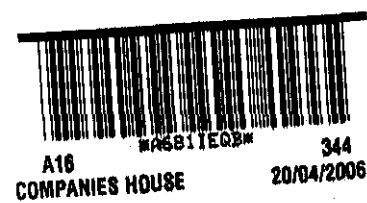


Arnolds Veterinary Products Limited

**Directors' report and financial
statements**

Registered number 505382

For the year ended 30 June 2005



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Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2005.

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 (2004: £Nil) for the year.

Directors and directors' interests

The directors who served during the year were as follows:

SP Whitehouse
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 2005, Mr SP Whitehouse held 558,700 (2004: 558,700) shares and 97,000 (2004: 92,000) options in Dechra Pharmaceuticals PLC, the ultimate parent company. He also held 21,807 (2004: 21,807) shares in the Dechra SAYE Share Option Scheme.

The other directors were all directors of Dechra Pharmaceuticals PLC, the ultimate holding company, 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

6 September 2005

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 year. 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 Arnolds Veterinary Products Limited

We have audited the financial statements on pages 4 to 9.

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 2005 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

6 September 2005

Profit and loss account
for the year ended 30 June 2005

	<i>Note</i>	2005 £000	2004 £000
Net interest receivable	2	4	4
Profit on ordinary activities before taxation		<u>4</u>	<u>4</u>
Tax on profit on ordinary activities	3	(1)	(1)
Profit on ordinary activities after taxation and retained profit for the financial year	7	<u>3</u>	<u>3</u>

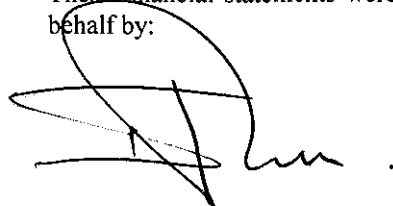
A statement of movements on reserves is given in note 7 to the financial statements.

There were no recognised gains and losses other than those shown above.

Balance sheet
at 30 June 2005

	Notes	2005 £000	2004 £000
Current assets			
Debtors	4	10,375	10,954
		<u>10,375</u>	<u>10,954</u>
Creditors: amounts falling due within one year	5	(2)	(584)
Net current assets and net assets		<u>10,373</u>	<u>10,370</u>
Capital and reserves			
Called up share capital	6	530	530
Profit and loss account	7	9,843	9,840
Total shareholders' funds		<u>10,373</u>	<u>10,370</u>
Shareholders' funds			
Equity		10,343	10,340
Non-equity		30	30
		<u>10,373</u>	<u>10,370</u>

These financial statements were approved by the board of directors on 6 September 2005 and were signed on its behalf by:



ID Page
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2005

	2005 £000	2004 £000
Profit for the financial year	3	3
Net movement in shareholders' funds	3	3
Shareholders' funds at beginning of year	10,370	10,367
Shareholders' funds at end of year	10,373	10,370

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied 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.

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".

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 of balances with entities which are part of the group that qualify as related parties.

2 Net interest receivable

	2005 £000	2004 £000
Receivable from group undertakings	4	4

3 Tax on profit on ordinary activities

Tax charge in year

	2005 £000	2004 £000
UK corporation tax		
Current taxation	1	1
Total tax charge for the year	1	1

Factors affecting the tax charge for the current period

The current tax charge is equal to (2004: equal to) the standard rate of corporation tax in the UK of 30% (2004: 30%).

Notes (continued)

4 Debtors

	2005 £000	2004 £000
Amounts owed by group undertakings	10,375	10,954

5 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Amounts owed to group undertakings	1	583
Corporation tax	1	1
	2	584

