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WILLINGTON MEDICALS LIMITED

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the 17 months ended 30 September 1986.

PRINCIPAL ACTIVITIES
The Company continued to trade as suppliers of veterinary medicines and equipment.

PROPOSED DIVIDEND
The Directors recommend the payment of a dividend of £319,000.

MOVEMENT ON RESERVE
A summary of the movement on reserve is shown in Note 14 to the financial statements.

FIXED ASSETS
A summary of the changes is given in Note 9 to the financial statements.
As the properties are used in the business of the Company, the directors do not consid that any difference between the market value and book value is of significance.

DIRECTORS
The Directors of the Company during the period are listed below. None of the Directors had any interest in the shares of the Company. The interests of the Directors, including those of their families, in the shares of Macarthy PLC are shown below:

	Date appointed	Ordinary Shares of 20p each At 30 September 1986	At 1 May 1985 or date of appointment
C J N Ward	24th April 1986	500	500
C W Warrilow	24th April 1986	500	500
J Fine		NIL	1000
P Ashton		NIL	NIL
M S Beaman	(Resigned 31st October 1986)	98	98
K Beevers		NIL	NIL

In addition the following have acted as directors during the period with dates of resignation in brackets.

M P Bridger (25th September 1986) A L Slow (5th December 1985).
None of the directors had any interest in any contracts with the company other than in connection with a service agreement.

AUDITORS
Bird Luckin & Sheldrake currently joint auditors with Peat, Marwick, Mitchell, & Co. have decided not to seek re-election at the forthcoming Annual General Meeting. A resolution will be proposed at the Annual General Meeting to appoint Peat, Marwick, Mitchell & Co as Sole auditors.

Signed on behalf of the board

Secretary

23 January 1987.

COMPANIES REGISTRATION
2 ? ... 1987
OFFICE

AUDITORS' REPORT

TO THE MEMBERS OF WILLINGTON MEDICALS LIMITED

We have audited the financial statements on pages 3 to 10 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the Company at 30 September 1986 and of the profit and source and application of funds for the 17 months then ended and comply with the Companies Act 1985.

Bird Luckin & Sheldrake

Bird Luckin & Sheldrake
Chartered Accountants

Ridgway House
41/42 King William Street
London
EC4R 9ET

Peat Marwick Mitchell

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Churchill House
Regent Road
Hanley
Stoke-on-Trent
ST1 3RG

23 January 1987

WILLINGTON MEDICALS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 17 MONTHS ENDED 30 SEPTEMBER 1990

Notes		1990 £	1990 £	12 months to 30th April 1989 £	1989 £
2.	Turnover		33,272,280		18,172,685
	Cost of sales		30,445,673		16,594,963
	Gross profit		2,826,607		1,577,722
	Distribution costs	1,539,202		858,442	
	Administrative expenses	665,139	2,204,341	375,292	1,233,734
	Operating profit		622,266		343,988
5.	Interest receivable		14,261		1,935
6.	Profit on ordinary activities before taxation		636,527		345,923
7.	Tax on profit on ordinary activities		249,985		156,537
	Profit on ordinary activities after taxation		386,542		189,386
8.	Extraordinary item		31,800		-
	Profit for the period		354 742		189,386
	Dividend		319,000		90,000
14.	Retained profit for the period		35,742		99,386

The notes on pages 6 to 10 form part of these financial statements.

WELLINGTON MEDICALS LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1986		1986		30th April 1985	
Notes		£	£	£	£
	FIXED ASSETS				
9.	Tangible assets		364,228		366,169
	CURRENT ASSETS				
	Stocks	3,285,574		2,203,760	
10.	Debtors	3,074,611		2,234,829	
	Cash at bank and in hand	3,916		2,727	
		6,364,101		4,441,316	
11.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5,257,601		3,375,590	
	NET CURRENT ASSETS		1,106,500		1,065,726
	TOTAL ASSETS LESS CURRENT LIABILITIES		1,470,728		1,431,895
12.	PROVISION FOR LIABILITIES AND CHARGES		64,591		61,500
			1,406,137		1,370,395
	CAPITAL AND RESERVES				
13.	Called up share capital		9,000		9,000
14.	Profit and loss account		1,397,137		1,361,395
			1,406,137		1,370,395

The financial statements were approved by the Board of Directors on 23 January 1987

Director

Director P.B. Ashton

The notes on pages 6 to 10 form part of these financial statements.

