

Scholes (Chemists) Limited

FINANCIAL STATEMENTS

for the year ended

31 August 1998



Company Registration No. 364450

Scholes (Chemists) Limited

DIRECTORS AND OFFICERS

DIRECTORS

A I Patel
Y I Patel
D S Caplan

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

The directors submit their report and the financial statements of Scholes (Chemists) Limited for the year ended 31 August 1998.

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 three 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.

EVENTS SINCE THE BALANCE SHEET DATE

Since the year end the company has continued its expansion programme with the addition of a further two pharmacies.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £526,372.

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office since 1 September 1997:

A I Patel
Y I Patel
D S Caplan

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.

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

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

Secretary
A I Patel

.....
23 MARCH 1999

Scholes (Chemists) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 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 23.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

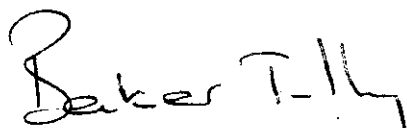
Basis of opinion

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 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 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 1998 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
Brazennose House
Lincoln Square
Manchester
M2 5BL

23 MARCH 1999

Scholes (Chemists) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 August 1998

	Notes	1998	1998	1997	1997
		£	£	£	£
TURNOVER	1				
Continuing operations		21,223,844		14,216,435	
Acquisitions		590,164		3,144,048	
			21,814,008		17,360,483
Cost of sales			16,647,500		13,284,759
Gross profit			5,166,508		4,075,724
Other operating expenses (net)	2		3,108,773		2,563,695
OPERATING PROFIT					
Continuing operations		1,999,302		1,244,070	
Acquisitions		58,433		267,959	
			2,057,735		1,512,029
Group balances written off	6		271,640		78,230
Investment income	4		63,996		322,087
Other interest receivable and similar income	4		985		-
			1,851,076		1,755,886
Interest payable and similar charges	5		1,072,680		838,178
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6		778,396		917,708
Taxation	8		252,024		149,007
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	19		526,372		768,701

Scholes (Chemists) Limited

STATEMENT OF RECOGNISED GAINS AND LOSSES for the year ended 31 August 1998

	1998 £	1997 £
Profit for the financial year	526,372	768,701
Total recognised gains and losses relating to the year	526,372	768,701
Prior year adjustment	-	(120,000)
Total gains and losses recognised since last financial statements	526,372	648,701

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1998 £	1997 £
Profit on ordinary activities before taxation	778,396	917,708
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	10,957	305
Historical cost profit on ordinary activities before taxation	789,353	918,013
Historical cost profit for the year retained after taxation and dividends	537,329	769,006

Scholes (Chemists) Limited

BALANCE SHEET

31 August 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Intangible assets	9	8,838,132	7,844,238
Tangible assets	10 & 11	3,448,947	3,371,017
Investments	12	2,222,459	2,222,459
		<u>14,509,538</u>	<u>13,437,714</u>
CURRENT ASSETS			
Stocks	13	1,605,395	1,415,981
Debtors	14	4,119,669	3,384,380
Cash at bank and in hand		199,441	84,226
		<u>5,924,505</u>	<u>4,884,587</u>
CREDITORS: Amounts falling due within one year	15	6,294,849	4,597,075
NET CURRENT (LIABILITIES)/ ASSETS		<u>(370,344)</u>	<u>287,512</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,139,194	13,725,226
CREDITORS: Amounts falling due after more than one year	16	(11,523,113)	(11,634,834)
PROVISION FOR LIABILITIES AND CHARGES	17	(16,579)	(17,262)
		<u>2,599,502</u>	<u>2,073,130</u>
CAPITAL AND RESERVES			
Called up share capital	18	618	618
Revaluation reserve	19	527,235	527,235
Other reserves	19	382	382
Profit and loss account	19	2,071,267	1,544,895
SHAREHOLDERS' FUNDS	20	<u>2,599,502</u>	<u>2,073,130</u>

Approved by the board on 23 MARCH 1999

A I Patel

Director



Scholes (Chemists) Limited

ACCOUNTING POLICIES

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.

In order to provide a true and fair view, the company has adopted SSAP 19 and thus not depreciated investment properties.

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 as per 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.

