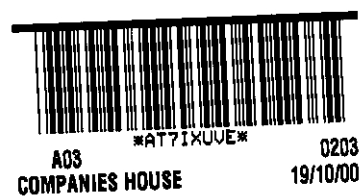


**Centaur Services Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 787385**

**31 March 2000**



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## Chairman's statement

There has been a downward trend in the sales of animal medicines in the UK during our last financial year and in fact the National Office of Animal Health (NOAH) states that for the first time on record animal medicine sales in the UK fell in 1999.

As always there are significant differences between categories, products, target species and channels of distribution but quite obviously the agricultural livestock sector remains entrenched in deep recession.

Whilst our own trading pattern showed quite marked seasonal variations throughout the year, the core veterinary wholesale business increased turnover by 3.3% to £88.5 million. Our operating costs showed an increase for two main reasons. Firstly significant investment in the new bar-coding technology and secondly increased transport costs which were significantly greater than market inflation - a situation that all of us in veterinary practice are only too well aware!

However I am pleased that the Board is able to recommend, subject to agreement at the AGM, a retrospective rebate of £2.083 million. The full return to members in the form of settlement discount and retrospective rebate will therefore be £263,000 greater than the previous year. A creditable achievement given the difficult market conditions.

I should remind members that on 1st July 1999 (therefore operable from the start of the second quarter of the financial year) we introduced simplified terms to basically achieve three main aims. Firstly to give more discount up-front and hence aid cash flow for member practices. Also to offer more flexibility with regard to deliveries and thirdly to provide a single discount rate for all stocked products.

During the course of the year the name of our subsidiary company Centaur Marketing was changed to Centaur Business Solutions to more accurately reflect the broader range of activities with which this company is involved. For the long term success of the company the board recognises the importance of providing broader based solutions, using our core skills, to identify and progress business opportunities for the mutual benefit of the Centaur Group and its members.

For example Centaur has continued to invest in new technology developing a much needed practice management system which will be available during the last quarter of 2000. The company has also led in helping practices meet the stringent requirements of the traceability legislation introduced in February 2000 through the bar code technology recently developed. As a further commitment in this direction Centaur has purchased the VetTrac Company to enable a complete solution for traceability both in practice and on farm.

In broader terms veterinary practice, at a not particularly buoyant time, is coming under increased scrutiny. The Government, following an "agriculture summit", has announced an independent review of dispensing by veterinary surgeons. While this was primarily aimed at supply to farmers there is little doubt that the remit could well become more wide ranging. The Office of Fair Trading is currently collecting data on the wider issue of the pricing of veterinary medicines in the UK. A recent 'Which' report further demonstrated this scrutiny. There is no doubt that veterinary practice, as a service industry, will and indeed has every right to defend its position in business economic terms. In addition its vital professional role with such important issues as animal welfare, national disease surveillance and the responsible use of animal medicines need to be re-emphasised. It is crucial that a unified concerted effort is actioned by the relevant professional bodies to counter this obviously profound threat to veterinary practice in the UK.

While pressures increase further change is inevitable. The advent of Internet companies is only too apparent and is growing rapidly. The company now has its own website and will continue to evaluate the opportunities that might be available in this field.

### **Chairman's statement** *(continued)*

The veterinary surgeon board members and the executive, apart from their more direct roles, continue to monitor all activities relevant to the company and the veterinary profession such as corporate purchase of practices, medicines legislation, business needs in veterinary practice, European issues, etc. We have been involved in, and instituted, several meetings with interested groups for an exchange of views on the important issues. Centaur constantly seeks new positive opportunities for its members.

All this contributes to an on-going strategic review of the whole company's activities to ensure a strong and secure future for our company. Of course none of this could be achieved without the wholehearted support and commitment of all those people who make Centaur work. My sincere thanks to all of them.

**Michael Nagele**

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

### Principal activities and business review

The principal activity of the group is that of suppliers of pharmaceutical products to members of the veterinary profession.

A review of the group's operations and future development is provided in the Chairman's statement and the Chief Executive's statement.

The directors do not propose a dividend.

