

# Scholes (Chemists) Limited

## FINANCIAL STATEMENTS

for the year ended

31 August 2003



# Scholes (Chemists) Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

A I Patel  
Y I Patel  
D S Caplan  
S Wild

### SECRETARY

A I Patel

### COMPANY NUMBER

364450 (England and Wales)

### REGISTERED OFFICE

109 North Road  
Clayton  
Manchester  
M11 4NE

### AUDITORS

Baker Tilly  
Chartered Accountants  
Brazennose House  
Lincoln Square  
Manchester  
M2 5BL

# Scholes (Chemists) Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of Scholes (Chemists) Limited for the year ended 31 August 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of retail dispensing chemists.

### REVIEW OF THE BUSINESS

During the year the company acquired an additional 3 pharmacies.

The directors consider the results for the year to be satisfactory.

### FUTURE DEVELOPMENTS

The directors will strive to improve turnover and profitability over the coming year through the continued expansion of the business by acquisition.

### RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £2,691,583.

The directors do not recommend the payment of an ordinary dividend.

### DIRECTORS

The following directors have held office since 1 September 2002:

A I Patel  
Y I Patel  
D S Caplan  
S Wild

### DIRECTORS' INTERESTS IN SHARES

None of the directors held shares in the company at any time throughout the year. The directors' interests in the shares of the parent undertaking are disclosed in that company's financial statements.

### SINGLE EUROPEAN CURRENCY ISSUE

The directors have considered the potential impact of the Euro on the company's operations. As the company's systems are continually upgraded as part of normal business expenses, it is not anticipated that this will lead to a material change in the future.

### DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled persons wherever appropriate.

# Scholes (Chemists) Limited

## DIRECTORS' REPORT

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### EMPLOYEE INVOLVEMENT

Employees are encouraged to participate in the success of the business by furthering their career through personal development and training.

### AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants will be put to the members at the annual general meeting.

By order of the board

A I Patel

Secretary

# Scholes (Chemists) Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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:

- a select suitable accounting policies and then apply them consistently;
- b make judgments and estimates that are reasonable and prudent;
- c follow applicable accounting standards
- d 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 requirements of 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.

## AUDITORS' REPORT TO THE MEMBERS OF SCHOLES (CHEMISTS) LIMITED

We have audited the financial statements on pages 6 to 24.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

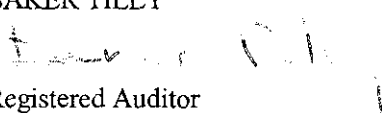
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 at 31 August 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**BAKER TILLY**

  
Registered Auditor  
Chartered Accountants  
Brazenose House  
Lincoln Square  
Manchester  
M2 5BL

# Scholes (Chemists) Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 August 2003

	Notes	2003 £	2003 £	2002 £	2002 £
TURNOVER	1				
Continuing operations		57,839,425		50,158,506	
Acquisitions		394,762		2,136,611	
			58,234,187		52,295,117
Cost of sales			43,553,574		39,176,265
Gross profit			14,680,613		13,118,852
Other operating expenses (net)	2		9,527,125		8,837,524
OPERATING PROFIT					
Continuing operations		5,207,033		4,466,526	
Acquisitions		(53,545)		(185,198)	
			5,153,488		4,281,328
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			5,153,488		4,281,328
Other interest receivable and similar income			26,630		46,244
Interest payable and similar charges	4		1,234,148		1,289,707
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		3,945,970		3,037,865
Taxation	7		1,254,387		992,760
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			2,691,583		2,045,105

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

# Scholes (Chemists) Limited

## NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 31 August 2003

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### NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2003 £	2002 £
Profit on ordinary activities before taxation	3,945,970	3,037,865
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	2,841	14,009
Historical cost profit on ordinary activities before taxation	<u>3,948,811</u>	<u>3,051,874</u>
Historical cost profit for the year retained after taxation and dividends	<u>2,694,424</u>	<u>2,059,114</u>



# Scholes (Chemists) Limited

## BALANCE SHEET

31 August 2003

	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Intangible assets	9	22,638,662	22,124,463
Tangible assets	10 & 11	5,699,007	4,806,641
		<u>28,337,669</u>	<u>26,931,104</u>
<b>CURRENT ASSETS</b>			
Stocks	13	3,994,315	3,709,961
Debtors	14	12,475,533	10,720,574
Cash at bank and in hand		423,775	-
		<u>16,893,623</u>	<u>14,430,535</u>
CREDITORS: Amounts falling due within one year	15	13,495,166	11,161,777
NET CURRENT ASSETS		<u>3,398,457</u>	<u>3,268,758</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		31,736,126	30,199,862
CREDITORS: Amounts falling due after more than one year	16	(19,717,293)	(20,872,612)
		<u>12,018,833</u>	<u>9,327,250</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	618	618
Revaluation reserve	18	527,235	527,235
Other reserves		382	382
Profit and loss account	18	11,490,598	8,799,015
SHAREHOLDERS' FUNDS	19	<u>12,018,833</u>	<u>9,327,250</u>

