

National Veterinary Supplies Limited

Directors' report and financial statements

30 June 1997

Registered number 339801



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Auditors' report to the members of National Veterinary Supplies Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 1997.

Change of ownership

On 24 June 1997 the company became a wholly owned subsidiary of Dechra Holdings Limited on the acquisition by that company of Veneto Limited (formerly GEHE Holdings (No 2) Limited), the company's immediate holding company. The company was previously a wholly owned subsidiary of Lloyds Chemists plc.

Principal activity

The principal activity of the company during the year was the supply of veterinary medicines and equipment.

Results and dividends

The results for the year are set out on page 5. A dividend of £700,000 (1996: £Nil) was paid during the year. The directors do not recommend the payment of a final dividend (1996: £Nil). The retained profit of £810,000 is transferred to reserves.

Business review

The business has continued to grow strongly during the year with good increases in both turnover and profit.

The company is committed to providing the highest standard of service to its customers and is well placed to capitalise further on its already strong market share.

Directors and directors' interests

The directors who served during the year were as follows:

AJ Lloyd	(resigned 21 January 1997)
MA Ward	(resigned 21 January 1997, re-appointed 24 April 1997, resigned 24 June 1997)
RG Turner	(resigned 21 January 1997)
JC Fellows	(resigned 21 January 1997)
SW Buckell	(resigned 30 May 1997)
SD Evans	
ID Page	
CD Higham	
GB Evans	
GA Kershaw	(appointed 21 January 1997, resigned 24 June 1997)
SM Meister	(appointed 21 January 1997, resigned 24 June 1997)
RCH Vizard	(appointed 21 January 1997, resigned 24 June 1997)

None of the directors had any interest in the share capital of the company during the year.

GB Evans, SD Evans, ID Page and CD Higham were directors of Dechra Holdings Limited, the ultimate holding company, at the year end and their interests in the shares of group undertakings are disclosed in the financial statements of that company.

Directors' report *(continued)*

Employees

It is the company's policy to encourage employee involvement as the directors consider that this is essential for the successful running of the business. The company keeps employees informed of performance, developments and progress by way of regular team briefing sessions and notices. The company runs a profit related pay scheme so that all employees can share in the success of the company.

The company gives full consideration to applications for employment from disabled people, where they adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the company's policy whenever practicable to provide continuing employment under the company's terms and conditions and to provide training and career development whenever appropriate.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



SD Evans
Secretary

Unit 4
Jamage Road Industrial Estate
Talke Pits
Stoke-on-Trent
ST7 1XW

18 December 1997

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham B3 2DL

Auditors' report to the members of National Veterinary Supplies Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'KPMG' with a stylized flourish.

KPMG
Chartered Accountants
Registered Auditors

18 December 1997

Profit and loss account
for the year ended 30 June 1997

	<i>Note</i>	Continuing operations	
		1997 £'000	1996 £'000
Turnover	<i>1</i>	112,645	95,090
Cost of sales		(104,685)	(87,905)
Gross profit		7,960	7,185
Distribution costs		(3,965)	(3,950)
Administrative expenses		(1,590)	(1,105)
Operating profit		2,405	2,130
Loss on disposal of fixed assets		(101)	-
Profit on ordinary activities before interest		2,304	2,130
Interest payable	<i>3</i>	(74)	(401)
Profit on ordinary activities before taxation	<i>4</i>	2,230	1,729
Tax on profit on ordinary activities	<i>6</i>	(720)	(446)
Profit on ordinary activities after taxation		1,510	1,283
Dividend paid on equity shares		(700)	-
Retained profit for the financial period	<i>14</i>	810	1,283

A statement of movements on reserves is given in note 14 to the financial statements.

There are no recognised gains or losses in either the current or preceding year other than the retained profit for these periods.

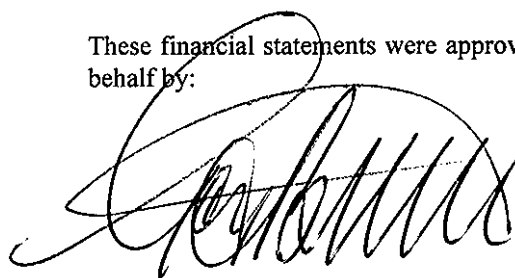
There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet

at 30 June 1997

	Note	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	7	1,977	1,913
Current assets			
Stocks	8	8,089	7,045
Debtors	9	14,174	12,198
Cash at bank and in hand		7,106	6,848
		<u>29,369</u>	<u>26,091</u>
Creditors: amounts falling due within one year	10	<u>(28,082)</u>	<u>(18,830)</u>
Net current assets		<u>1,287</u>	<u>7,261</u>
Total assets less current liabilities		<u>3,264</u>	<u>9,174</u>
Creditors: amounts falling due after more than one year	11	-	(6,673)
Provisions for liabilities and charges	12	(26)	(73)
Net assets		<u>3,238</u>	<u>2,428</u>
Capital and reserves			
Called up share capital	13	1,515	1,515
Goodwill write off reserve	14	(1,200)	(1,271)
Profit and loss account	14	2,923	2,184
Total equity shareholders' funds		<u>3,238</u>	<u>2,428</u>