### Directors and directors' interests

The directors who held office during the year and their interests in the shares of the company at 31 March 2000 (unchanged from holdings at 31 March 1999) were as follows:

	31 March 2000
G Cooper	165
SJ Foster	165
P Franks	-
GP Little	165
I McNab	165
MJ Nagele	165
NJ Paul	165
M Vivian	165
DF Wadsworth	165

The directors retiring by rotation are GP Little, SJ Foster and G Cooper. All being eligible, they offer themselves for reappointment.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

The directors that are members of the company also trade with the company under the same terms as other members.

### Political and charitable contributions

The group made no political or charitable contributions during the year.

**Directors' report** *(continued)*

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
SJ Derby  
Secretary

11 July 2000

## 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 group and of the profit or loss 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 the going concern basis unless it is inappropriate to presume that the group 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 group and to prevent and detect fraud and other irregularities.



100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

## **Report of the auditors to the members of Centaur Services Limited**

We have audited the financial statements on pages 7 to 23.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 6, 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### *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 group'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 affairs of the company and the group as at 31 March 2000 and of the results of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
Chartered Accountants  
Registered Auditors

11 July 2000



**Consolidated profit and loss account**  
*for the year ended 31 March 2000*

	Note	2000 £000	1999 £000
<b>Turnover</b>	<i>1</i>	<b>88,649</b>	86,328
Cost of sales		(80,988)	(78,284)
<b>Gross profit</b>		<b>7,661</b>	8,044
Distribution costs		(2,758)	(2,388)
Administrative expenses		(2,776)	(2,813)
Other operating income		58	73
Profit before members' rebate		<b>2,185</b>	2,916
Members' rebate		(2,083)	(2,772)
<b>Operating (loss)/profit</b>		<b>102</b>	144
Interest receivable and similar income	<i>5</i>	1	15
Interest payable and similar charges	<i>6</i>	(183)	(121)
Share of loss before tax of associate		(12)	-
<b>(Loss)/profit on ordinary activities before taxation</b>	<i>2</i>	<b>(92)</b>	38
Tax on profit on ordinary activities	<i>7</i>	9	(9)
<b>(Loss)/profit for the financial year and profit on ordinary activities after taxation</b>		<b>(83)</b>	29

A statement of movements on reserves is given in note 15.

All of the above transactions for 1999 and 2000 result from continuing operations.

There are no other gains or losses other than the profit for the year.

## Balance sheets

at 31 March 2000

	Note	2000 £000	1999 £000	2000 £000	1999 £000
<b>Fixed assets</b>					
Intangible assets	8	425	-	-	-
Tangible assets	9	3,121	3,084	3,077	3,071
<b>Current assets</b>					
Stocks	11	6,550	5,695	6,476	5,695
Debtors	12	9,217	9,634	10,226	9,813
Cash		55	26	-	-
		<u>15,822</u>	<u>15,355</u>	<u>16,702</u>	<u>15,508</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(17,238)</u>	<u>(16,155)</u>	<u>(17,438)</u>	<u>(16,186)</u>
<b>Net current liabilities</b>		<u>(1,416)</u>	<u>(800)</u>	<u>(736)</u>	<u>(678)</u>
<b>Total assets less current liabilities</b>		<u>2,130</u>	<u>2,284</u>	<u>2,341</u>	<u>2,393</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(145)</u>	<u>(230)</u>	<u>(145)</u>	<u>(230)</u>
<b>Net assets</b>		<u>1,985</u>	<u>2,054</u>	<u>2,196</u>	<u>2,163</u>
<b>Capital and reserves</b>					
Called up share capital	14	422	412	422	412
Share premium account		112	108	112	108
Capital redemption reserve		2	2	2	2
Profit and loss account		1,449	1,532	1,660	1,641
<b>Equity shareholders' funds</b>		<u>1,985</u>	<u>2,054</u>	<u>2,196</u>	<u>2,163</u>

These financial statements were approved by the board of directors on 11 July 2000 and were signed on its behalf by:

  
MJ Nagels  
Director



**Consolidated cash flow statement**  
*for the year ended 31 March 2000*

	Note	2000 £000	£000	1999 £000	£000
Net cash inflow from operating activities	16		989		137
Returns on investments and servicing of finance	17a		(182)		(107)
<b>Taxation</b>					
Corporation tax paid			-		(13)
Capital expenditure	17b		(748)		(675)
Acquisitions	17c		(420)		-
<b>Net cash outflow before financing</b>			(361)		(658)
<b>Financing</b>					
Issue of ordinary share capital		6		6	
Repayment of debt		(136)		(207)	
Net cash (outflow)/inflow from financing	17d		(130)		(201)
<b>Decrease in cash</b>			(491)		(859)
<b>Reconciliation of net cash flow to movement in net debt</b>					
Decrease in cash in the year			(491)		(859)
Cash outflow from decrease in debt and lease finance			136		207
New finance leases			(355)		(652)
Increase in net debt			(355)		(652)
Net debt at 1 April 1999			(4,077)		(3,425)
Net debt at 31 March 2000	18		(4,432)		(4,077)

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 March 2000*

	2000 £000	1999 £000
(Loss) / profit for the financial year	(83)	29
New share capital subscribed	14	13
	<hr/>	<hr/>
Net addition to shareholders' funds	(69)	42
Opening shareholders' funds	2,054	2,012
	<hr/>	<hr/>
Closing shareholders' funds	1,985	2,054
	<hr/> <hr/>	<hr/> <hr/>

## 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 group's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

#### ***Basis of consolidation***

The consolidated financial statements incorporate the accounts of the company and of its subsidiary undertaking. All accounts are made up to 31 March. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985. In the accounts of the company, investments in subsidiaries are stated at cost less any amounts written off for permanent diminutions in value.

#### ***Intangible fixed assets***

##### ***Development costs***

Development costs are amortised over three to five years, which the directors have assessed to be the period of their useful economic life.

##### ***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) and identifiable intangible assets are capitalised and amortised to nil by equal annual instalments over the period of their expected useful life, up to a maximum of 20 years.

#### ***Tangible fixed assets and depreciation***

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land and buildings	-	25 years
Plant and machinery	-	7 years
Fixtures and fittings	-	7 years
Motor vehicles	-	3 years
Computer equipment	-	3 years

#### ***Research and development expenditure***

Expenditure on research and development is written off when incurred except for development expenditure and associated software costs on defined commercial projects which are included within intangible assets. These costs are amortised over a period of three to five years commencing with the commercial application of the product.

#### ***Leases***

Where the group enters into a lease which entails taking substantially all the risk and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

## Notes (continued)

### 1 Accounting policies (continued)

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

#### *Pension costs*

The group operates a pension scheme providing benefits based on final pensionable pay for all other staff. The assets of this scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

#### *Stocks*

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

#### *Taxation*

The parent company has mutual trading status making it exempt from corporation tax on profits on sales to members. The charge for taxation is based on other income in the year.

#### *Turnover*

Turnover represents amounts receivable (excluding value added tax) for goods and services supplied to customers almost exclusively in the United Kingdom and arises from the principal activity referred to in the directors' report.

#### *Members' rebate*

Members receive discounts on sales in three parts:

- electronic ordering discounts;
- prompt payment discounts; and
- retrospective rebates, dependent on the results of the year, given on qualifying sales only.

Members' rebate for 2000 consists of the retrospective rebate element of these discounts. It is considered appropriate to disclose this amount separately on the face of the profit and loss account, as this better reflects the relationship between the parent company and its members.

## Notes (continued)

### 2 Profit on ordinary activities before taxation

	2000 £000	1999 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration - audit	16	15
- other services	4	22
Depreciation of tangible fixed assets	618	611
Amortisation of intangible fixed assets	9	-
Hire of motor vehicles - rentals payable under operating leases	301	273

The company's audit fee amounted to £14,200 (1999: £13,900).

