Arnolds Veterinary Products Limited

Directors' report and financial statements

30 June 1999
Registered number 505382

Directors' report and financial statements

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 1999.

Principal activity

The company's principal activity is the distribution 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 *(1998: £800,000).*

Directors and directors' interests

The directors who served during the year were as follows:

GB Evans	
SP Whitehouse	
ETW Torr	(appointed 11 February 1999)
SD Evans	(appointed 11 February 1999)

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.

Research and development

The company has a structured research and development programme with the aim of identifying and bringing to market new pharmaceutical products. The expenditure on this activity for the year ended 30 June 1999 was £309,000 *(1998: £198,000).*

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.

Directors' report *(continued)*

Year 2000 *(continued)*

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

S.P. Whitehouse

SP Whitehouse
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.

KPMG

2 Cornwall Street
Birmingham B3 2DL

Report of the auditors to the members of Arnolds Veterinary Products Limited

We have audited the financial statements on pages 5 to 15.

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

17 September 1999

Profit and loss account

for the year ended 30 June 1999

	Note	1999 Before exceptional item £'000	1999 Exceptional item (see note 3) £'000	Continuing operations 1999 Total £'000	Continuing operations 1998 £'000
Turnover	2	7,982	-	7,982	7,579
Cost of sales		(5,215)	-	(5,215)	(5,204)
Gross profit		2,767	-	2,767	2,375
Distribution costs		(68)	-	(68)	(68)
Administrative expenses		(1,521)	(1,629)	(3,150)	(1,392)
Operating (loss)/profit		1,178	(1,629)	(451)	915
Net interest (payable)/receivable	5	(9)	-	(9)	49
(Loss)/profit on ordinary activities before taxation	6	1,169	(1,629)	(460)	964
Tax on (loss)/profit on ordinary activities	8	(382)	-	(382)	(304)
(Loss)/profit on ordinary activities after taxation		787	(1,629)	(842)	660
Dividends proposed				-	(800)
Retained deficit for the financial year	16			(842)	(140)

A statement of movements on reserves is given in note 16 to the financial statements.

There are no recognised gains or losses in either the current or preceding year other than the retained deficits 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

	Notes	1999		1998	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Tangible assets	*9*		**185**		137
Current assets					
Stocks	*10*	**1,235**		1,250	
Debtors	*11*	**2,749**		3,760	
		3,984		5,010	
Creditors: amounts falling due within one year	*12*	**(2,491)**		(2,554)	
Net current assets			**1,493**		2,456
Total assets less current liabilities			**1,678**		2,593
Creditors: amounts falling due after more than one year	*13*		**(313)**		(383)
Provisions for liabilities and charges	*14*		**-**		(3)
Net assets			**1,365**		2,207
Capital and reserves					
Called up share capital	*15*		**500**		500
Profit and loss account	*16*		**865**		1,707
Total equity shareholders' funds			**1,365**		2,207

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

GB Evans
Director

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 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

Research and development

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

Leased assets

Assets which have been funded through finance leases are recorded as tangible fixed assets and are depreciated over their estimated useful lives. Future lease obligations, net of finance charges are included in creditors. Rentals payable are apportioned between the finance element which is charged to the profit and loss account and the outstanding capital element which reduces those obligations.

All other leases are operating leases, and the rental charges are taken to the profit and loss account on the life of the lease.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Notes *(continued)*

Accounting policies *(continued)*

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 pension charge comprises the contributions payable.

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.

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:

	1999	1998
	£'000	£'000
United Kingdom	**6,264**	5,867
Rest of the world	**1,718**	1,712
	7,982	7,579

Exceptional item

The exceptional item comprises a loan waiver given to the parent company, Dechra Holdings Limited.

