

THE CHAIRMANS REPORT 2017

Chairman's Report:

Three director's meetings have taken place in 2017 at quarterly intervals starting in January, the dates of those meetings being consistent with historical practice. The major issue and challenge facing the board has been the financial discrepancies between the quarterly management accounts produced by our accountants and those prepared for the board by our staff, with which the directors had historical experience. After due consideration, the board has decided to retain both reports in the belief that the timing issues and other differences can be eliminated. The office will now prepare for each board meeting a management report for the directors that covers the same period as the one prepared by HW. In addition, the board will be issued with an in-house report that uses the most up to date figures available at the time thereby allowing the directors to make decisions based on the most recent financial information. The directors continue to support the ongoing investment of our resources into R & D in novel solutions, equipment working practices and materials that are relevant to the veterinary industry.

Board effectiveness:

Having completed the requirements of meeting the Financial Reporting Council Code in 2016 the board believe that they have adopted the best possible practices in relation to the governance of the company. It would be remiss of us not to make a special mention of the work undertaken by the distributions director David Taylor and his team,

post the fire at Earlston. The board recognise the need for disaster recovery planning in business but in this case, it was seriously tested. The response of the team there and their efforts in getting the warehouse up and running again in such a short time was very impressive.

Independent Assessment: The company recognises that there are some areas where we are unable to adopt best practice simply because of the small number of staff employed. For example, in an ideal world it would be preferable if oversight of financial matters was not undertaken by related parties. However, with having only six members of staff in the office, four of whom are related to each other, this proves impossible. Wherever it is feasible an external source is used to support management's view of the critical areas of the business. In the main HW the accountants and auditors of the company are used as independent assessors of our in-house management solutions. We have recruited an outside agency to carry out an audit of all our IT solutions, with special regard to cyber security. We hope to have this audit completed before we look to upgrade our IT solutions in the autumn of 2017.

Remuneration Committee: Due to board retirements this committee operated on a much-reduced staffing level. The Chairman along with Fraser Kerr, our accountant, completed the staff and also the managing director's pay review and then Fraser Kerr and the Managing Director reviewed the other director's remuneration package. As a result, and in line with stated policy, no one reviewed their own remuneration package.