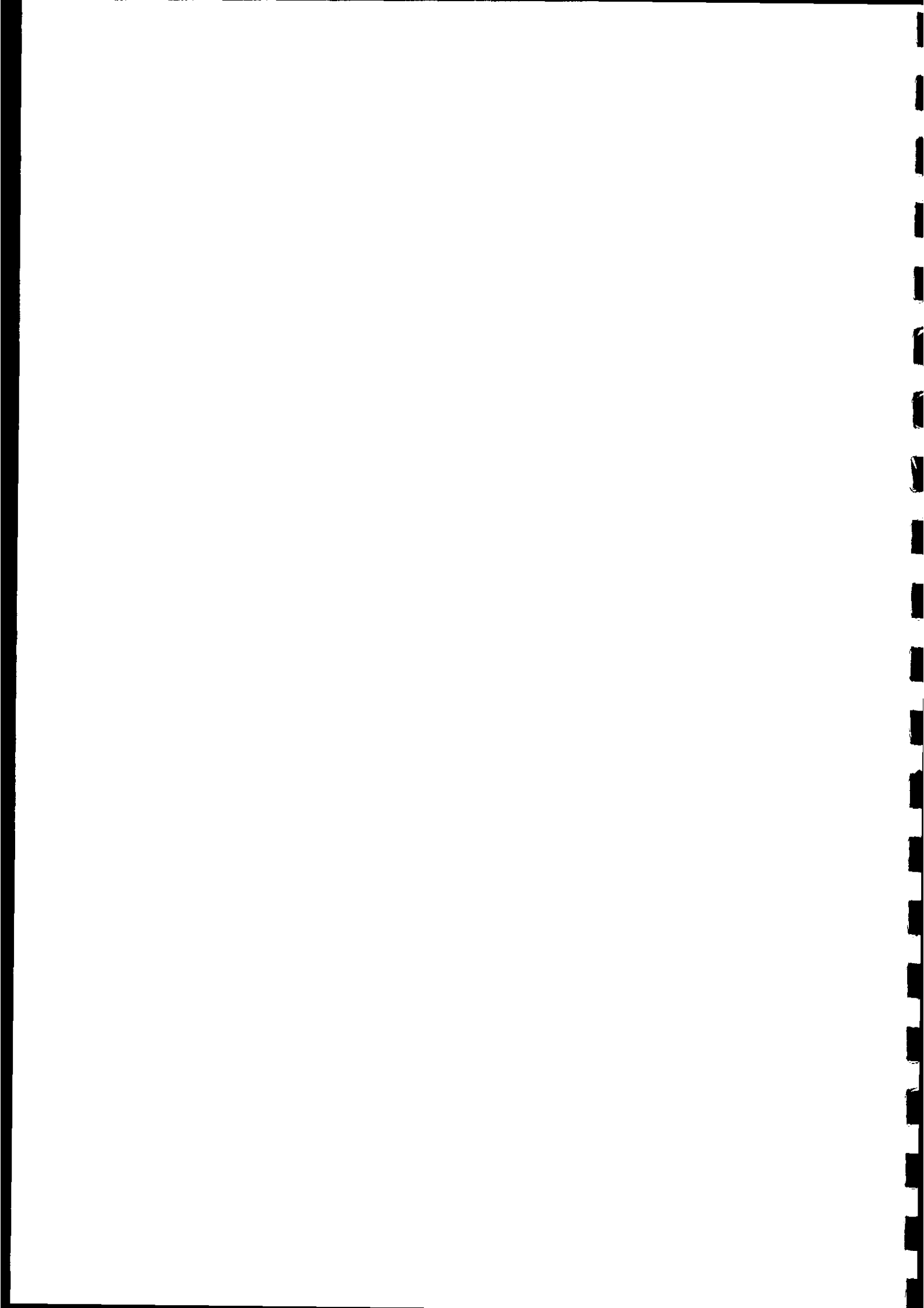
6 Called up share capital

	2005 £000	2004 £000
<i>Authorised:</i>		
750,000 ordinary shares of £1 each	750	750
30,000 fixed rate preference shares of £1 each	30	30
	780	780
<i>Allotted, called up and fully paid:</i>		
500,000 ordinary shares of £1 each	500	500
30,000 fixed rate preference shares of £1 each	30	30
	530	530

In the event of a dividend being declared on ordinary shares, 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.

7 Reserves

	Profit and loss account £000
At 1 July 2004	9,840
Retained profit for the financial year	3
At 30 June 2005	9,843



Notes *(continued)*

8 Contingent liabilities

The company guarantees the borrowings of certain other group companies which at 30 June 2005 amounted to £18,410,000 (2004: £18,564,000).

9 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.

