

**Dales Pharmaceuticals Limited**

**Directors' report and financial  
statements**

**Registered number 474958**

**For the year ended 30 June 2004**



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## Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2004.

### Principal activity

The company did not trade during the year.

### Results and dividends

The results for the year are set out on page 4. The directors do not recommend payment of a final dividend making a total dividend of £Nil (2003: £Nil) for the year.

### Directors and directors' interests

The directors who held office during the year were as follows:

SP Whitehouse  
MD Annice  
ETW Torr  
SD Evans  
ID Page

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

At 30 June 2004, Mr SP Whitehouse held 558,700 (2003: 558,700) shares and 92,000 (2003: 87,000) share options in Dechra Pharmaceuticals PLC, the ultimate parent company. He also held 21,807 (2003: 21,807) shares in the Dechra SAYE Share Option Scheme.

At 30 June 2004, Mr MD Annice held 596,334 (2003: 596,334) shares in Dechra Pharmaceuticals PLC. He also participates in the Executive Incentive Plan of Dechra Pharmaceuticals PLC and has a right to acquire 50,000 ordinary shares in Dechra Pharmaceuticals PLC provided certain performance criteria are met. Details of the performance criteria are disclosed in the financial statements of Dechra Pharmaceuticals PLC.

The other directors were all directors of Dechra Pharmaceuticals PLC, 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.

### Auditors

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.

By order of the board



SP Whitehouse  
Secretary

Dechra House  
Jamage Industrial Estate  
Talke Pits  
Stoke-on-Trent  
ST7 1XW

7 September 2004

## 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

## **Independent auditors' report to the members of Dales Pharmaceuticals Limited**

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors are responsible for preparing the directors' report and, as described on page 2, 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 1985. 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

7 September 2004

**Profit and loss account**  
*for the year ended 30 June 2004*

	<i>Note</i>	<b>2004 £000</b>	<b>2003 £000</b>
<b>Turnover – discontinued activities</b>	<i>1</i>	-	3,475
Cost of sales – discontinued activities		-	(2,952)
		<hr/>	<hr/>
<b>Gross profit – discontinued activities</b>		-	523
Distribution costs – discontinued activities		-	(66)
Administrative expenses – discontinued activities		-	(389)
		<hr/>	<hr/>
<b>Operating profit</b>		-	68
Profit on sale of discontinued activities	<i>3</i>	-	3,512
		<hr/>	<hr/>
<b>Profit on ordinary activities before interest</b>		-	3,580
Net interest receivable/(payable)	<i>4</i>	<b>3</b>	(74)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>5</i>	<b>3</b>	3,506
Tax on profit on ordinary activities	<i>7</i>	(1)	(4)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation and retained profit for the financial year</b>	<i>11</i>	<b>2</b>	3,502
		<hr/>	<hr/>

A statement of movements on reserves is given in note 11 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.

**Balance sheet**  
*at 30 June 2004*

	<i>Note</i>	<b>2004</b>		<b>2003</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current assets</b>					
Debtors	8	<u>5,659</u>		<u>5,482</u>	
		<b>5,659</b>		<b>5,482</b>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(175)</u>		<u>-</u>	
<b>Net current assets</b>			<b>5,484</b>		<b>5,482</b>
<b>Total assets less current liabilities and net assets</b>			<u><b>5,484</b></u>		<u><b>5,482</b></u>
<b>Capital and reserves</b>					
Called up share capital	10	<b>315</b>		<b>315</b>	
Profit and loss account	11	<u><b>5,169</b></u>		<u><b>5,167</b></u>	
<b>Total shareholders' funds</b>	12		<u><b>5,484</b></u>		<u><b>5,482</b></u>
<b>Shareholders' funds may be analysed as:</b>					
Equity interests		<b>5,469</b>		<b>5,467</b>	
Non equity interest		<u><b>15</b></u>		<u><b>15</b></u>	
		<u><b>5,484</b></u>		<u><b>5,482</b></u>	

These financial statements were approved by the board of directors on 7 September 2004 and were signed on its behalf by:

**ID Page**  
*Director*

## 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 the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. All sales are made in the United Kingdom.

#### *Research and development*

Research and development expenditure is written off as it is incurred.

#### *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.

#### *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. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse and is provided in respect of all timing differences which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19 "Deferred tax".

