

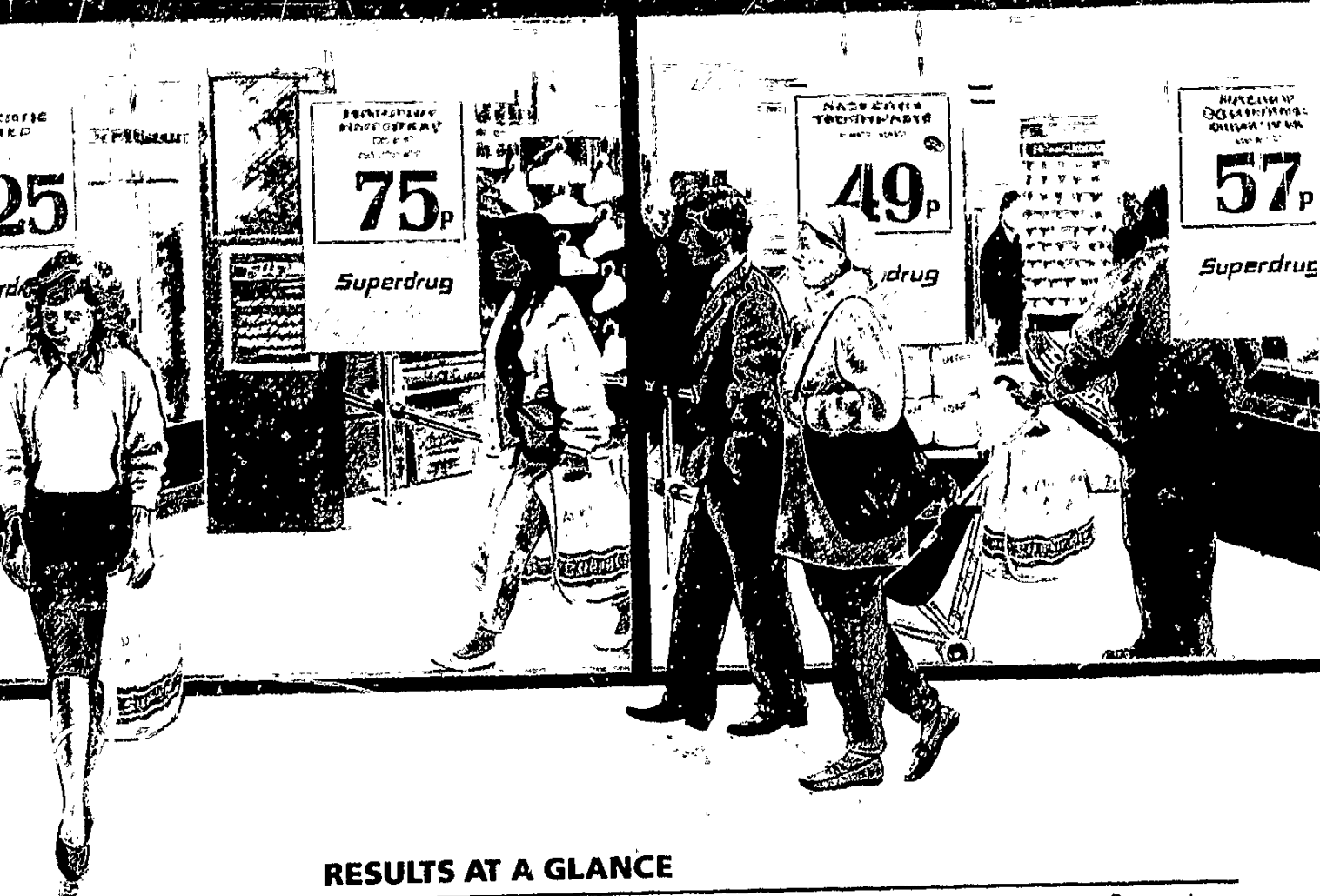
Annual Report and Accounts 1987
Superdrug Stores Plc





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RESULTS AT A GLANCE

For the period ended 28th February	1987 £ million	1986 £ million	Percentage Increase %
Group Sales	202,912	164,289	23.51
Trading profit	12,917	10,252	25.99
Profit before tax	12,258	10,355	18.38
Fully taxed Earnings per share	21.19	16.88	25.53
Dividends per share	5.8p	5.0p	16.00

JOINT CHAIRMEN'S STATEMENT

BY PETER AND RONALD GOLDSTEIN



On behalf of the Board of Directors we have much pleasure in reporting yet another successful year of trading for your Company

All shareholders will know of the exciting proposals announced at the end of March for a merger between Superdrug Stores plc and Woolworth Holdings plc. However, before giving more details of the great opportunities we anticipate for the future we would like to confirm the Company's position for the last fiscal year.

Trading profits before tax increased to £12.9m representing growth over the previous year of 26%. This profit increase was achieved on sales up by 23.5% at £202.9m, in spite of the very intense competition we have experienced in the high street during 1986. It was particularly gratifying to see sales from older stores increase by nearly 9.5% and for new stores to contribute 14.5% the balance being accounted for by negative inflation of 5%. The net profit after charging interest of £659,000 and before tax amounted to £12.3m.

