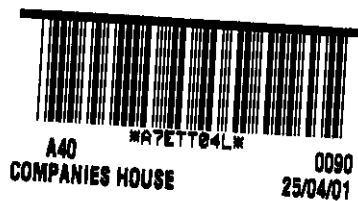


**National Veterinary Services Limited**  
**(formerly National Veterinary Supplies Ltd)**

**Directors' report and financial  
statements**

**Registered number 339801**

**For the year ended 30 June 2000**





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## **Directors' report**

The directors present their report and the audited financial statements for the year ended 30 June 2000.

### **Change of name**

The company changed its name to National Veterinary Services Limited on 26 June 2000.

### **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. The directors recommend the payment of a final dividend of £2,600,000 (1999: £800,000).

### **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 for further progress.

### **Directors and directors' interests**

The directors who served during the year were as follows:

SD Evans  
ID Page  
CD Higham  
GB Evans  
ETW Torr

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

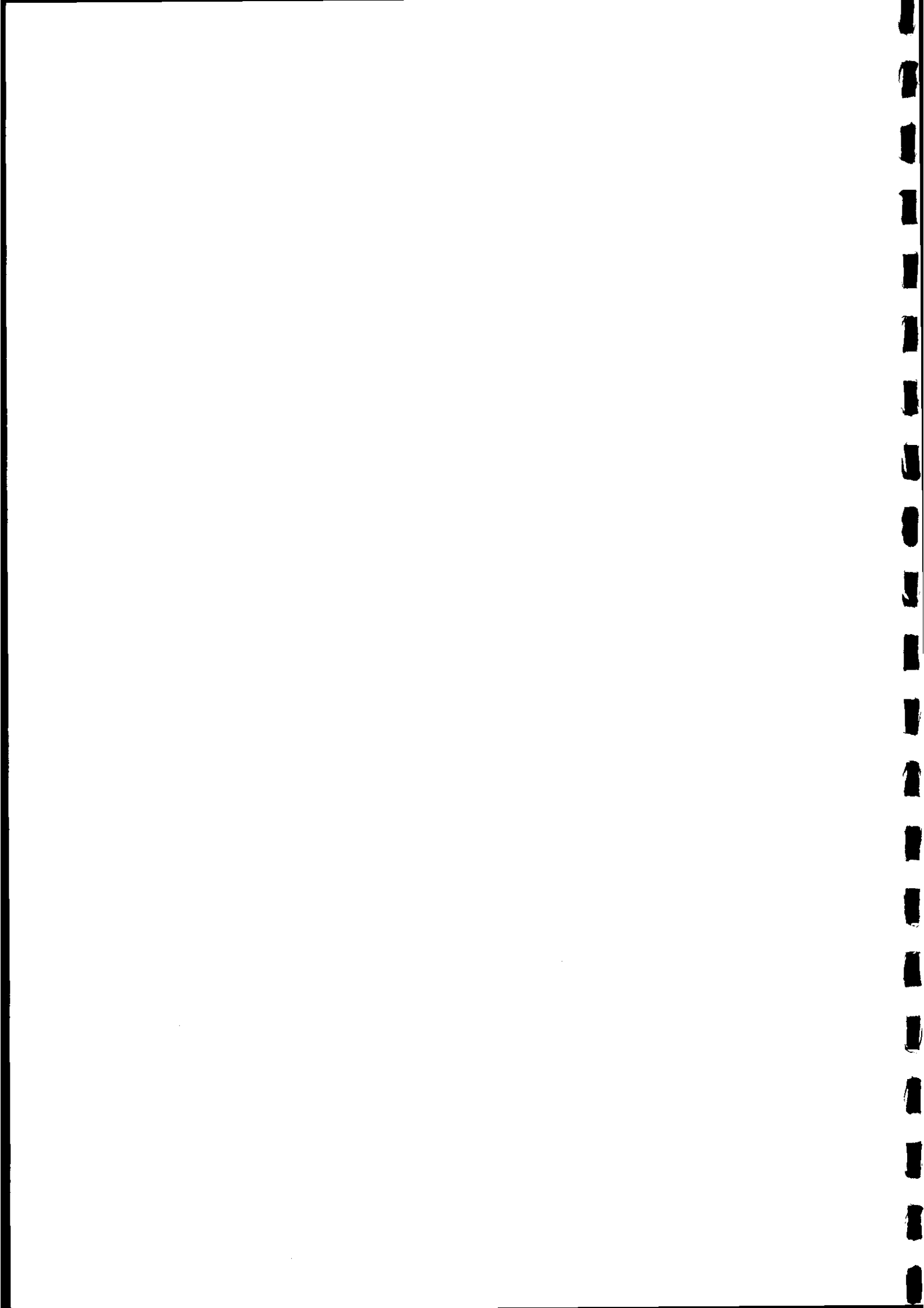
The directors were all directors of Dechra Pharmaceuticals Limited, the ultimate holding company, at the year end and their interests in the shares of group undertakings are disclosed in the financial statements of that company.

