

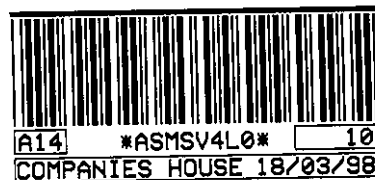
Arnolds Veterinary Products Limited

Directors' report and financial statements

30 June 1997

Registered number 505382





Directors' report and financial statements

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Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 1997.

Change of ownership

On 24 June 1997 the company became a wholly owned subsidiary of Dechra Holdings Limited on the acquisition by that company of Veneto Limited (formerly GEHE Holdings (No 2) Limited), the company's immediate holding company. The company was previously a wholly owned subsidiary of Lloyds Chemists plc.

Principal activity

The company's principal activity is the wholesale of veterinary products. Future developments are likely to be in the same field.

Results and dividends

The results for the year are set out on page 5. The directors do not recommend the payment of a dividend (1996: £Nil). The retained profit of £604,000 is transferred to reserves.

Directors and directors' interests

The directors who served during the year were as follows:

AJ Lloyd	(resigned 21 January 1997)
MA Ward	(resigned 21 January 1997, re-appointed 24 April 1997, resigned 24 June 1997)
RG Turner	(resigned 21 January 1997)
JC Fellows	(resigned 21 January 1997)
SW Buckell	(resigned 30 May 1997)
GB Evans	
SP Whitehouse	
GA Kershaw	(appointed 21 January 1997, resigned 24 June 1997)
SM Meister	(appointed 21 January 1997, resigned 24 June 1997)
RCH Vizard	(appointed 21 January 1997, resigned 24 June 1997)

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

GB Evans and SP Whitehouse are 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.

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.

Directors' report *(continued)*

By order of the board

S.P. Whitehouse

SP Whitehouse
Secretary

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

18 December 1997

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

Auditors' report to the members of Arnolds Veterinary Products Limited

We have audited the financial statements on pages 5 to 13.

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 mis-statement, 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'KPMG' with a stylized flourish.

KPMG
Chartered Accountants
Registered Auditors

18 December 1997

Profit and loss account

for the year ended 30 June 1997

	<i>Note</i>	Continuing operations	
		1997	1996
		£'000	£'000
Turnover	2	6,966	6,714
Cost of sales		(4,744)	(4,559)
Gross profit		2,222	2,155
Distribution costs		(75)	(72)
Administrative expenses		(1,240)	(1,013)
Operating profit		907	1,070
Interest payable	4	-	(38)
Profit on ordinary activities before taxation	5	907	1,032
Tax on profit on ordinary activities	7	(303)	(339)
Profit on ordinary activities after taxation and retained profit for the financial year	14	604	693

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 for these periods.

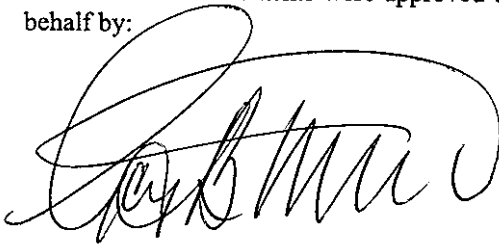
There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet

at 30 June 1997

	Notes	£'000	1997 £'000	£'000	1996 £'000
Fixed assets					
Tangible assets	8		104		36
Current assets					
Stocks	9	1,240		978	
Debtors	10	3,272		4,158	
Cash at bank and in hand		534		1,251	
		<u>5,046</u>		<u>6,387</u>	
Creditors: amounts falling due within one year	11	<u>(1,842)</u>		<u>(3,720)</u>	
Net current assets			3,204		2,667
Total assets less current liabilities			<u>3,308</u>		<u>2,703</u>
Provisions for liabilities and charges			(1)		-
Net assets			<u>3,307</u>		<u>2,703</u>
Capital and reserves					
Called up share capital	13		500		500
Profit and loss account	14		2,807		2,203
Total equity shareholders' funds			<u>3,307</u>		<u>2,703</u>

These financial statements were approved by the board of directors on 18 December 1997 and were signed on its behalf by:



GB Evans
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 producing a cash flow statement since consolidated cash flow statements prepared in accordance with the requirements of Financial Reporting Standard 1 have been included within the financial statements of its current and previous parent undertakings, which incorporate the company's cash flows during the respective periods of ownership.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

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:

Fixtures and fittings	10-20% on a straight line basis
Motor vehicles	25% on a straight line basis

Leased assets

All leases are operating leases and the rental charges 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 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

Pension costs are charged to the profit and loss account over the expected service lives of participating employees.

Notes (continued)

Accounting policies (continued)

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.

Turnover

In the opinion of the directors the company has only one class of business.

An analysis of turnover by geographical markets is as follows:

	1997 £'000	1996 £'000
United Kingdom	4,781	4,705
Rest of the World	2,185	2,009
	<hr/> 6,966	<hr/> 6,714
	<hr/> <hr/>	<hr/> <hr/>

Staff numbers and costs

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

	1997 Number	1996 Number
Warehouse and sales	11	14
Administration and operations	27	27
	<hr/> 38	<hr/> 41
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	523	483
Social security costs	44	44
Other pension costs	26	26
	<hr/> 593	<hr/> 553
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Interest payable

	1997 £'000	1996 £'000
Bank overdraft interest	-	38
	<u> </u>	<u> </u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	1997 £'000	1996 £'000
Depreciation of tangible fixed assets	12	10
Auditors' remuneration	6	5
Payments under operating leases:		
Land and buildings	41	43
Hire of equipment	6	45
	<u> </u>	<u> </u>