TRADE MARKS

Trade marks are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

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:-

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 cost less provision for diminution in value.

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

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

Scholes (Chemists) Limited

ACCOUNTING POLICIES

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 1998

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)	1998 £	1997 £
	Distribution costs	35,618	29,301
	Administration expenses	3,325,012	2,788,194
	Other operating income	(251,857)	(253,800)
		<u>3,108,773</u>	<u>2,563,695</u>

3 COST OF SALES AND OTHER OPERATING EXPENSES (NET)

	1998			1997		
	Continuing £	Acquisitions £	Total £	Continuing £	Acquisitions £	Total £
Cost of sales	16,204,785	442,715	16,647,500	10,941,549	2,343,210	13,284,759
Distribution costs	34,794	824	35,618	23,646	5,655	29,301
Administration expenses	3,236,820	88,192	3,325,012	2,253,941	534,253	2,788,194
Other operating income	(251,857)	-	(251,857)	(246,771)	(7,029)	(253,800)
	<u>3,019,757</u>	<u>89,016</u>	<u>3,108,773</u>	<u>12,972,365</u>	<u>2,876,089</u>	<u>15,848,454</u>

4	INCOME FROM INVESTMENTS AND OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	1998 £	1997 £
	Income from subsidiary undertakings	63,996	322,087
		<u>63,996</u>	<u>322,087</u>

Scholes (Chemists) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

5	INTEREST PAYABLE	£	£
	On bank loans and overdrafts	1,387	124
	On loans repayable after 5 years	1,068,927	825,259
	Hire purchase interest	(414)	5,506
	Other interest	2,780	7,289
		<u>1,072,680</u>	<u>838,178</u>
		1998	1997
		£	£
6	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year:		
	leased assets	25,217	20,709
	owned assets	97,023	107,110
	(Profit)/loss on disposals	-	1,483
	Operating lease rentals:		
	Equipment	3,057	4,839
	Auditors' remuneration	8,000	8,617
		<u> </u>	<u> </u>
		1998	1997
		£	£
	EXCEPTIONAL ITEMS		
	Group balances written off	221,640	55,080
	Provision for diminution	50,000	23,150
		<u>271,640</u>	<u>78,230</u>

The exceptional item arises on the write off of investments in, and amounts owed from, group undertakings which are to suspend trading.

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

7	EMPLOYEES	1998	1997
		No.	No.
	The average weekly number of persons (excluding directors) employed by the company during the year was:		
	Sales	215	195
		<u> </u>	<u> </u>
		1998	1997
		£	£
	Staff costs for the above persons:		
	Wages and salaries	1,758,453	1,507,272
	Social security costs	124,025	108,273
		<u>1,882,478</u>	<u>1,615,545</u>
		<u> </u>	<u> </u>
	DIRECTORS' REMUNERATION	1998	1997
		£	£
	Emoluments for qualifying services	<u>81,250</u>	<u>-</u>
		<u> </u>	<u> </u>
8	TAXATION	1998	1997
		£	£
	Based on the profit for the year:		
	UK corporation tax at 31% (1997 - 33%)	270,828	154,275
	Deferred taxation	-	(5,268)
	Overprovision in previous year	(18,804)	-
		<u>252,024</u>	<u>149,007</u>
		<u> </u>	<u> </u>

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

9	INTANGIBLE FIXED ASSETS	<i>Lease Premium £</i>	<i>Patents £</i>	<i>Goodwill £</i>	<i>Total £</i>
	Cost				
	1 September 1997	-	498	7,916,141	7,916,639
	Additions - subsidiary undertakings			566,819	566,819
	- unincorporated businesses	25,500		401,788	427,288
	Eliminated on expiry		(498)		(498)
	31 August 1998	25,500	-	8,884,748	8,910,248
	Provision for diminution in value	213	498		
	Eliminated on expiry	-	(498)		
	1 September 1997 and 31 August 1998	213		71,903	72,116
	Net book value				
	31 August 1998	25,287	-	8,812,845	8,838,132
	31 August 1997	-	-	7,844,238	7,844,238