### **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.



## Directors' report *(continued)*

### 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



SP Whitehouse  
Secretary

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

22 August 2000





## 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

## **Report of the auditors to the members of National Veterinary Services Limited**

We have audited the financial statements on pages 5 to 14.

### ***Respective responsibilities of directors and auditors***

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### ***Basis of audit 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 misstatement, 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

22 August 2000

**Profit and loss account**  
*for the year ended 30 June 2000*

|  | <i>Note</i> | <b>Continuing operations</b> |                            |
|--|-------------|------------------------------|----------------------------|
|  |             | <b>2000</b><br><b>£000</b>   | <b>1999</b><br><b>£000</b> |
| <b>Turnover</b>                                      | <i>1</i>    | <b>137,633</b>               | 124,406                    |
| Cost of sales  |             | <b>(125,242)</b>             | (113,715)                  |
| <b>Gross profit</b>                                  |             | <b>12,391</b>                | 10,691                     |
| Distribution costs                                   |             | <b>(5,003)</b>               | (4,546)                    |
| Administrative expenses                              |             | <b>(2,068)</b>               | (1,775)                    |
| <b>Operating profit</b>                              |             | <b>5,320</b>                 | 4,370                      |
| Net interest payable                                 | <i>3</i>    | <b>(106)</b>                 | (198)                      |
| <b>Profit on ordinary activities before taxation</b> | <i>4</i>    | <b>5,214</b>                 | 4,172                      |
| Tax on profit on ordinary activities                 | <i>6</i>    | <b>(1,607)</b>               | (1,342)                    |
| <b>Profit on ordinary activities after taxation</b>  |             | <b>3,607</b>                 | 2,830                      |
| Dividend proposed on equity shares                   | <i>7</i>    | <b>(2,600)</b>               | (800)                      |
| <b>Retained profit for the financial year</b>        | <i>15</i>   | <b>1,007</b>                 | 2,030                      |

A statement of movements on reserves is given in note 15 to the financial statements.

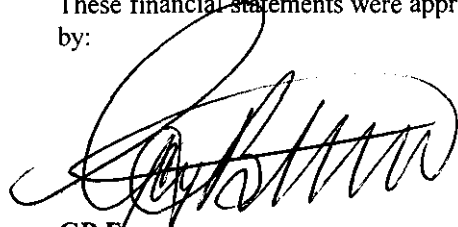
There are no recognised gains or losses in either the current or preceding year other than the retained profit for these periods.