These financial statements were approved by the board of directors on 18 December 1997 and were signed on its behalf by:



GB Evans
Director

Reconciliation of movements in shareholders' funds

for the year ended 30 June 1997

	1997 £'000	1996 £'000
Profit for the financial year	1,510	1,283
Dividends	(700)	-
	<hr/> 810	<hr/> 1,283
Shareholders' funds at 1 July 1996	2,428	1,145
	<hr/>	<hr/>
Shareholders' funds at 30 June 1997	<u>3,238</u>	<u>2,428</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

The company is exempt from producing a cash flow statement since consolidated cash flow statements prepared in accordance with the requirements of Financial Reporting Standard 1 have been included within the financial statements of its current and previous parent undertakings, which incorporate the company's cash flows during the respective periods of ownership.

Turnover

Turnover represents cash and credit sales excluding value added tax.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the gross book value less estimated residual value of tangible fixed assets over their estimated useful lives. The principal rates used are as follows:

Short leasehold property	Period of the lease
Fixtures, fittings and equipment	10-20% on a straight line basis
Motor vehicles	25% on a straight line basis

Goodwill

Goodwill relating to the acquisition of businesses is written off immediately against reserves.

Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Rental payments are apportioned between the finance element, which is charged to the profit and loss account and the capital element which reduces the outstanding lease obligations.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pensions

Pension costs are charged to the profit and loss account over the expected service lives of participating employees.

Related parties

By virtue of the company being a wholly owned subsidiary included in the consolidated financial statements of a larger EU group, the company is exempt under Financial Reporting Standard 8 from disclosing transactions or balances with entities which are part of the group that qualify as related parties.

2 Staff numbers and costs

The average number of persons employed during the year, analysed by category, was as follows:

	1997 Number	1996 Number
Distribution	223	221
Buying and administration	24	24
Sales and marketing	11	12
	<hr/> 258	<hr/> 257
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	2,612	2,607
Social security costs	200	166
Other pension costs	15	12
	<hr/> 2,827	<hr/> 2,785
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

3 Interest payable

	1997 £'000	1996 £'000
Bank overdraft interest	-	380
Finance lease charges	74	21
	<u>74</u>	<u>401</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	1997 £'000	1996 £'000
Auditors' remuneration	12	12
Depreciation of owned tangible fixed assets	544	338
Depreciation of tangible fixed assets held under finance leases	47	269
Payments under operating leases:		
Land and buildings	217	190
Hire of equipment	132	84
	<u>217</u>	<u>190</u>

5 Directors' emoluments

Excluding pension contributions, the emoluments of the chairman were £Nil (1996: £Nil). The emoluments of the highest paid director were £46,000 (1996: £42,000).

Total directors' emoluments were £138,000 (1996: £130,000).

In addition during the year, £35,000 was paid to Arnolds Veterinary Products Limited a fellow subsidiary undertaking of the company, for the services of the managing director.

6 Tax on profit on ordinary activities

	1997 £'000	1996 £'000
Corporation tax at 32.5% (1996: 33%)	767	415
Deferred taxation	(47)	31
	<u>720</u>	<u>446</u>

The corporation tax charge has been reduced by £Nil (1996: approximately £100,000) as a result of the recognition of surplus ACT previously written off.

Notes (continued)

7 Tangible fixed assets

	Short leasehold property £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 July 1996	420	1,941	1,078	3,439
Additions	1	302	455	758
Disposals	(94)	(356)	(164)	(614)
Intra-group transfers	-	-	(13)	(13)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1997	327	1,887	1,356	3,570
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
At 1 July 1996	73	816	637	1,526
Charge for the year	37	335	219	591
Disposals	(32)	(317)	(162)	(511)
Intra-group transfers	-	-	(13)	(13)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1997	78	834	681	1,593
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 1997	249	1,053	675	1,977
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1996	347	1,125	441	1,913
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value of assets held under finance leases	-	-	99	99
	<hr/>	<hr/>	<hr/>	<hr/>

8 Stocks

	1997 £'000	1996 £'000
Goods for resale	8,089	7,045
	<hr/>	<hr/>

Notes (continued)

