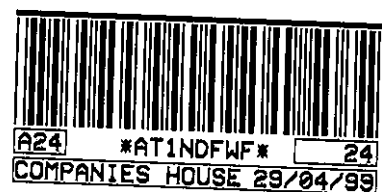


VETERINARY PRACTICE INITIATIVES LIMITED

(Company Registration Number: 03145771)

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 1998**



VETERINARY PRACTICE INITIATIVES LIMITED

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COMPANY INFORMATION

DIRECTORS

P.R. Beaumont
J.P. Sheridan
A.S.C. Cooper (appointed 12 December 1997)
D.E. Parry (appointed 14 August 1998)

SECRETARY

D.E. Parry

REGISTERED OFFICE

23 Buckingham Road
Shoreham By Sea
West Sussex
BN43 5UA

COMPANY REGISTRATION NUMBER

O3145771

DIRECTORS' REPORT

The directors present their annual report and financial statements for the period ended 30 June 1998.

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;
- * comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- * prepare the financial statements 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 financial statements 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.

PRINCIPAL ACTIVITY

The principal activity of the company is that of the acquisition and management of veterinary practices. The company acquired its first practice on 4 July 1998.

DIRECTORS AND THEIR INTERESTS

The directors in office during the period and their beneficial interests in the company at the balance sheet date and at the beginning of the period (or appointment if later) were as follows:

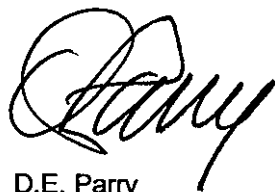
	30 June 1998 Ordinary Shares	31 December 1996 Ordinary Shares
P.R. Beaumont	100	100
J.R. Sheridan	100	100
A.S.C. Cooper (appointed 12 December 1997)	100	Nil
D. Huchison (resigned 16 October 1997)	Nil	100

DIRECTORS' REPORT (continued)

SMALL COMPANY EXEMPTION

The directors have prepared this report in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'D.E. Parry', written in a cursive style.

D.E. Parry
Secretary
23 April 1999

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 1998

	Notes	Period Ended 30 June 1998 £	Year Ended 30 December 1996 £
TURNOVER		-	-
Administrative Expenses		<u>17,909</u>	<u>-</u>
OPERATING LOSS		-17,909	-
Interest Receivable		<u>-</u>	<u>-</u>
LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION		-17,909	-
Tax on Income from Ordinary Activities	2	<u>-</u>	<u>-</u>
NET LOSS FOR THE PERIOD		<u><u>-£17,909</u></u>	<u><u>£-</u></u>

All recognised gains and losses for the period have been included in the Profit and Loss Account.

None of the company's activities were acquired or discontinued during the period.

The loss for the period has been calculated on the historical cost basis.

BALANCE SHEET AS AT 30 JUNE 1998

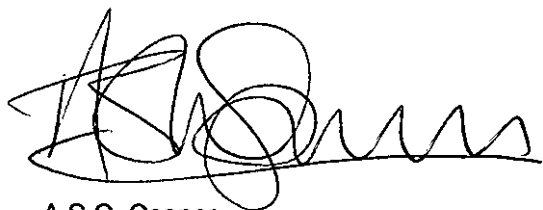
	Notes	30 June 1998 £	31 December 1996 £
CURRENT ASSETS			
Debtors	3	10,214	300
Cash at Bank and Solicitors		101,337	-
		<hr/>	<hr/>
		111,551	300
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	4	129,160	-
		<hr/>	<hr/>
		-£17,609	£300
		<hr/>	<hr/>
Represented by:			
CAPITAL AND RESERVES			
Called Up Share Capital	5	300	300
Profit and Loss Account		-17,909	-
		<hr/>	<hr/>
TOTAL SHAREHOLDERS' FUNDS	6	-£17,609	£300
		<hr/>	<hr/>

BALANCE SHEET AS AT 30 JUNE 1998

The directors have taken advantage of the exemption conferred by Section 249A(1) not to have these financial statements audited and confirm that no notice has been deposited under Section 249B(2) of the Companies Act 1985. The directors acknowledge their responsibilities for ensuring that:

- 1) The company keeps accounting records which comply with Section 221 of the Companies Act 1985;
- 2) The financial statements give a true and fair view of the state of the affairs of the company as at 30 June 1998 and of its profit or loss for the period then ended in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

A handwritten signature in black ink, appearing to be 'A.S.C. Cooper', written over a horizontal line.

A.S.C. Cooper
Director

Approved by the board on 23 April 1999

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 1998

1 ACCOUNTING POLICIES**a) Accounting Convention**

The financial statements have been prepared under the historical cost convention.

b) Cash Flow Statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 from presenting a cash flow as it qualifies as a small company.

2 TAXATION

It is anticipated that the company's activities for the period will not give rise to a corporation tax liability.

3 DEBTORS

	30 June 1998 £	31 December 1996 £
Other taxes	2,214	-
Other debtors	-	300
Prepayments	8,000	-
	<u>£10,214</u>	<u>£300</u>

4 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 1998 £	31 December 1996 £
Directors' current accounts	118,033	-
Accruals	11,127	-
	<u>£129,160</u>	<u>£-</u>

5 SHARE CAPITAL

	30 June 1998	31 December 1996
Authorised 1000 ordinary shares of £1 each	£1,000	£1,000
	<u>£1,000</u>	<u>£1,000</u>
Allotted, issued and fully paid 300 ordinary shares of £1 each	£300	£300
	<u>£300</u>	<u>£300</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998 (continued)

5 SHARE CAPITAL (continued)

On 4 July 1998, of the authorised share capital of 1000 ordinary shares of £1 each, 300 were re-designated as deferred shares of £1 each and the remaining 700 shares were converted to ordinary shares of £0.10 each.

The authorised share capital was then increased to £429,888, by the creation of a further 2,743,000 ordinary £0.10 shares, to rank pari passu with the existing ordinary shares and 1,546,880 'A' ordinary shares of £0.10.

Then 2,600,001 ordinary shares of £0.10 each and 1,000,000 'A' ordinary shares of £0.10 were issued for cash at par.

6 LOAN STOCK

On 4 July 1998, the company created £1,007,812 10% Unsecured Loan Notes 2005 and £37,500 10% Unsecured Convertible Loan Notes 2005.

The company then issued £462,500 of the £1,007,812 10% Unsecured Loan Notes 2005 and the whole of the £37,500 10% Unsecured Convertible Loan Notes 2005.

7 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	30 June 1998 £	31 December 1996 £
Loss for the financial period	-17,909	-
Opening shareholders' funds	<u>300</u>	<u>300</u>
Closing shareholders' funds	<u>-£17,609</u>	<u>£300</u>
Represented by:		
Equity interests	<u>-£17,609</u>	<u>£300</u>

DETAILED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 1998

	Period Ended 30 June 1998		Year Ended 31 December 1996	
	£	£	£	£
SALES		-		-
Less: COST OF SALES		<u>-</u>		<u>-</u>
		-		-
Less: EXPENSES				
Rent	1,260		-	
Consulting	3,600		-	
Stationery	3,190		-	
Travel and subsistence	6,382		-	
Telephone and postage	872		-	
Conferences	229		-	
Insurance	622		-	
Legal fees	1,459		-	
Entertaining	287		-	
Bank charges	8		-	
	<u> </u>		<u> </u>	
		17,909		-
		<u> </u>		<u> </u>
NET LOSS FOR THE PERIOD		<u><u>-£17,909</u></u>		<u><u>£-</u></u>