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 2000*

|  | Note | 2000<br>£000    | 1999<br>£000    |
|--|------|-----------------|-----------------|
| <b>Fixed assets</b>  |      |                 |                 |
| Tangible assets  | 8    | 1,661           | 1,812           |
| <b>Current assets</b>  |      |                 |                 |
| Stocks   | 9    | 14,517          | 10,015          |
| Debtors  | 10   | 20,358          | 18,154          |
| Cash at bank and in hand                                       |      | 11,969          | 5,749           |
|  |      | <u>46,884</u>   | <u>33,918</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 11   | <u>(42,321)</u> | <u>(30,333)</u> |
| <b>Net current assets</b>                                      |      | <u>4,523</u>    | <u>3,585</u>    |
| <b>Total assets less current liabilities</b>                   |      | <u>6,184</u>    | <u>5,397</u>    |
| <b>Creditors: amounts falling due after more than one year</b> | 12   | (13)            | (233)           |
| Provisions for liabilities and charges                         | 13   | -               | -               |
| <b>Net assets</b>  |      | <u>6,171</u>    | <u>5,164</u>    |
| <b>Capital and reserves</b>                                    |      |                 |                 |
| Called up share capital  | 14   | 1,515           | 1,515           |
| Profit and loss account  | 15   | 4,656           | 3,649           |
| <b>Total equity shareholders' funds</b>                        |      | <u>6,171</u>    | <u>5,164</u>    |

These financial statements were approved by the board of directors on 22 August 2000 and were signed on its behalf by:



**GB Evans**  
Director

**Reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2000*

|  | 2000<br>£000 | 1999<br>£000 |
|--|--------------|--------------|
| <b>Profit for the financial year</b>       | <b>3,607</b> | <b>2,830</b> |
| Dividends                                  | (2,600)      | (800)        |
|  | <hr/>        | <hr/>        |
| Net movement in shareholders' funds        | 1,007        | 2,030        |
| Shareholders' funds at 1 July 1999         | 5,164        | 3,134        |
|  | <hr/>        | <hr/>        |
| <b>Shareholders' funds at 30 June 2000</b> | <b>6,171</b> | <b>5,164</b> |
|  | <hr/>        | <hr/>        |



## 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 the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as 100% of the voting rights of the company's shares are controlled by Dechra Pharmaceuticals Limited. The consolidated financial statements of Dechra Pharmaceuticals Limited, which include the company, are publicly available.

#### *Turnover*

Turnover represents cash and credit sales excluding value added tax. Turnover is now disclosed net of discounts given to customers (2000: £16,034,000) and the comparative figure for 1999 has been adjusted accordingly, (1999: £15,150,000). The directors have adopted the new policy as they consider that this gives a more appropriate presentation of the sales revenue derived from the company's operations.

#### *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 | - | 10-33 $\frac{1}{3}$ % on a straight line basis |
| Motor vehicles                   | - | 25% on a straight line basis                   |

#### *Goodwill*

Goodwill relating to the acquisition of businesses up to 30 June 1998 is written off immediately against reserves. This goodwill has been eliminated as a matter of accounting policy and would be charged or credited in the profit and loss account on subsequent disposal of the business to which it related. Purchased goodwill arising subsequent to 30 June 1998 is capitalised and amortised over its useful economic life.

#### *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.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value.





## Notes (continued)

### 1 Accounting policies (continued)

#### 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

The company participates in a defined contribution pension scheme. The amount charged to the profit and loss account represents contributions payable to the scheme in the accounting period.

#### 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:

|  | Number of employees |            |
|--|---------------------|------------|
|  | 2000                | 1999       |
| Distribution                                   | 239                 | 219        |
| Buying, sales and marketing and administration | 65                  | 54         |
|  | <u>304</u>          | <u>273</u> |

The aggregate payroll costs of these persons were as follows:

|                       | £000         | £000         |
|-----------------------|--------------|--------------|
| Wages and salaries    | 3,472        | 3,265        |
| Social security costs | 260          | 264          |
| Other pension costs   | 66           | 59           |
|                       | <u>3,798</u> | <u>3,588</u> |

### 3 Net interest payable

|                          | 2000       | 1999       |
|--------------------------|------------|------------|
|                          | £000       | £000       |
| Bank overdraft interest  | 68         | 167        |
| Finance lease charges    | 38         | 32         |
| Bank interest receivable | -          | (1)        |
|                          | <u>106</u> | <u>198</u> |