9 Debtors

	1997 £'000	1996 £'000
Trade debtors	13,144	11,289
Amounts owed by parent undertakings and fellow subsidiary undertakings (1996: previous year parent undertakings and fellow subsidiary undertakings)	-	3
Other debtors	966	830
Prepayments	64	76
	<u>14,174</u>	<u>12,198</u>

10 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Obligations under finance leases	9	130
Trade creditors	17,831	16,176
Amounts owed to parent undertakings and fellow subsidiary undertakings (1996: previous year parent undertakings and fellow subsidiary undertakings)	9,183	753
Other creditors	111	893
Corporation tax	767	452
Other taxation and social security	125	365
Accruals and deferred income	56	61
	<u>28,082</u>	<u>18,830</u>

11 Creditors: amounts falling due after more than one year

	1997 £'000	1996 £'000
Obligations under finance leases	-	21
Amounts owed to parent undertakings and fellow subsidiary undertakings (1996: previous year parent undertakings and fellow subsidiary undertakings)	-	6,652
	<u>-</u>	<u>6,673</u>
The obligations under finance leases are repayable as follows:		
Within one year	9	130
Between two and five years	-	21
	<u>9</u>	<u>151</u>

Notes (continued)

12 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 July 1996	73
Transfer to profit and loss account	(47)
	<hr/>
At 30 June 1997	26
	<hr/> <hr/>

The amounts provided for deferred taxation and the amounts unprovided, calculated under the liability method at 33%, are set out below:

	1997 Provided £'000	Unprovided £'000	1996 Provided £'000	Unprovided £'000
Accelerated capital allowances	27	-	73	-
Other timing differences	(1)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	26	-	73	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13 Called up share capital

	1997 £'000	1996 £'000
<i>Authorised, allotted, called up and fully paid</i> 1,515,000 ordinary shares of £1 each	1,515	1,515
	<hr/> <hr/>	<hr/> <hr/>

14 Reserves

	Goodwill write-off reserve £'000	Profit and loss account £'000
At 1 July 1996	(1,271)	2,184
Retained profit for the financial year	-	810
Goodwill transferred to profit and loss account	71	(71)
	<hr/>	<hr/>
At 30 June 1997	(1,200)	2,923
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15 Capital commitments

Contracts placed for capital expenditure so far as not provided for in these financial statements amounted to £nil (1996: £296,000).

16 Commitments under operating leases

Annual commitments under non-cancellable operating leases at 30 June 1997 are as follows:

	Land and other buildings £000	Other £000
Operating leases which expire:		
In the second to fifth years inclusive	-	111
Over five years	247	-
	<hr/> 247	<hr/> 111
	<hr/> <hr/>	<hr/> <hr/>

17 Pensions

Until 24 June 1997 the company participated in two pension schemes, both of which are constituted as independently administered funds with the assets held separately from those of the Lloyds Chemists Group.

The Lloyds Chemists plc Retirement Benefit Scheme is a defined contribution scheme. The pension charge in respect of this Scheme comprises the contributions payable.

The Macarthy Pension Scheme is a defined benefit scheme. Contributions payable to the scheme are determined by a qualified actuary on the basis of regular three yearly valuations. The most recent valuation of the Macarthy Pension Scheme was carried out on 6 April 1996. Details of the scheme are set out in the Lloyds Chemists plc group financial statements.

Following the acquisition of the company's immediate holding company by Dechra Holdings Limited, a new defined contribution pension scheme has been established for the Dechra Holdings Limited group. The assets of the Lloyds Chemists Group pension schemes which had accrued to employees of the company to 24 June 1997, the date of acquisition by Dechra Holdings Limited, were transferred to the Dechra Holdings Limited Pension Scheme on 1 July 1997 at an appropriate transfer value.

18 Contingent liabilities

The company guarantees the borrowings of certain other group companies which at 30 June 1997 amounted to £23,265,000 (1996: £Nil).

Notes (continued)

19 Ultimate holding company

The ultimate holding company at the year end is Dechra Holdings Limited, which is registered in England and Wales. The results of the company from 24 June 1997 will be included within the group financial statements of Dechra Holdings Limited but will not be included within any other group financial statements.

The first group financial statements of Dechra Holdings Limited, for the period to 30 June 1998, will be available from October 1998 and may be obtained from Unit 4, Jamage Road Industrial Estate, Talke Pits, Stoke-on-Trent, ST7 1XW.

The results of the company until 24 June 1997 are included within the group financial statements of Lloyds Chemists plc (the ultimate holding company until 24 June 1997) but are not included within any other group financial statements.

Copies of the group financial statements of Lloyds Chemists plc may be obtained from Britannia House, Centurion Park, Tamworth, Staffordshire B77 5PZ.