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

10	TANGIBLE FIXED ASSETS	<i>Freehold land and buildings £</i>	<i>Fixtures, fittings & equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
	Cost or valuation				
	1 September 1997	1,990,301	496,556	25,848	2,512,705
	Additions	141,867	32,462	25,629	199,958
	Disposals	-	-	-	-
	31 August 1998	2,132,168	529,018	51,477	2,712,663
	Depreciation:				
	1 September 1997	66,040	147,654	5,621	219,315
	Charge in the year	40,381	72,429	9,217	122,027
	Disposals	-	-	-	-
	31 August 1998	106,421	220,083	14,838	341,342
	Net book value				
	31 August 1998	2,025,747	308,934	36,639	2,371,320
	31 August 1997	1,924,261	348,902	20,227	2,293,390

Freehold properties were revalued at 3 September 1990 on the basis of an open market valuation for existing use.

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

Cost	
Historical cost at 1 September 1997	1,329,347
Additions	141,867
At 31 August 1998	1,471,214
Depreciation based on cost	
1 September 1997	64,710
Charge in the year	29,424
31 August 1998	94,134
Net book value	
31 August 1998	1,377,080
31 August 1997	1,264,637

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

10 TANGIBLE FIXED ASSETS *(continued)*

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

	<i>Fixtures, fittings & equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Net book value 31 August 1998	76,224	32,535	108,759
	<hr/>	<hr/>	<hr/>
31 August 1997	76,224	13,385	89,609
	<hr/>	<hr/>	<hr/>

11 TANGIBLE FIXED ASSETS

	<i>Investment properties £</i>
Cost or valuation: 1 September 1997 and 31 August 1998	1,077,627
	<hr/>

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 (1997 - £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.

12 FIXED ASSET INVESTMENTS

	<i>Shares in subsidiary undertakings £</i>
Cost or valuation: 1 September 1997	2,222,459
Additions	-
Permanent diminution in value	-
	<hr/>
31 August 1998	2,222,459
	<hr/>

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Scholes (Chemists) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

12 FIXED ASSET INVESTMENTS (*continued*)

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	Shares held Class	%
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%

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

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Roocroft (1923) Limited	England & Wales	Ordinary	100%
E A Draper Limited	England & Wales	Ordinary	100%
Greenwoods Pharmacy Limited	England & Wales	Ordinary	100%
McLoughlin & Nixon Limited	England & Wales	Ordinary	100%
Roy Sandiford Limited	England & Wales	Ordinary	100%

All the companies above were engaged in Chemist retail and wholesale activities except for the following:

Company name	Nature of business
E A Draper Limited -	Sweet Manufacturers
Roocroft (1923) Limited -	Sweet Manufacturers

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and Reserves £	Profit/(Loss) for the year £
Roocroft (1923) Limited	(19,583)	28,271
E A Draper Limited	5,651	(18,442)
Greenwoods Pharmacy Limited	719,923	263,347
Roy Sandiford Limited	(4,675)	(4,677)
	=====	=====

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

12 **FIXED ASSET INVESTMENTS (Continued)**

ACQUISITIONS OF UNINCORPORATED BUSINESSES

During the year the company acquired several unincorporated pharmacies the assets of which were:

	£
Purchased goodwill	401,788
Fixtures, fittings and equipment	5,000
	<hr/>
Cash consideration	406,788
	<hr/>

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

13 STOCKS

	1998 £	1997 £
Finished goods and goods for resale	1,605,395	1,415,981

14 DEBTORS

	1998 £	1997 £
Due within one year:		
Trade debtors	3,478,305	3,018,917
Other debtors	497,372	254,879
Prepayments and accrued income	113,333	86,106
Directors' loan account	-	24,478
Amount owed by group undertakings	30,659	-
	<u>4,119,669</u>	<u>3,384,380</u>

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

	1998 £	1997 £
Gorgemead Limited	36,427	21,138
Aerobelt Limited	82	452
Cityfocus Limited	51,650	44,830
Other	3,664	380
	<u>91,823</u>	<u>66,800</u>

Included within other debtors is an amount of £165,000 paid to Basil Clarke Limited as advance consideration for a shop acquired after the year end.