The final dividend recommended by your Directors is 3.5p (3.0p) per share making a total for the year of 5.8p (5.0p). This final dividend will be paid to all Superdrug shareholders registered at 14th August 1987 and to prior acceptors of the Woolworth Holdings offer.

The achievements of your Company over the past year have been extremely good especially during a difficult and competitive period. The Board's philosophy has always been to give our customers the best value for money and as a result feel we are more able than most to meet the challenges of the high street.

The dedication of our employees at all levels has been excellent and shows a willingness by them to meet the challenges presented and adapt to the changing environment in the high street. We are proud of the team spirit that exists within Superdrug and know we can rely on them for their support during the next phase of Superdrug's dramatic expansion. Under the terms of the Woolworth Holdings offer all Superdrug employees rights and conditions will be fully safeguarded. The enlarged group will


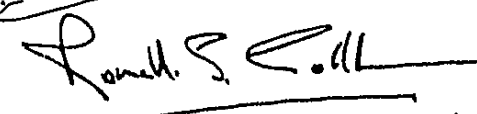
offer significantly enhanced career development opportunities for all personnel in the future

At the end of the last financial year the Company operated 297 stores, an increase of 43 stores, although since then a further 12 have opened satisfactorily. We look forward to accelerating our past rate of development by utilizing space created by the Woolworth Focus strategy and the development of the Woolworth property portfolio. It is anticipated that Superdrug's presence in the high street will double over the next few years.

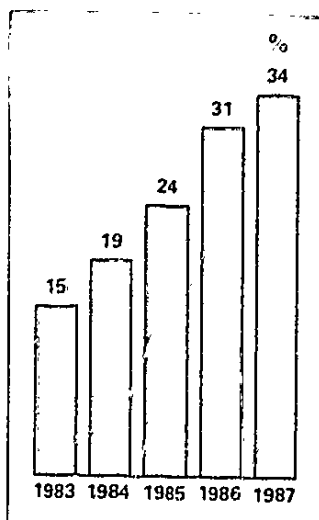
Profits will not necessarily increase by simply opening more and more new stores, stores both old and new have to be supported by an equally efficient and cost effective function at Head Office and in distribution. These administrative and support systems are fundamental to the success of our business and are constantly under review. Benefits are already becoming evident in our distribution system due to substantial investment made at our Northern warehouse over the last few years. The merger with Woolworth will ensure that our distribution network is utilized to its maximum efficiency over the next few years.

As a major retailer we also work very closely with all our suppliers with whom we have built up long term relationships ensuring a profitable future for both them and Superdrug. We thank them for their past support and know that we can rely upon them in the development of our business in the future.

We are convinced that as a company and as part of the Woolworth Holdings Group we are better placed than most to consolidate our position in the high street, meet the challenges of the future and remain the leading drugstore chain in the United Kingdom. The year commenced well and with our new store programme we look forward, barring unforeseen circumstances, to another record year.