Notes *(continued)*

Staff numbers and costs

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

	Number of employees	
	1999	1998
Warehouse and sales	**13**	13
Administration and operations	**29**	29
	42	42

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	**640**	585
Social security costs	**66**	61
Other pension costs	**30**	25
	736	671

Net interest (payable)/receivable

	1999	1998
	£'000	£'000
Interest receivable on bank deposits	**8**	50
Interest payable on bank overdrafts	**(13)**	-
Finance lease charges	**(4)**	(1)
	(9)	49

Notes *(continued)*

(Loss)/profit on ordinary activities before taxation

	1999	1998
	£'000	£'000
The (loss)/profit on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets		
- owned assets	**39**	25
- finance lease assets	**4**	7
Auditors' remuneration	**8**	9
Payments under operating leases:		
Land and buildings	**43**	41
Other assets	**42**	-
Research and development	**309**	198

Directors' emoluments

	1999	1998
	£'000	£'000
Directors' emoluments	**109**	67
Company contributions to money purchase scheme	**11**	6
	120	73

The emoluments of the highest paid director were £54,388 and company pension contributions of £5,640 were made to a money purchase scheme on his behalf.

	Number 1999
Members of money purchase pension schemes	**4**

Tax on (loss)/profit on ordinary activities

	1999	1998
	£'000	£'000
Corporation tax at 30.75% *(1998: 31%)*	**385**	302
Deferred tax	**(3)**	2
	382	304

Notes *(continued)*

Tangible fixed assets

	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 July 1998	218	58	276
Additions	33	58	91
At 30 June 1999	251	116	367
Depreciation			
At 1 July 1998	132	7	139
Charge for the year	24	19	43
At 30 June 1999	156	26	182
Net book value			
At 30 June 1999	**95**	**90**	**185**
At 30 June 1998	86	51	137
Net book value of assets held under finance leases at 30 June 1999	-	54	54

Stocks

	1999 £'000	1998 £'000
Goods purchased for resale	**1,235**	1,250

Debtors

	1999 £'000	1998 £'000
Trade debtors	**867**	1,030
Amounts owed by group undertakings	**1,839**	2,654
Other debtors	**14**	4
Prepayments and accrued income	**29**	72
	2,749	3,760

Notes *(continued)*

Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Bank loans and overdraft	**278**	64
Obligations under finance leases	**40**	20
Trade creditors	**821**	453
Amounts owed to group undertakings	**492**	449
Other creditors	**55**	125
Corporation tax	**371**	276
Other taxation and social security	**24**	29
Accruals and deferred income	**150**	158
Deferred consideration	**260**	180
Proposed dividend	**-**	800
	2,491	2,554

Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Obligations under finance leases	**33**	23
Deferred consideration	**280**	360
	313	383

Provisions for liabilities and charges

	Deferred taxation £000
At 1 July 1998	3
Released during the year	(3)
At 30 June 1999	**-**

Notes *(continued)*

4 Provisions for liabilities and charges *(continued)*

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

	1999 £'000	1998 £'000
Accelerated capital allowances	**5**	3
Short term timing differences	**(5)**	-
	-	3

Called up share capital

	1999 £'000	1998 £'000
Authorised:		
750,000 ordinary shares of £1 each	**750**	750
Allotted, called up and fully paid:		
500,000 ordinary shares of £1 each	**500**	500

Reserves

	Profit and loss account £'000
At 1 July 1998	1,707
Retained deficit for the financial year	(842)
At 30 June 1999	**865**

Notes *(continued)*

Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
(Loss)/profit for the financial year	**(842)**	660
Dividends	-	(800)
Goodwill written off	-	(960)
Net movement in shareholders' funds	**(842)**	(1,100)
Shareholders funds at 1 July 1998	**2,207**	3,307
Shareholders' funds at 30 June 1999	**1,365**	2,207

Commitments under operating leases

	Land and buildings	Other operating leases
The annual commitments under non-cancellable leases are:	**£'000**	**£'000**
Leases which expire:		
Within one year	-	13
Between two and five years	-	6
After more than five years	43	-
	43	19

Capital commitments

The company had no capital commitments at 30 June 1999 *(1998: £Nil).*

Pensions

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

Contingent liabilities

The company guarantees the borrowings of certain other group companies which at 30 June 1999 amounted to £22,888,000 *(1998: £23,100,000).*

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

Notes *(continued)*

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.