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

15	CREDITORS: Amounts falling due within one year	1998 £	1997 £
	Bank loans and overdrafts	1,909,666	1,364,018
	Obligations under finance leases and hire purchase contracts	33,575	27,158
	Trade creditors	2,733,507	2,333,598
	Amount owed to group undertakings	525,296	221,203
	Corporation tax	270,828	202,917
	Other taxation and social security costs	77,762	37,903
	Other creditors	218,562	46,095
	Accruals and deferred income	514,992	364,183
	Directors' loan account	10,661	-
		<u>6,294,849</u>	<u>4,597,075</u>

Included within trade creditors above is £1,387,640 owed to Gorgemead Limited, a related party as it is controlled by common directors.

16	CREDITORS: Amounts falling due in more than one year	1998 £	1997 £
	Bank loan	11,370,472	11,457,152
	Other loans	120,000	120,000
	Obligations under finance lease and hire purchase agreements	32,641	57,682
		<u>11,523,113</u>	<u>11,634,834</u>
	Loans		
	Not wholly repayable within five years by instalments:		
	Bank loans	7,538,966	6,909,626
	Wholly repayable within five years	5,001,131	5,606,533
		<u>12,540,097</u>	<u>12,516,159</u>
	Included in current liabilities	(1,049,624)	(939,007)
		<u>11,490,473</u>	<u>11,577,152</u>
	Bank loan maturity analysis:		
	Between one and two years	1,049,624	939,007
	Between two and five years	5,001,131	4,547,526
	In five years or more	6,489,341	6,909,626

Bank loans of £12,420,097 are secured by mortgage debentures in favour of National Westminster Bank Plc, over unscheduled 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.

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

	1998	1997
	£	£
CREDITORS: Amounts falling due in more than one year (Cont)		
Obligations under finance leases and hire purchase contracts:		
Repayable within one year	48,811	33,057
Repayable in more than one year	29,288	70,197
	<u>78,099</u>	<u>103,254</u>
Finance charges and interest allocated to future accounting periods	(11,883)	(18,414)
	<u>66,216</u>	<u>84,840</u>
Included in current liabilities	(33,575)	(27,158)
	<u>32,641</u>	<u>57,682</u>
17 PROVISIONS FOR LIABILITIES AND CHARGES		£
Balance at 1 September 1997		17,262
Transfer		(683)
Profit and loss account		-
Balance at 31 August 1998		<u>16,579</u>
Deferred taxation provided in the financial statements is as follows:		
	Fully provided	
	1998	1997
	£	£
Excess of tax allowances over depreciation	16,579	17,262
	<u>16,579</u>	<u>17,262</u>
18 SHARE CAPITAL	1998	1997
	£	£
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
	<u>618</u>	<u>618</u>

Scholes (Chemists) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

19 STATEMENT OF MOVEMENT ON RESERVES

	<i>Revaluation Reserve £</i>	<i>Other Reserves £</i>	<i>Profit and loss account £</i>
1 September 1997 as previously stated	527,325	382	1,544,895
			1,544,895
Retained profit for the year	-	-	526,372
31 August 1998	527,235	382	2,071,267

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	526,372	768,701
Net addition to shareholders' funds	526,372	768,701
Opening shareholders' funds	2,073,130	1,304,429
Closing shareholders' funds	2,599,502	2,073,130

21 COMMITMENTS UNDER OPERATING LEASES

At 31 August 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Land and buildings		
expiring less than one year	-	6,000
between two and five years	5,250	5,250
more than five years	18,500	18,500

Scholes (Chemists) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

22 CONTINGENT LIABILITIES

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

	£
Gorgemead Limited	2,743,129
Thaneglade Limited	-
Cityfocus Limited	5,921
Athertons Chemists Limited	-
Primelight Limited	57,364

23 CAPITAL COMMITMENTS

	1998 £	1997 £
Contracted for but not provided in the financial statements	611,000	-

24 CONTROL

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

25 RELATED PARTY TRANSACTIONS

During the year the company traded with Gorgemead Limited. The company is classed as a related party due to the common directorships held in it by A Patel and Y Patel. Scholes (Chemists) Limited made purchases of £6,117,276 and received rental income of £27,155 from this company.

During the year the company paid £54,000 (1997 - £54,000) to Primelight Limited in respect of management services provided.

All transactions were made on normal commercial terms and on an arms length basis.