WELLINGTON MEDICALS LIMITED

SOURCE AND APPLICATION OF FUNDS

FOR THE 17 MONTHS ENDED 30 SEPTEMBER 1986

			12 months to 30th April	
	1986		1985	
	£	£	£	£
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		636,527		345,923
Item not involving the movement of funds:				
Depreciation		126,418		78,349
Total generated from trading		762,945		424,272
Funds from other sources				
Tax recovered by group relief		-		253,062
Sale of fixed assets		60,416		46,087
		823,361		723,421
APPLICATION OF FUNDS				
Reorganisation Costs	16,209		-	
Dividend	90,000		54,000	
Tax	105,464		63,216	
Purchase of fixed assets	184,893	396,566	212,682	329,898
CHANGES IN WORKING CAPITAL				
Increase in stocks	1,081,814		266,076	
Increase in debtors	839,782		455,183	
Increase in creditors	(1,495,463)	426,133	(241,887)	479,372
		822,699		809,270
NET MOVEMENT OF FUNDS				
Inflow/(outflow)		662		(85,849)
		823,361		723,421
BANK OVERDRAFT				
1 May 1985		(198,679)		(112,830)
30 September 1986		(198,017)		(198,679)

The notes on pages 6 to 10 form part of these financial statements.

WELLINGTON MEDICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Accounting Convention
The financial statements have been prepared under the historical cost convention.

b) Depreciation on Tangible Fixed Assets
Depreciation is provided to write off the cost of tangible fixed assets based on a straight line basis over their expected useful lives. The principal rates are:

Freehold Buildings	2% per annum
Leasehold property	Over period of the lease
Furniture and equipment	10% to 20% per annum
Motor vehicles	25% per annum

c) Stocks
Stocks are valued at the lower of cost or net realisable value.

d) Deferred Taxation
Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that the directors consider that a liability is likely to arise.

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

2. TURNOVER
Turnover comprises amounts receivable in respect of sales to third parties exclusive of Value Added Tax including £91,109 (1985 - £66,336) arising on sales to companies within the Macarthy PLC Group

3. DIRECTORS' EMOLUMENTS

	1986	1985
Management remuneration	133,477	67,892
Pension scheme and life assurance contributions	7,909	13,888
Pension to former director	NIL	2,897
	141,386	84,677

Details of individual emoluments, excluding pension scheme contributions, are as follows:-

	1986	1985
The highest paid director received	43,792	20,251
The Chairman received	NIL	NIL

The number of directors in each salary bracket was:-

	1986 No.	1985 No.
Nil - £ 5,000	4	2
£ 15,001 - £ 20,000	-	2
£ 20,001 - £ 25,000	-	2
£ 25,001 - £ 30,000	2	-
£ 30,001 - £ 35,000	1	-
£ 40,001 - £ 45,000	1	-

4. EMPLOYEES

Employee costs during the period	30 September 1986 (17 Months) £	30 April 1985 (12 months) £
Wages and salaries	1,041,543	571,264
Social Security costs	80,907	47,352
Employer contributions to Group Pension Scheme	19,831	36,251
	1,142,281	654,867

	1986 No.	1985 No.
The average weekly number of employees during the period was	136	115

5. INTEREST RECEIVABLE

	1986 £	1985 £
Receivable on bank balance	42,261	3,935
Payable on amount owed to holding company	(28,000)	(2,000)
	14,261	1,935

