u>DECREASE IN WORKING CAPITAL</u>	(687,372)		(1,576,920)
	<hr/>		<hr/>
<u>COMPONENTS OF DECREASE IN WORKING CAPITAL</u>			
Stocks	(662,997)		(903,200)
Debtors	(805,596)		(722,535)
Creditors	939,412		(451,510)
	<hr/>		<hr/>
	(529,181)		(2,077,245)
<u>Movement in net liquid funds</u>			
Cash at bank and in hand	(255)		(3,236)
Bank loans and overdrafts	(157,936)		503,561
	<hr/>		<hr/>
	(158,191)		500,325
	<hr/>		<hr/>
	(687,372)		(1,576,920)
	<hr/>		<hr/>

The notes on pages 7 to 13 form part of these financial statements.

WILLINGTON MEDICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of accounts

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold properties, and on a going concern basis which assumes that the company will continue to trade, as a holding company, Macarthy plc, has indicated that it intends to provide such funds as are necessary for the company to continue to trade for the foreseeable future.

b) Depreciation

Tangible assets are depreciated on a straight line basis at annual rates estimated to write them off over their estimated useful lives. The rates used are as follows:-

Freehold buildings	- 2% per annum
Long leasehold land and buildings	- over period of the lease
Motor vehicles	- 25% and 33 1/3% per annum
Furniture and equipment	- 10% to 20% per annum

c) Stocks

Valuation of stock is at the lower of cost and net realisable value.

d) Deferred taxation

Deferred taxation is provided only to the extent that a liability is expected to become payable within the foreseeable future.

e) Leased assets

The annual rentals on operating leases are charged to the profit and loss account as incurred.

f) Pension scheme

The company is a member of the Macarthy Group Pension Scheme, a defined benefit scheme. The adjustment arising on implementation of SSAP 24 is being spread over the average remaining service lives of current employees in accordance with the Standard.

WILLINGTON MEDICALS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)2 Turnover

Turnover represents amounts invoiced in respect of goods sold during the year, excluding value added tax. All sales are made within the UK.

3 Exceptional item

This relates to exceptional costs arising on the closure of the branches at Bristol, Great Dunmow and Whitefield.

4 Interest payable

	<u>1990</u>	<u>1989</u>
	£	£
Payable on bank balance to Group companies	-	218,061
	<hr/>	<hr/>

5 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging the following:-

Depreciation	106,969	140,917
Directors' emoluments (see note 7)	48,953	71,983
Auditors' remuneration and expenses	15,662	17,145
Rentals payable under operating leases:-		
- Hire of plant and machinery	3,388	13,417
- Other operating leases	45,362	45,961
	<hr/>	<hr/>

6 Staff numbers and costs

	<u>Number</u>	<u>Number</u>
The average number of persons employed by the company (including directors) during the year was as follows:	89	112
	<hr/>	<hr/>

The aggregate payroll costs of these persons was as follows:

	£	£
Wages and salaries	675,968	907,194
Social security costs	54,210	73,747
	<hr/>	<hr/>
	730,178	980,941
	<hr/>	<hr/>

WILLINGTON MEDICALS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7	<u>Directors' emoluments</u>	<u>1990</u>	<u>1989</u>
		£	£
	Fees as directors	45,456	64,921
	Other emoluments (including pension contributions)	3,497	7,062
		<u>48,953</u>	<u>71,983</u>
	Emoluments (excluding pension contributions) of:		
	Chairman	-	nil
	Highest paid director	<u>45,456</u>	<u>38,768</u>
	Other directors received emoluments (excluding pension contributions) in the following ranges:	<u>Number</u>	<u>Number</u>
	£nil - £5,000	3	1
	£5,000 - £10,000	-	1
	£10,000 - £15,000	-	1
	£15,000 - £40,000	-	1
		<u> </u>	<u> </u>
8	<u>Tax on profit on ordinary activities</u>	<u>£</u>	<u>£</u>
	Corporation tax credit on losses for the year at 35% (1989 - 35%)	(264,000)	(506,000)
	Deferred taxation	4,000	(19,935)
		<u>(260,000)</u>	<u>(525,935)</u>

WILLINGTON MEDICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Tangible assets

	<u>Freehold</u> £	<u>Furniture and equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
<u>Cost or valuation</u>				
At 30 September 1989	239,111	388,496	336,447	964,054
Additions	11,074	4,947	140,413	156,434
Revaluation during year	249,815	-	-	249,815
Inter group transfers	-	(57,436)	-	(57,436)
Disposals	-	(64,161)	(245,158)	(309,319)
At 29 September 1990	500,000	271,846	231,702	1,003,548
<u>Depreciation</u>				
At 30 September 1989	2,391	207,393	227,346	437,130
Charge for the year	4,998	41,898	60,073	106,969
Adjustment on revaluation	(7,389)	-	-	(7,389)
Inter group transfers	-	(26,123)	-	(26,123)
On disposals	-	(35,534)	(206,950)	(242,484)
At 29 September 1990	-	187,634	80,469	268,103
<u>Net book value</u>				
At 29 September 1990	500,000	84,212	151,233	735,445
At 30 September 1989	236,720	181,103	109,101	526,924