### 3 Remuneration of directors

	2000 £000	1999 £000
Directors' emoluments	173	163
Pension contributions to money purchase scheme	14	19
Expenses reimbursed to directors	20	17

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2000	1999
Money Purchase Schemes	9	9
Defined Benefit Schemes	1	1
	10	10

### 4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2000	1999
Office and management	112	114
Warehouse	72	47
	184	161

**Notes (continued)**

**4 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	2,755	2,432
Social security costs	194	225
Other pension costs (see note 18)	252	221
	<u>3,201</u>	<u>2,878</u>

**5 Interest receivable and similar income**

	1999 £000
Short term deposits	15
	<u>15</u>

**6 Interest payable and similar charges**

	2000 £	1999 £000
Amounts payable on bank loans and overdrafts		96
Finance charges payable in respect of finance leases and hire purchase contracts		25
		<u>121</u>

**7 Taxation**

	2000 £	1999 £000
UK corporation tax at 21% (1999 : 21 %) on the relevant income for the year		9
		<u>9</u>



## Notes (continued)

### 8 Intangible fixed assets

Group	Goodwill	Development costs	Total
	£000	£000	£000
<b>Cost</b>			
At beginning of year	-	-	-
Additions	167	133	300
Acquired with subsidiary undertakings	-	134	134
	<hr/>	<hr/>	<hr/>
At end of year	167	267	434
<b>Amortisation</b>			
At beginning of year	-	-	-
Charged in the year	-	9	9
	<hr/>	<hr/>	<hr/>
At end of year	-	9	9
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2000	167	258	425
	<hr/>	<hr/>	<hr/>
At 31 March 1999	-	-	-
	<hr/>	<hr/>	<hr/>

Intangible fixed assets are valued at the cost incurred to date.

Goodwill arose on the acquisition of VetTrac Limited (see note 19).

#### *Developments costs*

The group is developing a new practice management software system and during the year £123,000 of software was acquired.

The remaining development costs relate to the development of the VetTrac product.

## Notes (continued)

### 9 Tangible fixed assets

	Freehold land and buildings	Plant, machinery and computers	Fixtures fittings tools and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
<b>Group</b>					
<b>Cost</b>					
At beginning of year	2,212	3,165	185	212	5,774
Additions	180	211	145	98	634
Acquired with subsidiary undertakings	-	27	-	-	27
Disposals	-	(89)	-	-	(89)
At end of year	2,392	3,314	330	310	6,346
<b>Depreciation</b>					
At beginning of year	549	1,984	93	64	2,690
Acquired with subsidiary undertakings	-	6	-	-	6
Charged in year	92	436	20	70	618
On disposals	-	(89)	-	-	(89)
At end of year	641	2,337	113	134	3,225
<b>Net book value</b>					
At 31 March 2000	1,751	977	217	176	3,121
At 31 March 1999	1,663	1,181	92	148	3,084

Included in the total net book value of plant, machinery and computers is £nil (1999: £Nil) in respect of assets held under finance leases. Depreciation for the year on these assets was £nil (1999: £131,000).

## Notes (continued)

### 9 Tangible fixed assets (continued)

	Freehold land and buildings	Plant, machinery and computers	Fixtures fittings tools and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
<b>Company</b>					
<b>Cost</b>					
At beginning of year	2,212	3,163	180	196	5,751
Additions	180	217	140	76	613
Disposals	-	(89)	-	-	(89)
At end of year	2,392	3,291	320	272	6,275
<b>Depreciation</b>					
At beginning of year	549	1,982	93	56	2,680
Charged in year	92	436	18	61	607
On disposals	-	(89)	-	-	(89)
At end of year	641	2,329	111	117	3,198
<b>Net book value</b>					
At 31 March 2000	1,751	962	209	155	3,077
At 31 March 1999	1,663	1,181	87	140	3,071

### 10 Investments

<b>Company</b>	<b>£000</b>
Cost at beginning and end of year	-

The company holds investments in the following subsidiary undertakings:

	Share capital held	Description of capital held	Principal activity
Centaur Business Solutions Limited	99%	Ordinary £1 shares	Marketing of veterinary products and services
Somervet Limited	99%	Ordinary £1 shares	Member of AVETCO group of wholesalers
VerTrac Limited	99%	Ordinary £1 shares	Development of veterinary track and trace product

## Notes (continued)

### 11 Stocks

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Goods for resale	6,550	5,695	6,476	5,695

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

### 12 Debtors

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Trade debtors	9,034	9,343	9,020	9,305
Amounts owed by group undertakings	-	-	1,052	229
Other debtors	27	32	23	28
Called up share capital not paid	23	15	27	15
Prepayments and accrued income	133	244	104	236
	9,217	9,634	10,226	9,813

All debtors are due within one year.

