

ANIMALCARE LIMITED

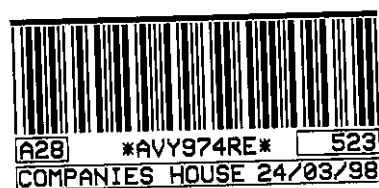
REPORT AND ACCOUNTS

31ST MAY, 1997

(Company Number 1500876)

REGISTERED OFFICE:

COMMON ROAD,
DUNNINGTON,
YORK,
YO1 5RU



ANIMALCARE LIMITED

REPORT OF THE DIRECTORS

The directors present their report, together with the audited accounts for the year to 31st May 1997.

ACTIVITIES

The principal activity of the company is the distribution and factoring of veterinary products.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £823,901. The directors recommend the payment of a £800,000 ordinary dividend, leaving a retained profit of £23,901.

PAYMENT TO SUPPLIERS

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. Suppliers are paid on average within 31 days of invoice.

DIRECTORS

In accordance with the Articles of Association, Mr. R. J. Denning retires at the Annual General Meeting and being eligible, offers himself for re-election.

The directors who served during the year were:

J. Tandy (Chairman)
R. J. Denning
E. J. Fisher
R. Rabone

Although the directors at 31st May 1997 had no interest in the share capital of the company they did have an interest in shares of the ultimate parent undertaking, VDC plc. The details in respect of these interests are set out in the accounts of VDC plc.

AUDITORS

Ernst & Young were appointed on 1st April 1997 and have indicated their willingness to continue in office. A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By Order of the Board



P. Beacock
Secretary

20th November 1997

ANIMALCARE LIMITED

Statement of Directors' Responsibilities in respect of the accounts

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- * prepare the accounts on the 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ANIMALCARE LIMITED

Report of the Auditors to the members of Animalcare Limited

We have audited the accounts on pages 4 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective Responsibilities of the Directors and Auditors

As described on page 2, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

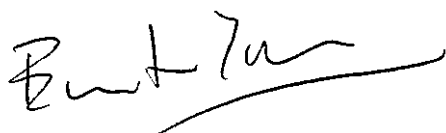
Basis of Opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st May 1997, and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

Chartered Accountants, Registered Auditor, Leeds

20th November 1997

ANIMALCARE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MAY 1997

	<u>1997</u>		<u>1996</u>		<u>NOTES</u>
	£	£	£	£	
<u>TURNOVER</u>		3,637,880		3,342,202	2
Cost of Sales		2,088,496		1,946,599	
Gross Profit		<u>1,549,384</u>		<u>1,395,603</u>	
Distribution Costs	574,797		507,537		
Administrative Expenses	<u>120,090</u>		<u>121,364</u>		
		694,887		628,901	
Profit on Ordinary Activities before taxation		<u>854,497</u>		<u>766,702</u>	3
Taxation		<u>(30,596)</u>		<u>(18,721)</u>	6
Profit attributable to Shareholders		823,901		747,981	
Proposed ordinary dividend		<u>(800,000)</u>		<u>(700,000)</u>	
Retained Profit for the Year		<u>£23,901</u>		<u>£47,981</u>	12

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

AT 31ST MAY 1997

Approved by the Board on 20th November 1997 and signed on its behalf by:

[illegible]

ANIMALCARE LIMITED
NOTES FORMING PART OF THE ACCOUNTS
YEAR ENDED 31ST MAY 1997

1. ACCOUNTING POLICIES

Accounting Convention -

The Accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation -

The charge for depreciation is calculated to write off the assets over their anticipated useful lives, on a straight line basis, at annual rates of:-

Plant & Equipment	10% - 20%
Motor Cars	20%

Stocks -

Stock on hand is stated at the lower of cost or net realisable value.

Deferred Taxation -

Provision is made for Deferred Taxation, using the liability method, on all timing differences, to the extent that it is probable that the liability will crystallise in the foreseeable future.

Accounting for Leases -

Assets financed by leasing agreements which give rights approximating to ownership (finance leases) have been capitalised at amounts equal to the original cost of the assets to the lessors and depreciation provided on the basis of the company depreciation policy. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element is charged to the profit and loss account. The annual payments under all other lease arrangements, known as operating leases, are charged to the profit and loss account on an accruals basis.

Pensions -

The Company operates both defined benefit and defined contribution schemes, whose assets are independent of the company's finances. The defined benefit scheme is funded by contributions at rates determined by independent actuaries. When benefits are increased, the additional actuarial liability (to the extent that it is not covered by an existing actuarial surplus) is generally funded by contributions from the Company spread over future periods. Full actuarial valuations are made at regular intervals, usually every one to three years, and contribution levels set accordingly.

2. TURNOVER

Turnover which is stated net of value added tax, is attributable to one continuing activity in the United Kingdom, the distribution and factoring of veterinary products.

ANIMALCARE LIMITED
NOTES FORMING PART OF THE ACCOUNTS
YEAR ENDED 31ST MAY 1997
(continued)

3. PROFIT ON ORDINARY ACTIVITIES

<u>BEFORE TAXATION</u>	<u>1997</u>	<u>1996</u>
	£	£
Is stated after charging the following amounts:-		
Depreciation	26,692	23,638
Auditors' Remuneration - Audit Services	2,500	3,800
	<hr/>	<hr/>

4. EMPLOYEES

a) The average weekly number of employees during the year was:

	<u>Number of Employees</u>	
	<u>1997</u>	<u>1996</u>
Sales and distribution	9	9
Administration	6	7
	<hr/>	<hr/>
	15	16
	<hr/>	<hr/>

b) The costs incurred in respect of these employees were:

	<u>1997</u>	<u>1996</u>
	£	£
Wages & Salaries	262,993	244,947
Social Security Costs	26,508	24,966
Other Pension Costs	10,220	9,633
	<hr/>	<hr/>
	£299,721	£279,546
	<hr/>	<hr/>

5. DIRECTORS

The directors are also directors of the ultimate parent undertaking and fellow subsidiary undertakings. The emoluments of the directors were paid by the ultimate parent undertaking. The directors do not believe it is practicable to apportion these emoluments between their services as directors of the company and their services as directors of the ultimate parent undertaking and fellow subsidiary undertakings.