## Notes (continued)

### 4 Profit on ordinary activities before taxation

|   | 2000<br>£000 | 1999<br>£000 |
|---|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging</i> |              |              |
| Auditors' remuneration:   |              |              |
| Audit   | 12           | 12           |
| Depreciation of owned tangible fixed assets                                   | 543          | 297          |
| Depreciation of tangible fixed assets held under finance leases               | 228          | 432          |
| Payments under operating leases:  |              |              |
| Land and buildings  | 310          | 314          |
| Other assets  | 82           | 115          |
|   | <hr/>        | <hr/>        |

### 5 Directors' emoluments

|  | 2000<br>£000 | 1999<br>£000 |
|--|--------------|--------------|
| Directors' emoluments                          | 258          | 235          |
| Company contributions to money purchase scheme | 24           | 25           |
|  | <hr/>        | <hr/>        |
|  | 282          | 260          |
|  | <hr/>        | <hr/>        |

Included in the figure for directors' emoluments is £66,000 (1999: £56,431) which was paid to Arnolds Veterinary Products Limited, a fellow subsidiary undertaking of the company, for the services of the chief executive.

The emoluments of the highest paid director were £85,143 and company pension contributions of £7,800 were made to a money purchase scheme on his behalf.

|   | Number<br>2000 |
|---|----------------|
| Members of money purchase pension schemes | 5              |
|   | <hr/>          |

### 6 Tax on profit on ordinary activities

|                                       | 2000<br>£000 | 1999<br>£000 |
|---------------------------------------|--------------|--------------|
| Corporation tax at 30% (1999: 30.75%) | 1,582        | 1,358        |
| Under provision in prior year         | 25           | -            |
| Deferred taxation                     | -            | (16)         |
|                                       | <hr/>        | <hr/>        |
|                                       | 1,607        | 1,342        |
|                                       | <hr/>        | <hr/>        |

### 7 Dividends

|                               | 2000<br>£000 | 1999<br>£000 |
|-------------------------------|--------------|--------------|
| On ordinary shares of £1 each |              |              |
| Proposed                      | 2,600        | 800          |
|                               | <hr/>        | <hr/>        |



## Notes (continued)

### 8 Tangible fixed assets

|  | Short<br>leasehold<br>property | Fixtures,<br>fittings<br>and<br>equipment | Motor<br>vehicles | Total |
|--|--------------------------------|---|-------------------|-------|
|  | £000                           | £000                                      | £000              | £000  |
| <b>Cost</b>  |                                |   |                   |       |
| At 1 July 1999                                     | 327                            | 2,187                                     | 1,804             | 4,318 |
| Additions  | -                              | 436                                       | 201               | 637   |
| Disposals  | -                              | (6)                                       | (115)             | (121) |
| At 30 June 2000                                    | 327                            | 2,617                                     | 1,890             | 4,834 |
| <b>Accumulated depreciation</b>                    |                                |   |                   |       |
| At 1 July 1999                                     | 144                            | 1,519                                     | 843               | 2,506 |
| Charge for the year                                | 33                             | 344                                       | 394               | 771   |
| Disposals  | -                              | (6)                                       | (98)              | (104) |
| At 30 June 2000                                    | 177                            | 1,857                                     | 1,139             | 3,173 |
| <b>Net book value</b>                              |                                |   |                   |       |
| At 30 June 2000                                    | 150                            | 760                                       | 751               | 1,661 |
| At 30 June 1999                                    | 183                            | 668                                       | 961               | 1,812 |
| Net book value of assets held under finance leases | -                              | 28  | 494               | 522   |

### 9 Stocks

|                  | 2000<br>£000 | 1999<br>£000 |
|------------------|--------------|--------------|
| Goods for resale | 14,517       | 10,015       |

### 10 Debtors

|                                    | 2000<br>£000 | 1999<br>£000 |
|------------------------------------|--------------|--------------|
| Trade debtors                      | 18,936       | 17,341       |
| Amounts owed by group undertakings | 42           | 35           |
| Other debtors                      | 1,216        | 636          |
| Prepayments                        | 164          | 142          |
|                                    | 20,358       | 18,154       |



