

**National Veterinary Services Limited**

**Directors' report and financial  
statements**

Registered number 339801

For the year ended 30 June 2001



## Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of National Veterinary Services 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 2001.

### 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 £1,200,000 (2000: £800,000) making a total dividend of £3,200,000 (2000: £2,600,000) for the year.

### 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 (resigned 31 December 2000)  
GB Evans  
ETW Torr  
BJ Burston (appointed 1 October 2000)

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

At the year end, Mr BJ Burston held 15,500 shares and 70,000 share options in Dechra Pharmaceuticals PLC, the ultimate parent company.

The other directors were all directors of Dechra Pharmaceuticals PLC, 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

Our previous auditors, KPMG, tendered their resignation during the year, in accordance with their policy of undertaking the audits of listed companies and their subsidiaries through the medium of a limited liability company. The Directors appointed KPMG Audit Plc to fill the casual vacancy arising.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting. Special notice has been received for this resolution pursuant to Section 388 of the Companies Act 1985.

By order of the board



**SP Whitehouse**  
Secretary

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

4 September 2001

## 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 the 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditors*

4 September 2001

**Profit and loss account**  
*for the year ended 30 June 2001*

	<i>Note</i>	<b>2001 £000</b>	<b>2000 £000</b>
<b>Turnover</b>	<i>1</i>	<b>147,906</b>	137,633
Cost of sales		<b>(134,112)</b>	(125,242)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>13,794</b>	12,391
Distribution costs		<b>(5,752)</b>	(5,003)
Administrative expenses		<b>(2,142)</b>	(2,068)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>5,900</b>	5,320
Net interest payable	<i>3</i>	<b>(107)</b>	(106)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>4</i>	<b>5,793</b>	5,214
Tax on profit on ordinary activities	<i>6</i>	<b>(1,754)</b>	(1,607)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>4,039</b>	3,607
Dividends	<i>7</i>	<b>(3,200)</b>	(2,600)
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>	<i>15</i>	<b>839</b>	1,007
		<hr/>	<hr/>

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.

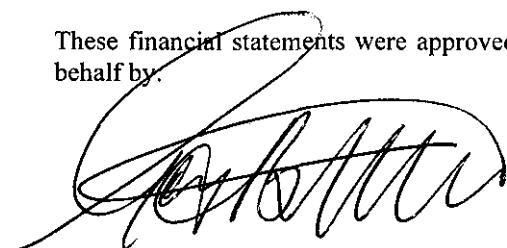
There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

All amounts relate to continuing operations.

**Balance sheet**  
*at 30 June 2001*

	<i>Note</i>	<b>2001</b>		<b>2000</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>				
Tangible assets	8		2,451	1,661
<b>Current assets</b>				
Stocks	9	14,539		14,517
Debtors	10	22,100		20,358
Cash at bank and in hand		7,386		11,969
		<hr/>		<hr/>
		44,025		46,884
<b>Creditors: amounts falling due within one year</b>	11	<hr/> (39,203)		<hr/> (42,321)
<b>Net current assets</b>			4,822	4,523
<b>Total assets less current liabilities</b>			<hr/> 7,273	<hr/> 6,184
<b>Creditors: amounts falling due after more than one year</b>	12		(263)	(13)
<b>Net assets</b>			<hr/> 7,010	<hr/> 6,171
<b>Capital and reserves</b>				
Called up share capital	14	1,515		1,515
Profit and loss account	15	5,495		4,656
<b>Total equity shareholders' funds</b>			<hr/> 7,010	<hr/> 6,171

These financial statements were approved by the board of directors on 4 September 2001 and were signed on its behalf by:



**GB Evans**  
 Director



**Reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2001*

	2001 £000	2000 £000
<b>Profit for the financial year</b>	<b>4,039</b>	3,607
Dividends	(3,200)	(2,600)
	<hr/>	<hr/>
Net movement in shareholders' funds	839	1,007
Shareholders' funds at 1 July 2000	6,171	5,164
	<hr/>	<hr/>
<b>Shareholders' funds at 30 June 2001</b>	<b>7,010</b>	6,171
	<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 PLC. The consolidated financial statements of Dechra Pharmaceuticals PLC, which include the company, are publicly available.