### 13 Creditors

Amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans and overdraft	4,321	3,802	4,296	3,802
Trade creditors	10,065	8,526	10,055	8,526
Amounts owed to group undertakings	-	-	260	40
Obligations under finance leases and hire purchase contracts	21	71	21	71
Corporation tax	2	11	13	11
Other taxes and social security	559	680	554	680
Accruals and deferred income	172	236	141	227
Retrospective rebate	2,098	2,829	2,098	2,829
	17,238	16,155	17,438	16,186

## Notes (continued)

### 13 Creditors (continued)

#### Amounts falling due after more than one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loan - within one to two years	77	70	77	70
- within two to five years	68	139	68	139
Obligations under finance lease and hire purchase contracts due:				
- within one to two years	-	21	-	21
	<u>145</u>	<u>230</u>	<u>145</u>	<u>230</u>

The company's overdraft is secured by a fixed and floating charge over the company's property.

### 14 Called up share capital

	2000 £000	1999 £000
<b>Authorised</b>		
Ordinary shares of £1 each	500	500
	<u>500</u>	<u>500</u>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each		
- fully paid	405	397
- unpaid	17	15
	<u>422</u>	<u>412</u>

During the year a further 10,890 shares (1999: 9,735) were issued, to new trading members, for a consideration of £14,520 payable in cash (1999: £12,980). The surplus over nominal value of £3,630 (1999: £3,245) has been transferred to the share premium account (see note 15).

## Notes (continued)

### 15 Reserves

	Share premium account £000	Group Capital redemption account £000	Profit and loss account £000	Share premium account £000	Company Capital redemption account £000	Profit and loss account £000
At beginning of year	108	2	1,532	108	2	1,641
(Loss) / profit for year			(83)			19
On issue of shares	4	-	-	4	-	-
	<u>112</u>	<u>2</u>	<u>1,449</u>	<u>112</u>	<u>2</u>	<u>1,660</u>

### 16 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2000 £000	1999 £000
Operating profit	102	145
Depreciation and amortisation charge	627	611
Profit on sale of tangible fixed assets	(19)	-
(Increase)/decrease in stocks	(781)	762
(Increase)/decrease in debtors	450	(1,131)
Increase/(decrease) in creditors	610	(249)
	<u>989</u>	<u>138</u>
Net cash inflow from operating activities		

## Notes (continued)

### 17 Note to the cash flow statement

	2000 £000	1999 £000
<b>(a) Return on investments and servicing of finance</b>		
Interest received	1	18
Interest paid	(178)	(100)
Interest element of finance lease repayments	(5)	(25)
	<u>          </u>	<u>          </u>
<b>Net cash outflow from return on investments and servicing of finance</b>	<b>(182)</b>	<b>(107)</b>
	<u>          </u>	<u>          </u>
<b>(b) Capital expenditure</b>		
Payments to acquire tangible fixed assets	(634)	(675)
Receipts from sales of tangible fixed assets	19	-
Payments to acquire intangible fixed assets	(133)	-
Loan to associate	(319)	-
	<u>          </u>	<u>          </u>
<b>Net cash outflow from capital expenditure activities</b>	<b>(748)</b>	<b>(675)</b>
	<u>          </u>	<u>          </u>
<b>(c) Acquisitions and disposals</b>		
Payments to acquire subsidiary undertakings	(76)	-
Bank overdraft acquired	(25)	-
Loan made to associate	(319)	-
	<u>          </u>	<u>          </u>
<b>Net cash outflow from acquisitions and disposals</b>	<b>(420)</b>	<b>-</b>
	<u>          </u>	<u>          </u>
<b>(d) Financing</b>		
Issue of ordinary share capital	6	6
Repayment of bank loan	(65)	(60)
Capital element of finance lease rental payments	(71)	(147)
	<u>          </u>	<u>          </u>
<b>Net cash (outflow)/inflow from financing</b>	<b>(130)</b>	<b>(201)</b>
	<u>          </u>	<u>          </u>

### 18 Analysis of net debt

	At 1 April 1999 £000	Cash flow £000	At 31 March 2000 £000
Cash at bank	26	29	55
Overdraft	(3,731)	(520)	(4,251)
	<u>          </u>	<u>          </u>	<u>          </u>
	(3,705)	(491)	(4,196)
Bank loan	(280)	65	(215)
Finance leases	(92)	71	(21)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance at end of year</b>	<b>(4,077)</b>	<b>(355)</b>	<b>(4,432)</b>
	<u>          </u>	<u>          </u>	<u>          </u>

## Notes (continued)

### 19 Acquisitions

During the year, the group made the following acquisition which has been accounted for under the acquisition method of accounting.