## Notes (continued)

### 11 Creditors: amounts falling due within one year

|                                    | 2000<br>£000  | 1999<br>£000  |
|------------------------------------|---------------|---------------|
| Obligations under finance leases   | 251           | 384           |
| Trade creditors                    | 33,461        | 21,916        |
| Amounts owed to group undertakings | 4,121         | 4,940         |
| Other creditors                    | 38            | 132           |
| Corporation tax                    | 1,587         | 1,366         |
| Other taxation and social security | 121           | 630           |
| Accruals and deferred income       | 142           | 165           |
| Proposed dividend                  | 2,600         | 800           |
|                                    | <u>42,321</u> | <u>30,333</u> |

### 12 Creditors: amounts falling due after more than one year

|  | 2000<br>£000 | 1999<br>£000 |
|--|--------------|--------------|
| Obligations under finance leases                               | 13           | 233          |
| The obligations under finance leases are repayable as follows: |              |              |
| Within one year  | 251          | 384          |
| Between two and five years                                     | 13           | 233          |
|  | <u>264</u>   | <u>617</u>   |

### 13 Provisions for liabilities and charges

|                            | Deferred<br>taxation<br>£000 |
|----------------------------|------------------------------|
| At 1 July 1999             | -                            |
| Released during the period | -                            |
| At 30 June 2000            | <u>-</u>                     |

The amounts provided for deferred taxation and the amounts unprovided calculated under the liability method at 30%, (1999: 30%) are set out below:

|                                | Provided<br>2000<br>£000 | 1999<br>£000 | Unprovided<br>2000<br>£000 | 1999<br>£000 |
|--------------------------------|--------------------------|--------------|----------------------------|--------------|
| Accelerated capital allowances | -                        | -            | (76)                       | (20)         |
| Other timing differences       | -                        | -            | (27)                       | 40           |
|                                | <u>-</u>                 | <u>-</u>     | <u>(103)</u>               | <u>(60)</u>  |





## Notes (continued)

### 14 Called up share capital

|   | 2000<br>£000 | 1999<br>£000 |
|---|--------------|--------------|
| <i>Authorised, allotted, called up and fully paid</i> |              |              |
| 1,515,000 ordinary shares of £1 each                  | 1,515        | 1,515        |

### 15 Reserves

|  | Profit and<br>loss account<br>£000 |
|--|------------------------------------|
| At 1 July 1999                         | 3,649                              |
| Retained profit for the financial year | 1,007                              |
| At 30 June 2000                        | 4,656                              |

### 16 Capital commitments

Contracts placed for capital expenditure not provided for in these financial statements amounted to £674,000 (1999: £106,000).

### 17 Commitments under operating leases

Annual commitments under non-cancellable operating leases at 30 June 2000 are as follows:

