

National Veterinary Supplies Limited

Directors' report and financial statements

30 June 1999

Registered number 339801



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors 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 1999.

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 £800,000 (1998: £2,500,000).

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 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.

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)*

Year 2000

The directors are fully aware of the potential impact of the Year 2000 issue on the company's computer and other systems. Critical computer systems have been identified and rectification work carried out. The amended systems have been operational since 31 October 1998. Non-critical computer systems will be upgraded as necessary by the Year 2000.

A review has been undertaken of all non-computer systems which may be affected and these will be upgraded as necessary prior to the Year 2000.

The preparedness or otherwise of our key customers and suppliers could have an impact on the company. We are therefore encouraging our customers and suppliers to take the necessary steps to ensure their own compliance to ensure that any business interruption is minimised.

Work on Year 2000 compliance has been carried out by our in-house computer development team, the costs of which are charged to the profit and loss account. No additional cost, other than the opportunity cost of delayed projects, has been incurred.

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 Industrial Estate
Talke Pits
Stoke-on-Trent
ST7 1XW

17 September 1999

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 Supplies Limited

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

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 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature of the KPMG firm, written in a stylized, cursive script.

KPMG
Chartered Accountants
Registered Auditors

17 September 1999

Profit and loss account
for the year ended 30 June 1999

	<i>Note</i>	Continuing operations	
		1999	1998
		£'000	£'000
Turnover	<i>1</i>	139,556	129,090
Cost of sales		(128,865)	(119,413)
		<hr/>	<hr/>
Gross profit		10,691	9,677
Distribution costs		(4,546)	(4,341)
Administrative expenses		(1,775)	(1,632)
		<hr/>	<hr/>
Operating profit		4,370	3,704
Net interest payable	<i>3</i>	(198)	(196)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>4</i>	4,172	3,508
Tax on profit on ordinary activities	<i>6</i>	(1,342)	(1,112)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		2,830	2,396
Dividend proposed on equity shares		(800)	(2,500)
		<hr/>	<hr/>
Retained (deficit)/profit for the financial year	<i>14</i>	2,030	(104)
		<hr/>	<hr/>

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/(deficit) for these periods.

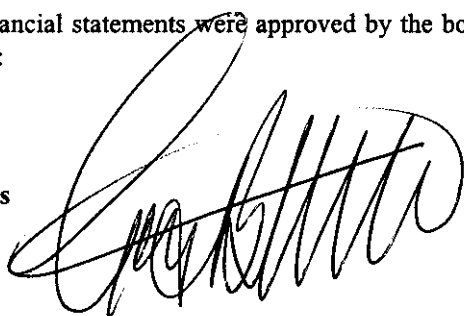
There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet
at 30 June 1999

	Note	£'000	1999 £'000	£'000	1998 £'000
Fixed assets					
Tangible assets	7		1,812		1,911
Current assets					
Stocks	8	10,015		7,796	
Debtors	9	18,154		16,064	
Cash at bank and in hand		5,749		4,046	
		<u>33,918</u>		<u>27,906</u>	
Creditors: amounts falling due within one year	10	<u>(30,333)</u>		<u>(26,421)</u>	
Net current assets			<u>3,585</u>		<u>1,485</u>
Total assets less current liabilities			<u>5,397</u>		<u>3,396</u>
Creditors: amounts falling due after more than one year	11		<u>(233)</u>		<u>(246)</u>
Provisions for liabilities and charges	12		-		(16)
Net assets			<u>5,164</u>		<u>3,134</u>
Capital and reserves					
Called up share capital	13		1,515		1,515
Profit and loss account	14		3,649		1,619
Total equity shareholders' funds			<u>5,164</u>		<u>3,134</u>

These financial statements were approved by the board of directors on 17 September 1999 and were signed on its behalf by:

GB Evans
Director



Reconciliation of movements in shareholders' funds
for the year ended 30 June 1999

	1999 £'000	1998 £'000
Profit for the financial year	2,830	2,396
Dividends	(800)	(2,500)
	<hr/>	<hr/>
Net movement in shareholders' funds	2,030	(104)
Shareholders' funds at 1 July 1998	3,134	3,238
	<hr/>	<hr/>
Shareholders' funds at 30 June 1999	5,164	3,134
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

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 to prepare a cash flow statement as 100% of the voting rights of the company's shares are controlled by Dechra Holdings Limited. The consolidated financial statements of Dechra Holdings Limited, 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
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.

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)

Accounting policies (continued)

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 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.