On 26 April 1999, Centaur Business Solutions Limited acquired 40% of the shares of VetTrac Limited for £40,000 in cash. The remaining 60% of share capital was acquired on 31 March 2000 for £26,000 in cash. During the year £318,000 was advanced to Vet Track Limited when it was an associate. Under the terms of the contracts to acquire VetTrac Limited, further deferred consideration may become payable which is contingent upon future sales of the product. £500 per unit sold up to a maximum number of 770 units. The product has yet to be launched and, as such, at this stage the directors are unable to make a reasonable estimate of likely future sales income. An estimate of the amount payable will be made once product testing is complete.

	Fair value of assets acquired £000
Intangible fixed assets – capitalised development costs	134
Tangible fixed assets	21
Debtors	25
Stocks	74
Cash/overdrafts	(25)
External creditors	(13)
	<hr/>
Net liabilities acquired	216
Goodwill capitalised	167
	<hr/>
	383
	<hr/>
Cash	66
Costs	10
Loan to VetTrac when an associate	319
Results of VetTrac as an associate	(12)
	<hr/>
Total cash consideration	383
	<hr/>

Fair value adjustments of £55,000 were made at 26 April 1999 to write off certain development costs.

The resulting goodwill of £167,000 has been capitalised and will be written off over three to five years commencing with the commercial production or application of the product. This period represents the directors' estimate of its useful life.

The acquired undertaking made a loss on ordinary activities of £33,000 from the beginning of its financial period to the date of acquisition as a subsidiary. In its previous financial period, the operating loss was £16,000.

The subsidiary undertaking acquired during the period contributed £nil to the group's net operating cash flows, contributed £nil in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation and utilised £nil for capital expenditure.



## Notes (continued)

### 19 Acquisitions (continued)

The directors have followed the guidance in Financial Reporting Standard 2 and calculated goodwill at each stage of the purchase of a share in VetTrac. This is contrary to the Companies Act. If the Companies Act had been followed then goodwill would have been lower by £13,000. The directors consider that the method adopted gives a true and fair view of the acquisition of VetTrac.

### 20 Commitments

- (i) The group has no capital commitments for which it is contracted at the end of the financial year.
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	Group Motor vehicles £000	Company Motor vehicles £000
Operating leases		
which expire within one year	31	31
which expire in the second to fifth years inclusive	223	223
	<hr/> 254	<hr/> 254
	<hr/> <hr/>	<hr/> <hr/>

### 21 Pension scheme

As explained in the accounting policies set out in note 1, the group operates a pension scheme for all staff, other than directors, providing benefits based upon final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the current method as detailed in the Minimum Funding Requirements (MFR) of the Pensions Act 1985 plus an appropriate margin, which equates to the projected unit method. The most recent valuation was at 6 April 1997. The valuation basis assumed that investment returns would be 8% per annum for Gilts and 9% per annum for UK shares, that salary increases would average 6% per annum and that the present and future pensions would increase at a rate of 3.5%. The actuarial valuation showed that the market value of those assets was £1,635,246 and that the realisable value of those assets represented 109.7% of the benefits accrued to members, calculated on the MFR basis. Contributions of the company and employees are 12.7% and 4.0% respectively.

£234,000 was paid to the fund during the year ended 31 March 2000 (1999: £202,000) and was charged to the profit and loss account.

For directors the company operates a defined contribution schemes whose assets are held separately from those of the company in an independently administered fund. £28,000 was paid into the scheme during the year ended 31 March 2000 (1999: £19,000). The charge for the year was £18,000 (1999: £19,000) with £nil (1999: £10,000) being prepaid at 31 March 2000.

### 22 Related party transactions

During the year the group advanced £319,000 to VetTrac Limited to fund the development of the VetTrac product. The group also supplied IT services with a value of £69,000 to VetTrac Limited.