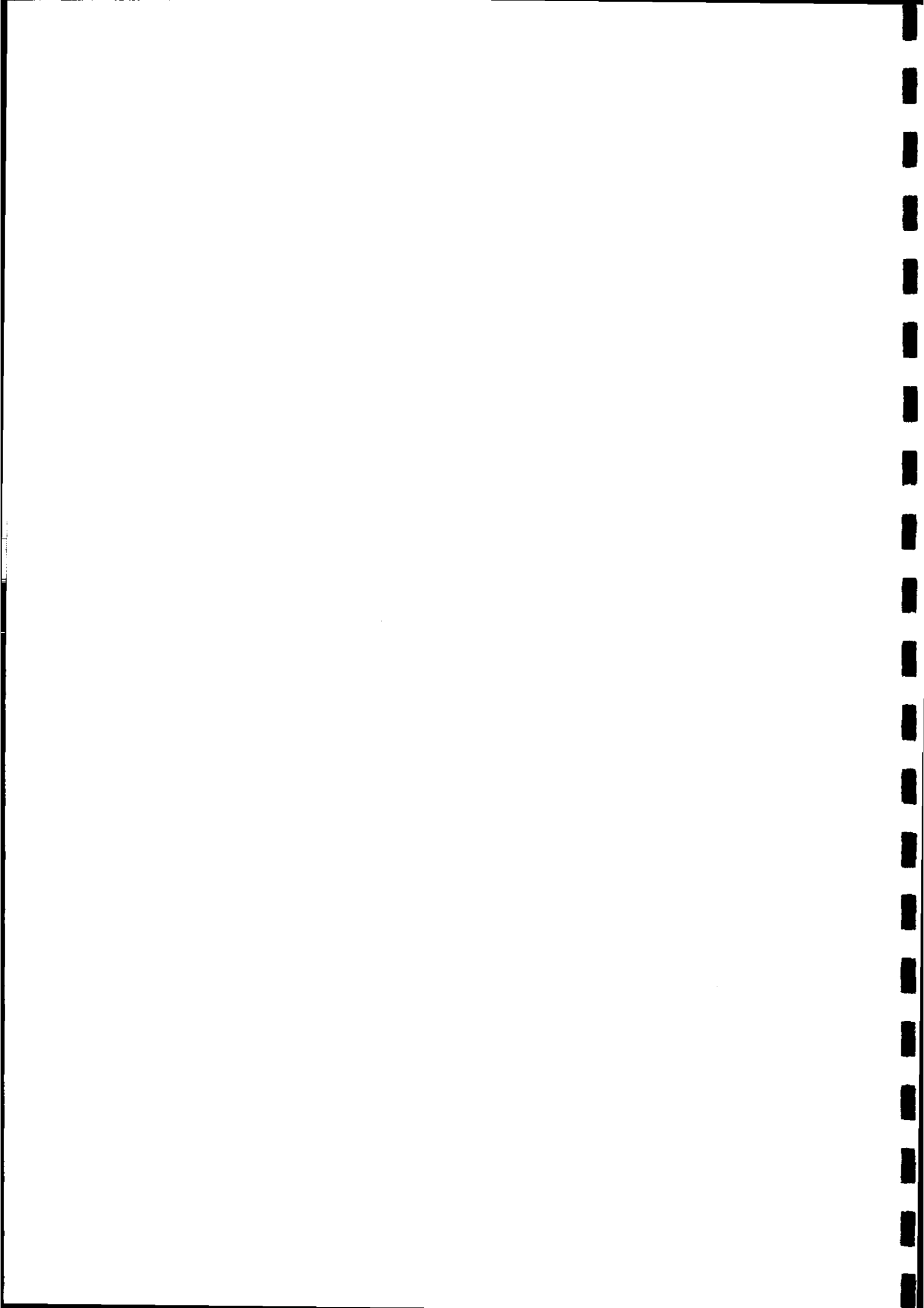
|  | Land and<br>buildings<br>£000 | Other<br>£000 |
|--|-------------------------------|---------------|
| Operating leases which expire:         |                               |               |
| Within one year                        | -                             | 55            |
| In the second to fifth years inclusive | 44                            | -             |
| Over five years                        | 269                           | -             |
|  | 313                           | 55            |

### 18 Pensions

The company participates in the defined contribution pension scheme of the Dechra Pharmaceuticals Limited Group which is constituted as an independently administered fund with the assets held separately from those of the Dechra Pharmaceuticals Group. The pension charge in respect of the scheme comprises the contributions payable.

### 19 Contingent liabilities

The company guarantees the borrowings of certain other group companies which at 30 June 2000 amounted to £22,843,000 (1999: £23,166,000).



**Notes** *(continued)*

**20 Ultimate holding company**

The ultimate holding company at the year end is Dechra Pharmaceuticals Limited, which is registered in England and Wales. The results of the company for the year are included within the group financial statements of Dechra Pharmaceuticals Limited but are not included within any other group financial statements.

Copies of the group financial statements of Dechra Pharmaceuticals Limited may be obtained from Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent, ST7 1XW.