### 2 Staff numbers and costs

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

	Number of employees	
	2004	2003
Production and quality control	-	39
Administration	-	4
	<hr/>	<hr/>
	-	43
	<hr/>	<hr/>



## Notes (continued)

### 2 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	-	618
Social security costs	-	48
Other pension costs	-	12
	<u>-</u>	<u>678</u>

### 3 Business disposal

During the year ended 30 June 2003, the company disposed of its trade and related assets to Dechra Limited, a fellow subsidiary undertaking for a total consideration of £5,000,000 and a profit on sale of £3,512,000. Attributable tax is £Nil.

### 4 Net interest (receivable)/payable

	2004 £000	2003 £000
Interest receivable	(3)	(3)
Interest payable on bank overdrafts	-	77
	<u>(3)</u>	<u>74</u>

### 5 Profit on ordinary activities before taxation

	2004 £000	2003 £000
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*Profit on ordinary activities before taxation is stated*

*after charging*

Depreciation of tangible fixed assets:		
Owned assets	-	174
Auditors' remuneration	-	6
Payments under operating leases:		
Land and buildings	-	89
Research and development	-	15
	<u>-</u>	<u>194</u>

### 6 Directors' emoluments

	2004 £000	2003 £000
Directors' emoluments	-	123
Company contributions to money purchase scheme	-	10
	<u>-</u>	<u>133</u>

## Notes (continued)

### 6 Directors' emoluments (continued)

Number of directors who are:

	Number 2004	Number 2003
Members of money purchase pension schemes	5	5

### 7 Tax on profit on ordinary activities

#### Tax charge for year

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current taxation	1	(11)
Adjustments in respect of prior periods	-	1
	<hr/>	<hr/>
Total current tax charge for the year	1	(10)
<i>Deferred taxation</i>		
Origination and reversal of timing differences	-	14
	<hr/>	<hr/>
Tax on profit on ordinary activities	1	4

#### Factors affecting the tax charge for the current period

The current tax charge is equal to (2003: lower than) the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences in 2004 are explained below:

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	3	3,506
Current tax charge at 30% (2003: 30%)	1	1,052
<i>Effects of:</i>		
<i>Permanent differences:</i>		
Income not subject to taxation	-	(1,054)
Other	-	5
	<hr/>	<hr/>
	-	(1,049)
<i>Other differences:</i>		
Excess of capital allowances over depreciation	-	(14)
Adjustments to tax charge in respect of previous periods	-	1
	<hr/>	<hr/>
	-	(13)
	<hr/>	<hr/>
Total current tax charge/(credit)	1	(10)

## Notes (continued)

### 8 Debtors

	2004 £000	2003 £000
Amounts owed by group undertakings	5,659	5,482
	<u>5,659</u>	<u>5,482</u>

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

	2004 £000	2003 £000
Amounts owed to group undertakings	174	-
Corporation tax	1	-
	<u>175</u>	<u>-</u>
	<u>175</u>	<u>-</u>

### 10 Called up share capital

	2004 £000	2003 £000
<i>Authorised:</i>		
500,000 ordinary shares of £1 each	500	500
15,000 fixed rate preference shares of £1 each	15	15
	<u>515</u>	<u>515</u>
<i>Allotted, called up, and fully paid:</i>		
300,000 ordinary shares of £1 each	300	300
15,000 fixed rate preference shares of £1 each	15	15
	<u>315</u>	<u>315</u>
	<u>315</u>	<u>315</u>

In the event of a dividend being declared, the fixed rate preference shares are entitled to a non-cumulative dividend of 5% of the paid up amount.

The fixed rate preference shares carry all of the voting rights at general meetings of the company. On a winding up, the preference shareholders are entitled to the amounts credited as paid up.

### 11 Reserves

	Profit and loss account £000
At 1 July 2003	5,167
Profit for the financial year	2
	<u>5,169</u>
At 30 June 2004	<u>5,169</u>

## Notes (continued)

### 12 Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Profit for the year after taxation	2	3,502
Shares issued	-	15
	<hr/>	<hr/>
Net movement in shareholders' funds	2	3,517
Opening shareholders' funds	5,482	1,965
	<hr/>	<hr/>
Closing shareholders' funds	5,484	5,482
	<hr/>	<hr/>

### 13 Contingent liabilities

The company guarantees the borrowings of certain other group companies which at 30 June 2004 amounted to £18,564,000 (2003: £24,972,000).

### 14 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.