Approved by the board on 24.2.2004

A I Patel

Director

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 August 2003

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#### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings in accordance with applicable accounting standards.

Investment properties are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges (unless held on lease), but should be shown at open market value. This is contrary to the Companies Act 1985 which states that, subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting or the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by SSAP 19 is considered appropriate for investment properties.

Details of the current value and historical cost information for investment properties are given in Note 11.

#### CASH FLOW STATEMENT

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary of Primelight Limited. The company is included in the consolidated financial statements of Primelight Limited, copies of which are available from Companies House (Cardiff).

#### GOODWILL

Purchased goodwill representing the excess of the purchase price compared with the fair value of assets acquired is capitalised and subject to an annual impairment review by the directors in accordance with FRS 10. The directors consider that the goodwill acquired has an indefinite life. Any deficiency arising from the impairment review is written off to the profit and loss account in the year in which it arises. Any increases in value are not recognised in the financial statements.

This departure from the requirements of the Companies Act 1985 is, in the opinion of the directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards.

Amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot reasonably be separately identified or quantified.

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

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### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost or valuation less depreciation.

The directors have followed the transitional provisions of FRS 15 and have not updated the last valuation of freehold land and buildings undertaken in 1990.

Depreciation is provided on all tangible fixed assets other than investment properties at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold land and buildings	25% straight line
Freehold land and buildings	2% straight line
Fixtures, fittings and equipment	20% reducing balance
Motor vehicles	25% reducing balance

### INVESTMENTS

Fixed asset investments are stated at valuation.

### STOCK

Stock is valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items.

### DEFERRED TAXATION

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future. The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no further liability would have been recognised as any liability for deferred taxation was provided in full.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity wholly undertaken in the United Kingdom.

2	OTHER OPERATING EXPENSES (NET)	2003 £	2002 £
	Distribution costs	81,893	82,567
	Administration expenses	9,985,514	9,216,166
	Other operating income	(540,282)	(461,209)
		<u>9,527,125</u>	<u>8,837,524</u>

### 3 COST OF SALES AND OTHER OPERATING EXPENSES (NET)

	Continuing £	2003 Acquisitions £	Total £	Continuing £	2002 Acquisitions £	Total £
Cost of sales	43,271,800	281,774	43,553,574	37,524,333	1,651,932	39,176,265
Distribution costs	81,685	208	81,893	79,781	2,786	82,567
Administration expenses	9,819,172	166,342	9,985,514	8,548,779	667,387	9,216,166
Other operating income	(540,282)	-	(540,282)	(460,913)	(296)	(461,209)
	<u>9,360,575</u>	<u>166,550</u>	<u>9,527,125</u>	<u>8,167,647</u>	<u>669,877</u>	<u>8,837,524</u>

4	INTEREST PAYABLE	2003 £	2002 £
	On bank loans and overdrafts	1,179,408	1,187,659
	On other loans	40,437	95,934
	Hire purchase interest	-	349
	Other interest	14,303	5,765
		<u>1,234,148</u>	<u>1,289,707</u>

**Scholes (Chemists) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2003**

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2003 £	2002 £
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off fixed assets:		
	Charge for the year:		
	leased assets	9,504	-
	owned assets	201,347	208,157
	(Profit)/loss on disposal of assets	3,234	2,018
	Operating lease rentals:		
	Equipment	-	3,826
	Land and buildings	620,281	355,267
	Auditors' remuneration	8,950	7,850
		<u>          </u>	<u>          </u>
6	EMPLOYEES	2003 No	2002 No
	The average weekly number of persons (excluding directors) employed by the company during the year was:		
	Office and management	40	38
	Sales	492	458
		<u>      </u>	<u>      </u>
		532	496
		<u>          </u>	<u>          </u>
		2003 £	2002 £
	Staff costs for the above persons:		
	Wages and salaries	5,763,621	5,054,690
	Social security costs	403,922	335,640
		<u>          </u>	<u>          </u>
		6,167,543	5,390,330
		<u>          </u>	<u>          </u>
	DIRECTORS' REMUNERATION	2003 £	2002 £
	Emoluments for qualifying services	15,200	7,750
		<u>          </u>	<u>          </u>