6. TAXATION

	<u>1997</u>	<u>1996</u>
	£	£
Corporation Tax on Profits for the Year at 33%	30,596	18,721
Deferred Tax	(-)	(-)
	<hr/>	<hr/>
	£30,596	£18,721
	<hr/>	<hr/>

The tax charge is lower than expected due to the availability of group relief from VDC plc and Procure Health Limited for which no charge is expected.

ANIMALCARE LIMITED
NOTES FORMING PART OF THE ACCOUNTS
YEAR ENDED 31ST MAY 1997
(continued)

7. TANGIBLE FIXED ASSETS

	Motor Vehicles	Plant & Equipment	TOTAL
<u>COST</u>	£	£	£
at 1st June 1996	113,560	15,382	128,942
Additions	103,115	-	103,115
Disposals	(74,085)	(2,616)	(76,701)
	<hr/>	<hr/>	<hr/>
at 31st May 1997	£142,590	£12,766	£155,356
	<hr/>	<hr/>	<hr/>
<u>DEPRECIATION</u>			
at 1st June 1996	37,714	8,912	46,626
Provided during the year	25,047	1,645	26,692
Disposals	(39,178)	(2,616)	(41,794)
	<hr/>	<hr/>	<hr/>
at 31st May 1997	£23,583	£7,941	£31,524
	<hr/>	<hr/>	<hr/>
Net Book value			
at 31st May 1997	£119,007	£4,825	£123,832
	<hr/>	<hr/>	<hr/>
Net Book value			
at 31st May 1996	£75,846	£6,470	£82,316
	<hr/>	<hr/>	<hr/>

	<u>1997</u>	<u>1996</u>
8. <u>DEBTORS</u> (Amounts falling due within one year)	£	£
Trade Debtors	398,393	369,003
Amounts due from group undertakings	-	720
Prepayments	14,300	4,226
	<hr/>	<hr/>
	£412,693	£373,949
	<hr/>	<hr/>

	<u>1997</u>	<u>1996</u>
9. <u>CREDITORS</u> (Amounts falling due within one year)	£	£
Trade Creditors	236,661	196,508
Amount due to group undertakings	67,169	44,982
Corporation Tax	30,596	18,721
Other Taxes including Social Security	9,427	8,958
Accruals	26,451	22,771
Dividends Payable	800,000	700,000
	<hr/>	<hr/>
	£1,170,304	£991,940
	<hr/>	<hr/>

ANIMALCARE LIMITED
NOTES FORMING PART OF THE ACCOUNTS
YEAR ENDED 31ST MAY 1997
(continued)

10. <u>DEFERRED TAXATION</u>	<u>1997</u>	<u>1996</u>
	£	£
Amounts provided in respect of Accelerated Capital Allowances		
At 1st June 1996 and at 31st May 1997	-	-
If full provision were to be made for all potential liabilities, the level of provision required would be	<u>£4,900</u>	<u>£3,400</u>
11. <u>SHARE CAPITAL</u>	<u>1997</u>	<u>1996</u>
	£	£
Authorised: 100,000 Ordinary Shares of £1 each	<u>£100,000</u>	<u>£100,000</u>
Allotted, Called up and fully paid: 50,000 Ordinary Shares of £1 each	<u>£50,000</u>	<u>£50,000</u>
12. <u>RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS</u>	<u>1997</u>	<u>1996</u>
	£	£
Profit for the year after taxation	823,901	747,981
Dividends	(800,000)	(700,000)
	<u>23,901</u>	<u>47,981</u>
Opening Shareholders' funds	281,486	233,505
Closing Shareholders' funds	<u>£305,387</u>	<u>£281,486</u>

ANIMALCARE LIMITED
NOTES FORMING PART OF THE ACCOUNTS
YEAR ENDED 31ST MAY 1997
(continued)

13. PENSION COMMITMENTS

Employees of Animalcare Limited are eligible for membership of the group pension schemes of VDC plc. The Group's pension schemes, referred to in the VDC plc Report and Accounts, cover all of the Group's obligations to provide pensions to its retired employees and the current work force. Accounts for these schemes are prepared separately by the trustees. Based on the latest actuarial valuation of the VDC Retirement Benefits Scheme (completed in December 1993, with respect to the position at 30th September 1993) the surplus was approximately £194,000. The calculations were carried out on a discontinuance funding approach, the liabilities being the cash equivalent transfer value for the active and deferred pensioner members and the market cost of buying the pensions for retired members. These amounts were then compared to the market value of the assets. The group has decided to wind up the VDC Retirement Benefits Scheme and all members who were employed on 1st June 1996 have joined the defined contribution scheme. Accordingly no contribution has been made by the company to the VDC Retirement Benefits Scheme during the year ended 31st May 1997.

The pension charge incurred by the company for the year was £10,220 (1996 - £9,633).

14. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is VDC plc, registered in England and Wales. VDC plc is also the ultimate parent undertaking. Copies of the VDC plc's accounts may be obtained from Common Road, Dunnington, York, YO1 5RU.

15. FRS8

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of VDC plc.