#### *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 on a straight line basis
Fixtures, fittings and equipment	-	10-33 $\frac{1}{3}$ % on a straight line basis
Motor vehicles	-	25% on a straight line basis

#### *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.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred (or accelerated) 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. Net debit balances are recognised as assets only to the extent that they are expected to be recovered without replacement by equivalent debit balances.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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	
	2001	2000
Distribution	260	239
Buying, sales and marketing and administration	75	65
	<hr/> 335	<hr/> 304

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	4,156	3,472
Social security costs	319	260
Other pension costs	82	66
	<hr/> 4,557	<hr/> 3,798

### 3 Net interest payable

	2001	2000
	£000	£000
Bank overdraft interest	65	68
Finance lease charges	42	38
	<hr/> 107	<hr/> 106

## Notes (continued)

### 4 Profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit fees	13	12
Depreciation of owned tangible fixed assets	796	543
Depreciation of tangible fixed assets held under finance leases	161	228
Payments under operating leases:		
Land and buildings	303	310
Other assets	55	82
	<hr/>	<hr/>

### 5 Directors' emoluments

	2001 £000	2000 £000
Directors' emoluments	327	258
Company contributions to money purchase scheme	33	24
	<hr/>	<hr/>
	360	282
	<hr/>	<hr/>

Included in the figure for directors' emoluments is £76,500 (2000: £76,500) 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 £108,000 and company pension contributions of £11,650 were made to a money purchase scheme on his behalf.

	Number 2001
Members of money purchase pension schemes	5
	<hr/>

### 6 Tax on profit on ordinary activities

	2001 £000	2000 £000
Corporation tax at 30% (2000: 30%)	1,763	1,582
(Over)/under provision in prior year	(9)	25
Deferred taxation	-	-
	<hr/>	<hr/>
	1,754	1,607
	<hr/>	<hr/>

## Notes (continued)

### 7 Dividends

	2001 £000	2000 £000
On ordinary shares of £1 each		
Paid	2,000	-
Proposed	1,200	2,600
	<u>3,200</u>	<u>2,600</u>

### 8 Tangible fixed assets

	Short leasehold property £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 July 2000	327	2,617	1,890	4,834
Additions	24	478	1,267	1,769
Disposals	-	-	(366)	(366)
	<u>351</u>	<u>3,095</u>	<u>2,791</u>	<u>6,237</u>
At 30 June 2001	351	3,095	2,791	6,237
<b>Accumulated depreciation</b>				
At 1 July 2000	177	1,857	1,139	3,173
Charge for the year	34	377	546	957
Disposals	-	-	(344)	(344)
	<u>211</u>	<u>2,234</u>	<u>1,341</u>	<u>3,786</u>
At 30 June 2001	211	2,234	1,341	3,786
<b>Net book value</b>				
At 30 June 2001	140	861	1,450	2,451
At 30 June 2000	150	760	751	1,661
Net book value of assets held under finance leases	-	-	798	798

### 9 Stocks

	2001 £000	2000 £000
Goods for resale	14,539	14,517

**Notes (continued)**

**10 Debtors**

	2001 £000	2000 £000
Trade debtors	21,301	18,936
Amounts owed by group undertakings	2	42
Other debtors	724	1,216
Prepayments	73	164
	<u>22,100</u>	<u>20,358</u>

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

	2001 £000	2000 £000
Obligations under finance leases	400	251
Trade creditors	29,439	33,461
Amounts owed to group undertakings	5,109	4,121
Other creditors	11	38
Corporation tax	1,765	1,587
Other taxation and social security	1,137	121
Accruals and deferred income	142	142
Proposed dividend	1,200	2,600
	<u>39,203</u>	<u>42,321</u>

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

	2001 £000	2000 £000
Obligations under finance leases	263	13
The obligations under finance leases are repayable as follows:		
Within one year	400	251
Between two and five years	263	13
	<u>663</u>	<u>264</u>

## Notes (continued)

### 13 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts unprovided calculated under the liability method at 30%, (2000: 30%) are set out below:

	Provided		Unprovided	
	2001	2000	2001	2000
	£000	£000	£000	£000
Accelerated capital allowances	-	-	(76)	(76)
Other timing differences	-	-	(27)	(27)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	(103)	(103)
	<hr/>	<hr/>	<hr/>	<hr/>

### 14 Called up share capital

	2001	2000
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
1,515,000 ordinary shares of £1 each	1,515	1,515
	<hr/>	<hr/>

### 15 Reserves

	Profit and loss account £000
At 1 July 2000	4,656
Retained profit for the financial year	839
	<hr/>
At 30 June 2001	5,495
	<hr/>

### 16 Capital commitments

Contracts placed for capital expenditure not provided for in these financial statements amounted to £66,000 (2000: £674,000).

### 17 Commitments under operating leases

Annual commitments under non-cancellable operating leases at 30 June 2001 are as follows:

	Land and buildings	
	2001	2000
	£000	£000
Operating leases which expire:		
In the second to fifth years inclusive	44	44
Over five years	269	269
	<hr/>	<hr/>
	313	313
	<hr/>	<hr/>

## **Notes** *(continued)*

### **18 Pensions**

The company participates in the defined contribution pension scheme of the Dechra Pharmaceuticals PLC 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 2001 amounted to £15,396,000 (2000: £22,843,000).

### **20 Ultimate holding company**

The ultimate holding company at the year end is Dechra Pharmaceuticals PLC, 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 PLC but are not included within any other group financial statements.

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