**Scholes (Chemists) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2003**

	2003 £	2002 £
7 TAXATION		
Based on the profit for the year:		
UK corporation tax at 30% (2002 - 30%)	1,234,920	1,031,467
Under provision in previous year	1	3,318
	<u>1,234,921</u>	<u>1,034,785</u>
Deferred tax		
Deferred tax charge/(credit) current year	19,466	(42,025)
	<u>1,254,387</u>	<u>992,760</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	3,945,970	3,037,865
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2002: 30%)	<u>1,183,791</u>	<u>911,360</u>
Effects of:		
Non deductible expenses	31,221	67,473
Capital allowances in excess of depreciation	19,304	9,984
Tax losses utilised	(1,334)	(489)
Adjustments to previous periods	1	3,318
Other tax adjustments	1,938	(43,139)
	<u>51,130</u>	<u>123,425</u>
Current tax charge	<u>1,234,921</u>	<u>1,034,785</u>

**Scholes (Chemists) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2003**

9

INTANGIBLE FIXED ASSETS

	Lease Premium £	Goodwill £	Total £
Cost			
1 September 2002	55,500	22,160,514	22,216,014
Additions – hived up investments	-	550,000	550,000
Adjustments		(30,606)	(30,606)
31 August 2003	55,500	22,679,908	22,735,408
Amortisation			
1 September 2002	19,647	71,903	91,550
Provision in year	5,196	-	5,196
31 August 2003	24,843	71,903	96,746
Net book value			
31 August 2003	30,657	22,608,005	22,638,662
31 August 2002	35,853	22,088,610	22,124,463

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TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Freehold land and buildings £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
1 September 2002	1,952	3,154,863	999,879	193,269	4,349,963
Additions	-	942,450	187,385	47,960	1,177,795
Disposals	-	(82,500)	-	(24,825)	(107,325)
31 August 2003	1,952	4,014,813	1,187,264	216,404	5,420,433
Depreciation:					
1 September 2002	651	313,597	555,786	68,765	938,799
Charge in the year	488	69,918	96,253	38,997	205,655
Disposals	-	(2,613)	-	(13,422)	(16,035)
31 August 2003	1,139	380,902	652,039	94,340	1,128,420
Net book value					
31 August 2003	813	3,633,911	535,225	122,064	4,292,013
31 August 2002	1,301	2,841,267	444,094	124,505	3,411,164

**Scholes (Chemists) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2003**

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10 TANGIBLE FIXED ASSETS (*continued*)

Included above are assets held under finance leases or hire purchase contracts as follows:

	<i>Fixtures, fittings &amp; equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Net book value			
31 August 2003	-	31,961	31,961
	<hr/>	<hr/>	<hr/>
31 August 2002	-	-	-
	<hr/>	<hr/>	<hr/>

Freehold properties were re-valued at 3 September 1990 on the basis of an open market valuation for existing use. In accordance with the transitional provisions of FRS15 this valuation has been retained.



# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

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### 10 TANGIBLE FIXED ASSETS *(continued)*

On an historical cost basis freehold properties would have been included at:

	£
Cost	
Historical cost at 1 September 2002	2,493,909
Additions	942,450
Disposals	(82,500)
At 31 August 2003	3,353,859
Depreciation based on cost	
1 September 2002	250,406
Charge in the year	67,077
On disposals	(2,613)
31 August 2003	314,871
Net book value:	
31 August 2003	3,038,988
31 August 2002	2,243,503

### 11 TANGIBLE FIXED ASSETS

*Investment  
properties*  
£

Cost or valuation:	
At 1 September 2002	1,395,477
Additions	11,517
Cost or valuation at 31 August 2003	1,406,994

The valuations of investment properties were made in 1994 by Messrs Miller Metcalfe Kirkpatrick, Chartered Surveyors, on an open market basis. No depreciation is provided in respect of these properties.

On an historical cost basis these would have been included at an original cost of £650,894 (2002 - £650,894).

The directors do not consider the market value of investment properties to be substantially different from the carrying value in the financial statements.