Staff numbers and costs

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

	Number of employees	
	1999	1998
Distribution	219	218
Buying and administration	43	25
Sales and marketing	11	11
	<hr/>	<hr/>
	273	254
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	3,265	2,887
Social security costs	264	231
Other pension costs	59	44
	<hr/>	<hr/>
	3,588	3,162
	<hr/>	<hr/>

Notes (continued)

Net interest payable

	1999 £'000	1998 £'000
Bank overdraft interest	167	203
Finance lease charges	32	10
Bank interest receivable	(1)	(17)
	<u>198</u>	<u>196</u>

Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
<i>Profit on ordinary activities before taxation is stated after charging</i>		

Auditors' remuneration:		
Audit	12	12
Other services	-	13
Depreciation of owned tangible fixed assets	297	627
Depreciation of tangible fixed assets held under finance leases	432	47
Payments under operating leases:		
Land and buildings	314	282
Other assets	115	140
	<u> </u>	<u> </u>

Directors' emoluments

	1999 £'000	1998 £'000
Directors' emoluments	235	267
Company contributions to money purchase scheme	25	23
	<u>260</u>	<u>290</u>

Included in the figure for directors' emoluments is £56,431 (1998: £50,367) 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 £67,191 and company pension contributions of £6,600 were made to a money purchase scheme on his behalf.

	Number 1999
Members of money purchase pension schemes	<u>5</u>

Notes (continued)

Tax on profit on ordinary activities

	1999 £'000	1998 £'000
Corporation tax at 30.75% (1998: 31%)	1,358	1,122
Deferred taxation	(16)	(10)
	<u>1,342</u>	<u>1,112</u>

Tangible fixed assets

	Short leasehold property £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 1998	327	2,005	1,601	3,933
Additions	-	182	452	634
Disposals	-	-	(249)	(249)
	<u>327</u>	<u>2,187</u>	<u>1,804</u>	<u>4,318</u>
At 30 June 1999	327	2,187	1,804	4,318
	<u>327</u>	<u>2,187</u>	<u>1,804</u>	<u>4,318</u>
Accumulated depreciation				
At 1 July 1998	112	1,189	721	2,022
Charge for the year	32	330	367	729
Disposals	-	-	(245)	(245)
	<u>144</u>	<u>1,519</u>	<u>843</u>	<u>2,506</u>
At 30 June 1999	144	1,519	843	2,506
	<u>144</u>	<u>1,519</u>	<u>843</u>	<u>2,506</u>
Net book value				
At 30 June 1999	183	668	961	1,812
	<u>183</u>	<u>668</u>	<u>961</u>	<u>1,812</u>
At 30 June 1998	215	816	880	1,911
	<u>215</u>	<u>816</u>	<u>880</u>	<u>1,911</u>
Net book value of assets held under finance leases	-	36	723	759
	<u>-</u>	<u>36</u>	<u>723</u>	<u>759</u>

Stocks

	1999 £'000	1998 £'000
Goods for resale	10,015	7,796
	<u>10,015</u>	<u>7,796</u>

Notes (continued)

Debtors

	1999 £'000	1998 £'000
Trade debtors	17,341	15,224
Amounts owed by group undertakings	35	35
Other debtors	636	686
Prepayments	142	119
	<hr/>	<hr/>
	18,154	16,064
	<hr/>	<hr/>

Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Obligations under finance leases	384	198
Trade creditors	21,916	18,938
Amounts owed to group undertakings	4,940	2,446
Other creditors	132	120
Corporation tax	1,366	1,122
Other taxation and social security	630	1,017
Accruals and deferred income	165	80
Proposed dividend	800	2,500
	<hr/>	<hr/>
	30,333	26,421
	<hr/>	<hr/>

Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Obligations under finance leases	233	246
	<hr/>	<hr/>
The obligations under finance leases are repayable as follows:		
Within one year	384	198
Between two and five years	233	246
	<hr/>	<hr/>
	617	444
	<hr/>	<hr/>

Notes (continued)

Provisions for liabilities and charges

	Deferred taxation £'000
At 1 July 1998	16
Released during the period	(16)
	<hr/>
At 30 June 1999	-
	<hr/> <hr/>

The amounts provided for deferred taxation which represents a full provision, calculated under the liability method at 30%, are set out below:

	1999 £'000	1998 £'000
Accelerated capital allowances	(20)	17
Other timing differences	20	(1)
	<hr/>	<hr/>
	-	16
	<hr/> <hr/>	<hr/> <hr/>

Called up share capital

	1999 £'000	1998 £'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/>

Reserves

	Profit and loss account £'000
At 1 July 1998	1,619
Retained profit for the financial year	2,030
	<hr/>
At 30 June 1999	3,649
	<hr/> <hr/>

Notes (continued)

Capital commitments

Contracts placed for capital expenditure not provided for in these financial statements amounted to £Nil (1998: £Nil).

Commitments under operating leases

Annual commitments under non-cancellable operating leases at 30 June 1999 are as follows:

	Land and buildings £'000	Other £'000
Operating leases which expire:		
Within one year	-	8
In the second to fifth years inclusive	-	74
Over five years	303	-
	<hr/>	<hr/>
	303	82
	<hr/>	<hr/>

Pensions

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

Contingent liabilities

The company guarantees the borrowings of certain other group companies which at 30 June 1999 amounted to £23,166,000 (1998: £23,164,000).

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 for the year are included within the group financial statements of Dechra Holdings Limited but are not included within any other group financial statements.

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