WILLINGTON MEDICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10	<u>Stocks</u>	<u>1990</u>		<u>1989</u>	
		£		£	
	Finished goods and goods for resale	2,107,489		2,770,486	
		<hr/>		<hr/>	
11	<u>Debtors</u>	<u>1990</u>		<u>1989</u>	
		£		£	
	Trade debtors	1,490,507		1,770,058	
	Amounts owed by group companies	3,216		517,724	
	Other debtors				
	Prepayments and accrued income	15,477		27,014	
	Advance corporation tax recoverable	93,333		93,333	
		<hr/>		<hr/>	
		1,602,533		2,408,129	
		<hr/>		<hr/>	
12	<u>Creditors: amounts falling due within one year</u>	<u>1990</u>		<u>1989</u>	
		£		£	
	Bank loans and overdrafts	178,060		20,124	
	Trade creditors	1,186,330		1,920,385	
	Amounts owed to group companies	35,170		98,162	
	Amounts owed to holding company	3,270,058		3,630,185	
	Other creditors including tax and social security	85,785		105,976	
	Accruals and deferred income	17,874		39,921	
		<hr/>		<hr/>	
		4,773,277		5,814,753	
		<hr/>		<hr/>	
	Other creditors including taxation and social security comprises:				
	Other taxes	61,644		84,399	
	Social security	5,197		11,577	
		<hr/>		<hr/>	
		66,841		95,976	
	Other creditors	18,944		10,000	
		<hr/>		<hr/>	
		85,785		105,976	
		<hr/>		<hr/>	
13	<u>Provision for liabilities and charges</u>	<u>1990</u>		<u>1989</u>	
		<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
		£	£	£	£
	The provision for deferred taxation is set out below:-				
	Revalued assets	-	89,681	-	-
	Accelerated capital allowances	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		-	89,681	-	-
		<hr/>	<hr/>	<hr/>	<hr/>

WILLINGTON MEDICALS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14	<u>Share capital</u>	<u>1990</u> £	<u>1989</u> £
	<u>Authorised</u>		
	10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
	<u>Allotted, called up and fully paid</u>		
	9,000 ordinary shares of £1 each	<u>9,000</u>	<u>9,000</u>
			£
15	<u>Revaluation reserve</u>		
	Balance at 30 September 1989		<u>257,204</u>
	Surplus on revaluation of freehold property		<u>257,204</u>
	Balance at 29 September 1990		<u>257,204</u>
16	<u>Capital commitments</u>		
	Capital commitments at the year end for which no provision has been made in these accounts were as follows:-		
		<u>1990</u> £	<u>1989</u> £
	Contracted	-	<u>10,200</u>
	Authorised but not contracted	-	<u>97,426</u>

WILLINGTON MEDICALS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)17 Commitment under operating leases

At 29 September 1990 the annual commitment under non-cancellable operating leases was:

	<u>Land and buildings</u>	
	<u>1990</u>	<u>1989</u>
	£	£
<u>Operating leases which expire:</u>		
- within one year	-	-
- in the second to fifth years inclusive	12,500	28,730
- after five years		

18 Contingent liabilities

The company has given an unlimited guarantee in respect of the overdraft facilities of the holding company.

19 Ultimate holding company

The ultimate holding company is Macarthy plc, a company incorporated in England.

20 Pension scheme

In accordance with the provisions of SSAP 24 the effect of pensions on the profit and loss account before taxation was a credit of £10,000 arising from the amortisation of surpluses over a period of 13 years, being the weighted average remaining service lives of the currently active members of the scheme. On the basis of advice of consulting Actuaries no contributions are being paid to the scheme for the time being. The assumptions used in accounting for pension costs were the same used in the most recent actuarial valuation which was performed at 1 January 1989 details of which are included in the financial statements of the parent company, Macarthy plc

WILLINGTON MEDICALS LIMITED
TRADING ACCOUNT
FOR THE YEAR ENDED 29 SEPTEMBER 1990

	<u>1990</u>		<u>1989</u>
	£	£	£
Turnover	13,547,466		19,086,233
Cost of sales			15,894,508
Materials	10,809,229		920,497
Stock movements	662,997		1,719,199
Discounts allowed	1,269,957		
	<hr/>	<hr/>	<hr/>
	(12,742,183)		(18,534,204)
Gross profit	805,283		552,029
Other income	28,218		-
	<hr/>		<hr/>
	833,501		552,029
Expenses			
Distribution and motor vehicle expenses	202,906		260,727
Salaries and wages	671,859		1,013,235
Publicity	34,141		19,458
Rent and rates	58,091		124,493
Light, heat and power	23,996		27,587
Sundry trade expenses	38,585		24,881
Other staff expenses	10,286		9,088
Repairs and renewals	13,779		12,379
Legal expenses	-		10,065
Trade subscriptions	1,212		2,145
Bad debt provision	62,734		26,185
Depreciation	106,969		140,917
Profit on fixed asset disposals	(44,202)		(5,580)
Insurance	20,706		32,509
Computer maintenance	28,865		45,005
Printing and stationery	23,281		30,125
Equipment hire	3,388		13,417
Telephone	34,107		65,185
Bank charges	4,345		10,119
Audit	15,662		17,145
Professional	23,803		10,000
	<hr/>	<hr/>	<hr/>
	(1,334,513)		(1,889,085)
	<hr/>		<hr/>
	(501,012)		(1,337,056)
Operating loss	<hr/>		<hr/>