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

### 12 FIXED ASSET INVESTMENTS

Holdings of more than 10%

The company holds more than 10% of the share capital of the following companies, all of which have been dormant throughout the year:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
M.D. Robinson Limited	England & Wales	Ordinary	100%
Norman Youles Dispensing Chemists Limited	England & Wales	Ordinary	100%
Charles Hall Limited	England & Wales	Ordinary	100%
Stephen Isaacs (Chemists) Limited	England & Wales	Ordinary	100%
M A Harris (Chemists) Limited	England & Wales	Ordinary	100%
Thaneglade Limited	England & Wales	Ordinary	100%
Basil Clarke Limited	England & Wales	Ordinary	100%
Roocroft (1923) Limited	England & Wales	Ordinary	100%
EA Draper Limited	England & Wales	Ordinary	100%
McLoughlin & Nixon Limited	England & Wales	Ordinary	100%
Aerobelt Limited	England & Wales	Ordinary	100%
Showchem Limited	England & Wales	Ordinary	100%
Uscita Limited	England & Wales	Ordinary	100%
Greenwoods Pharmacy Limited	England & Wales	Ordinary	100%
Poludel Limited	England & Wales	Ordinary	100%
NE Smith Limited	England & Wales	Ordinary	100%
Ardwick Apocare Limited	England & Wales	Ordinary	100%
Drisell Limited	England & Wales	Ordinary	100%
Balmford Pharmacy Limited	England & Wales	Ordinary	100%
Deans Pharmacy	England & Wales	Ordinary	100%
LG Forbes Limited	England & Wales	Ordinary	100%

The company also holds more than 10% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
C S Fletcher	England & Wales	Ordinary	100%
Roy Sandiford Limited	England & Wales	Ordinary	100%
W Brindle (Bolton) Limited	England & Wales	Ordinary	100%

The trade and assets of C S Fletcher were hived up into Scholes (Chemists) Limited during the year and are now dormant. Prior to the hive up, C S Fletcher was engaged in Chemist retail activities during the year, Roy Sandiford traded as an NHS appliance contractor and W Brindle (Bolton) Limited traded as an optician.

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

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### 12 FIXED ASSET INVESTMENTS (*continued*)

#### ACQUISITIONS OF UNINCORPORATED BUSINESSES

During the year the company acquired several unincorporated pharmacies the assets of which, at fair value, were:

	£
Purchased goodwill	550,000
Fixtures, fittings and equipment	20,000
Cash consideration	<u>570,000</u>

13 STOCKS	2003 £	2002 £
Finished goods and goods for resale	<u>3,994,315</u>	<u>3,709,961</u>

14 DEBTORS	2003 £	2002 £
Due within one year:		
Trade debtors	10,030,638	9,169,989
Other debtors	2,104,042	1,188,846
Prepayments and accrued income	261,765	224,926
Amounts owed by group undertakings	73,397	110,561
ACT/Corporation tax recoverable	-	1,095
Deferred tax asset	5,691	25,157
	<u>12,475,533</u>	<u>10,720,574</u>

Included within trade debtors above is an amount of £88,926 owed by Prinwest Limited, a related party as it is controlled by common directors.

The debtors above include the following amounts falling due after more than one year:

	2003 £	2002 £
Deferred tax asset	5,691	25,157

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

### 14 DEBTORS (*continued*)

The balance of the deferred taxation account consists of the tax effect of the following timing differences in respect of:

	2003 £	2002 £
Deferred capital allowances	5,691	25,157

The movement in the deferred taxation account during the year was:

	£
Balance at 1 September 2002	(25,157)
Profit and Loss account movement during the year	19,466
Balance at 31 August 2003	<u>(5,691)</u>

Included in other debtors are the following amounts owed by related parties as they are controlled by the directors of this company:

	2003 £	2002 £
Levelcrown Limited	313,052	86,219
Cityfocus Limited	60,636	58,052
Makan Investments	370,888	48,128
Gamecrest	4,138	2,109
Wardcare Limited	248,727	184,557
Maxearn Limited	318,380	201,416
Walkboost Ltd (Medihealth)	24,797	-
	<u>1,340,619</u>	<u>580,481</u>

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

15	CREDITORS: Amounts falling due within one year	2003 £	2002 £
	Bank loans and overdrafts	5,755,620	5,548,784
	Obligations under finance leases and hire purchase contracts	13,500	-
	Trade creditors	5,438,072	3,415,630
	Amount owed to group undertakings	200,848	213,848
	Corporation tax	630,954	504,588
	Other taxation and social security costs	109,058	90,792
	Other creditors	879,722	670,015
	Accruals and deferred income	446,065	691,206
	Directors' loan account	21,327	26,914
		<u>13,495,166</u>	<u>11,161,777</u>

Included within trade creditors above is £3,189,571 (2002: £1,302,384) owed to Prinwest Limited, a related party as it is controlled by common directors.