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1986 £	1985 £
Directors Emoluments	141,386	84,677
Depreciation	126,418	78,349
Charges under operating leases:		
- Hire of equipment	1,153	228
- Property Rentals	84,626	44,760
Auditors' remuneration	18,172	2,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) -

7. TAX

	1986 £	1985 £
Corporation tax at an effective rate of 38.23% (1985 - 46.58%)	265,600	141,440
Deferred tax for the period	(15,500)	15,000
Charge on profit for the period	250,100	156,440
Prior year adjustment: Corporation tax	(115)	[illegible]
Total charge for the period	249,985	156,537

8. EXTRAORDINARY ITEMS

	1986 £	1985 £
Reassessment of the value of stocks as a result of new management policies	20,800	-
Additional Depot reorganisation	20,000	-
Costs relating to the review of the company	2,000	-
Extraordinary loss before taxation	42,800	-
Taxation relief thereon	(11,000)	-
	31,800	-

9. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property Long	Leasehold property Short	Furniture and equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost:						
1 May 1985	65,424	32,915	11,157	165,731	243,463	518,690
Disposals	-	-	-	(449)	(128,962)	(129,411)
Additions	-	-	-	14,128	166,065	180,193
Inter Company transfers	-	-	2,959	3,423	-	6,382
30 September 1986	65,424	32,915	14,116	182,833	280,566	575,854
Depreciation:						
1 May 1985	6,308	5,652	2,059	75,085	63,417	152,521
Provided on disposals	-	-	-	(449)	(68,546)	(68,395)
Provision for the period	1,276	933	913	28,614	94,682	126,418
Inter Company transfers	-	-	1,406	276	-	1,682
30 September 1986	7,584	6,585	4,378	103,526	89,553	211,626
Net book value:						
30 September 1986	57,840	26,330	9,738	79,307	191,013	364,228
1 May 1985	59,116	27,263	9,098	90,646	180,046	366,169

WILLINGTON MEDICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) -

10. DEBTORS

	1986 £	1985 £
Trade debtors	[illegible]	2,179,111
Prepayments and accrued income	[illegible]	49,178
Other debtors	[illegible]	1,636
Amounts owed by group companies	-	4,904
	3,074,641	2,234,829

11. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR

	1986	1985
Bank Overdraft	201,933	201,406
Amounts owed to group companies	133,429	114,465
Amounts owed to Holding company	333,564	199,090
Trade creditors	3,777,043	2,391,959
Corporation tax	314,893	157,872
Other taxes and social security costs	94,268	177,743
Dividend	319,000	90,000
Other creditors	42,023	27,838
Accruals and deferred income	41,448	15,217
	5,257,601	3,375,590

12. PROVISION FOR LIABILITIES AND CHARGES

	1986	1985
Reorganisation costs	26,591	-
Deferred tax provided		
Accelerated capital allowances	46,000	61,500
Other timing differences	(8,000)	-
	38,000	61,500
	64,591	61,500

13. CALLED UP SHARE CAPITAL

	1986 and No.	1985 £
Ordinary shares of £1 each		
Authorised	10,000	10,000
Alloted, called up and fully paid	9,000	9,000

14. RESERVES

	1986	1985
	£	£
Distributable reserve:		
Profit and loss account 1 May 1985	[illegible]	1,2[illegible],009
Retained profit for the period	[illegible],742	99,386
30 September 1986	1,397,137	1,361,595

15. OTHER FINANCIAL COMMITMENTS

Future annual minimum payments to which the company is committed at 30 September 1986 under non cancellable operating leases analysed by the period in which they expire are as follows:

Year Ending 30 September	1987	2900
	1988 to 1991	4175
	1992 and beyond	68855
		75930

16. CONTINGENT LIABILITIES
Guarantees given by the company in respect of the overdraft facilities of the holding company.

17. HOLDING COMPANY
The ultimate holding company is Macarthy PLC which is incorporated in the United Kingdom.