6 Directors' emoluments

	1997 £'000	1996 £'000
Emoluments for management services	51	49
Pension contributions	1	1
	<u> </u>	<u> </u>
	52	50
	<u> </u>	<u> </u>

Particulars of directors' emoluments, excluding pension contributions, were as follows:

Highest paid director	32	31
	<u> </u>	<u> </u>

7 Tax on profit on ordinary activities

	1997 £'000	1996 £'000
Corporation tax at 32.5% (1996: 33%)	302	339
Deferred tax	1	-
	<u> </u>	<u> </u>
	303	339
	<u> </u>	<u> </u>

Notes (continued)

8 Tangible fixed assets

	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 July 1996	131	30	161
Additions	80	-	80
Disposals	-	(30)	(30)
	<hr/>	<hr/>	<hr/>
At 30 June 1997	211	-	211
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 July 1996	95	30	125
Charge for the year	12	-	12
Disposals	-	(30)	(30)
	<hr/>	<hr/>	<hr/>
At 30 June 1997	107	-	107
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 1997	104	-	104
	<hr/>	<hr/>	<hr/>
At 30 June 1996	36	-	36
	<hr/>	<hr/>	<hr/>

9 Stocks

	1997 £'000	1996 £'000
Goods for resale	1,235	978
	<hr/>	<hr/>

10 Debtors

	1997 £'000	1996 £'000
Trade debtors	1,003	896
Amounts owed by parent undertakings and fellow subsidiary undertakings (1996: previous year parent undertakings and fellow subsidiary undertakings)	2,064	3,027
Other debtors	-	2
Prepayments and accrued income	205	233
	<hr/>	<hr/>
	3,272	4,158
	<hr/>	<hr/>

Notes (continued)

11 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Trade creditors	660	480
Amounts owed to parent undertakings and fellow subsidiary undertakings (1996: previous year parent undertakings and fellow subsidiary undertakings)	600	2,693
Other creditors	90	-
Corporation tax	303	339
Other taxation and social security	144	25
Accruals and deferred income	45	183
	<hr/> 1,842 <hr/>	<hr/> 3,720 <hr/>

12 Provisions for liabilities and charges

	Deferred taxation £000
At 1 July 1996	-
Transfer from profit and loss account	1
	<hr/>
At 30 June 1997	1 <hr/>

The amount provided for deferred taxation, which represents a full provision calculated under the liability method at 31% is set out below:

	1997 £000	1996 £000
Accelerated capital allowances	1	-
	<hr/>	<hr/>

13 Called up share capital

	1997 £'000	1996 £'000
<i>Authorised:</i>		
750,000 ordinary shares of £1 each	750	750
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
500,000 ordinary shares of £1 each	500	500
	<hr/>	<hr/>

Notes (continued)

14 Reserves

	Profit and loss account £'000
At 1 July 1996	2,203
Retained profit for the financial year	604
	<hr/>
At 30 June 1997	2,807
	<hr/> <hr/>

15 Reconciliation of movements in shareholders' funds

For the year ended 30 June 1997

	1997 £'000	1996 £'000
Profit for the financial year	604	693
Shareholders' funds at 1 July 1996	2,703	2,010
	<hr/>	<hr/>
Shareholders' funds at 30 June 1997	3,307	2,703
	<hr/> <hr/>	<hr/> <hr/>

16 Commitments under operating leases

	1997 £'000	Other operating leases 1996 £'000
The annual commitments under non-cancellable leases are:		
Leases which expire:		
Within one year	1	-
Between one and five years	4	62
After more than five years	43	-
	<hr/>	<hr/>
	48	62
	<hr/> <hr/>	<hr/> <hr/>

17 Capital commitments

The company had no capital commitments at 30 June 1997 (1996: £Nil).

Notes (continued)

18 Pensions

Until 24 June 1997 the company participated in two pension schemes, both of which are constituted as independently administered funds with the assets held separately from those of the Lloyds Chemists Group.

The Lloyds Chemists plc Retirement Benefit Scheme is a defined contribution scheme. The pension charge in respect of this Scheme comprises the contributions payable.

The Macarthy Pension Scheme is a defined benefit scheme. Contributions payable to the scheme are determined by a qualified actuary on the basis of regular three yearly valuations. The most recent valuation of the Macarthy Pension Scheme was carried out on 6 April 1996. Details of the scheme are set out in the Lloyds Chemists plc group financial statements.

Following the acquisition of the company's immediate holding company by Dechra Holdings Limited, a new defined contribution pension scheme has been established for the Dechra Holdings Limited group.

The assets of the Lloyds Chemists Group pension scheme which had accrued to employees of the company to 24 June 1997, the date of acquisition by Dechra Holdings Limited, were transferred to the Dechra Holdings Limited, Pension Scheme on 1 July 1997 at an appropriate transfer value.

19 Contingent liabilities

The company guarantees the borrowings of certain other group companies which at 30 June 1997 amounted to £16,557,000 (1996: £Nil).

The company has a guarantee in favour of HM Customs & Excise which has a maximum potential liability of £20,000.

20 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 from 24 June 1997 will be included within the group financial statements of Dechra Holdings Limited but will not be included within any other group financial statements.

The first group financial statements of Dechra Holdings Limited, for the period to 30 June 1998, will be available from October 1998 and may be obtained from Unit 4, Jamage Road Industrial Estate, Talke Pits, Stoke-on-Trent, ST7 1XW.

The results of the company until 24 June 1997 are included within the group financial statements of Lloyds Chemists plc (the ultimate holding company until 24 June 1997) but are not included within any other group financial statements.

Copies of the group financial statements of Lloyd Chemists plc may be obtained from Britannia House, Centurion Park, Tamworth, Staffordshire, B77 5PZ.