Included in other creditors are the following amounts owed by related parties as they are controlled by common directors:

	2003 £	2002 £
Gorgemead Ltd	598,635	467,819
Prinwest Ltd	254,567	10,483
	<u>853,203</u>	<u>478,302</u>

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

16	CREDITORS: Amounts falling due in more than one year	2003 £	2002 £
	Bank loan	18,656,945	19,815,764
	Other loans	1,056,848	1,056,848
	Obligations under finance leases and hire purchase contracts	3,500	-
		<u>19,717,293</u>	<u>20,872,612</u>
	Loans:		
	Not wholly repayable within five years by instalments	5,573,647	8,109,961
	Wholly repayable within five years	17,062,479	15,367,861
		<u>22,636,627</u>	<u>23,477,822</u>
	Included in current liabilities	(2,922,834)	(2,605,210)
		<u>19,713,793</u>	<u>20,872,612</u>
	Loan maturity analysis:		
	Between one and two years	3,052,990	2,341,161
	Between two and five years	11,087,156	10,316,491
	In five years or more	5,573,647	8,214,960

Bank loans and overdrafts of £24,412,565 are secured by mortgage debentures in favour of National Westminster Bank Plc over unscheduled assets of the company along with fixed and floating charges over the assets of the company. In addition, the company is party to a composite guarantee to the Bank in conjunction with related companies under common control. Interest is charged at a rate tied to bank base rates.

Other loans of £951,848 are guaranteed by The National Westminster Bank Plc.

The finance lease and hire purchase contracts are secured over the assets to which they relate.

	2003 £	2002 £
Obligations under finance leases and hire purchase contracts:		
Repayable within one year	13,500	-
Repayable in more than one year	3,500	-
	<u>17,000</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	-	-
	<u>17,000</u>	<u>-</u>
Included in current liabilities	13,500	-
	<u>3,500</u>	<u>-</u>

**Scholes (Chemists) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2003**

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17	SHARE CAPITAL	2003 £	2002 £
	Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
	Allotted, issued and fully paid 618 ordinary shares of £1 each	618	618
18	STATEMENT OF MOVEMENT ON RESERVES	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £
	1 September 2002	527,235	8,799,015
	Retained profit for the year	-	2,691,583
	31 August 2003	527,235	11,490,598
19	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2003 £	2002 £
	Profit for the financial year	2,691,583	2,045,105
	Net addition to shareholders' funds	2,691,583	2,045,105
	Opening shareholders' funds	9,327,250	7,282,145
	Closing shareholders' funds	12,018,833	9,327,250

# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

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### 20 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	2002 £
Land and buildings		
Expiring in less than one year	25,003	15,475
between two and five years	60,871	69,051
more than five years	525,169	535,619
	<hr/>	<hr/>
Fixtures and fittings		
expiring in less than one year	-	3,645
	<hr/>	<hr/>

### 21 CONTINGENT LIABILITIES

There is a composite guarantee between this company and certain related parties in respect of bank borrowings as follows:

	£
Gorgemead Limited	2,666,036
Primelight Limited	76,544
	<hr/>
	2,742,580
	<hr/>

### 22 CONTROL

The ultimate parent undertaking is Primelight Limited, a company registered in England and Wales.



# Scholes (Chemists) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2003

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### 23 RELATED PARTY TRANSACTIONS

During the year the company traded with Gorgemead Limited and Prinwest Limited. Both companies are classed as related parties due to the common directorships held in them by A Patel and Y Patel. Scholes (Chemists) Limited received rental income of £7,701 (2002 : £7,680) from Gorgemead Limited. Scholes (Chemists) Limited also purchased goods at a value of £24,934,500 (2002 : £22,685,906) and received rental income of £323,075 (2002 : £139,229) from Prinwest Limited.

All transactions were made on normal commercial terms and on an arm's length basis.

The company has taken advantage of the exemption offered by FRS8 to companies, 90% of the voting rights of which are controlled within a larger group, with regard to the disclosure of transactions with other group companies.

### 24 GROUP ACCOUNTS

The accounts present information about the company as an individual undertaking, and not about its group, as the company has taken advantage of the exemption provided by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Primelight Limited (Company No.2576058), a company registered in England & Wales, and is included in the consolidated accounts of that company. Copies of the financial statements of Primelight Limited are available from Companies House (Cardiff).