OWN LABEL PRODUCTS



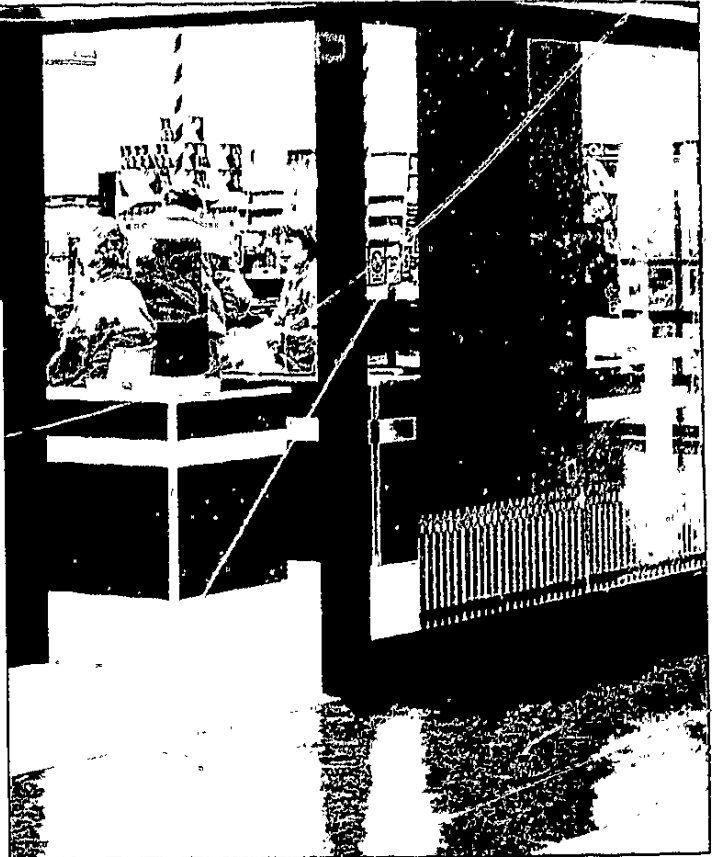
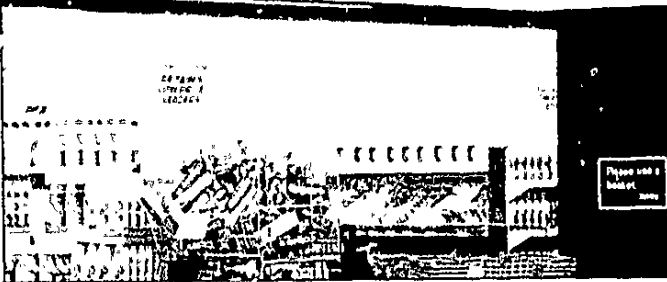
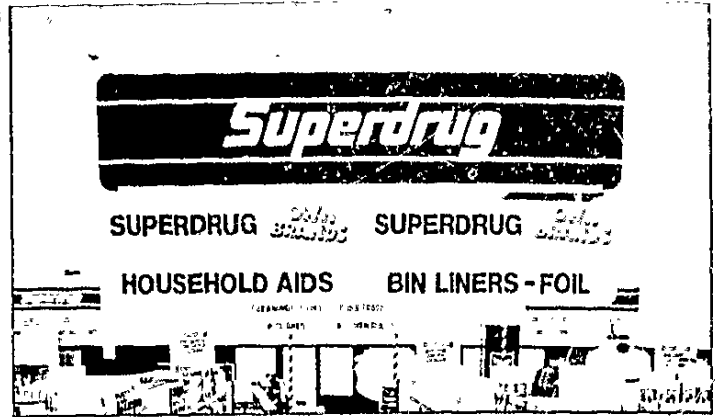
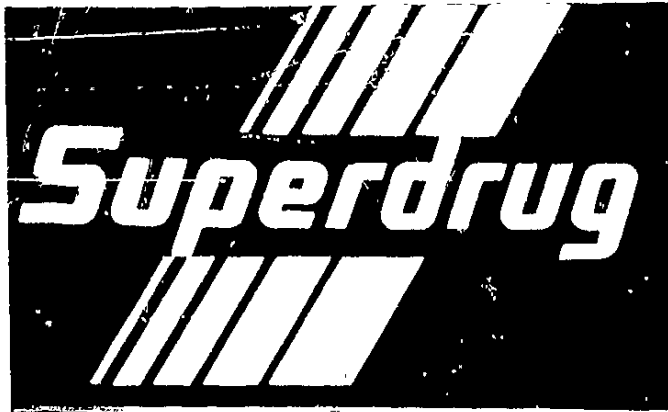
Growth of own label products over last five years



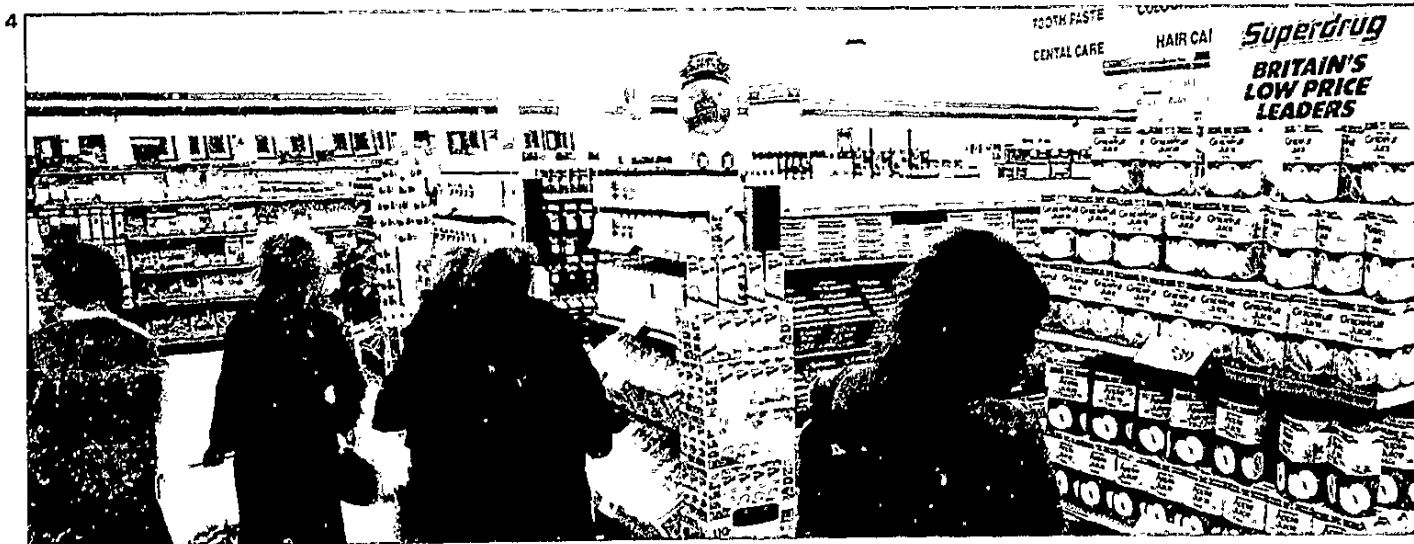
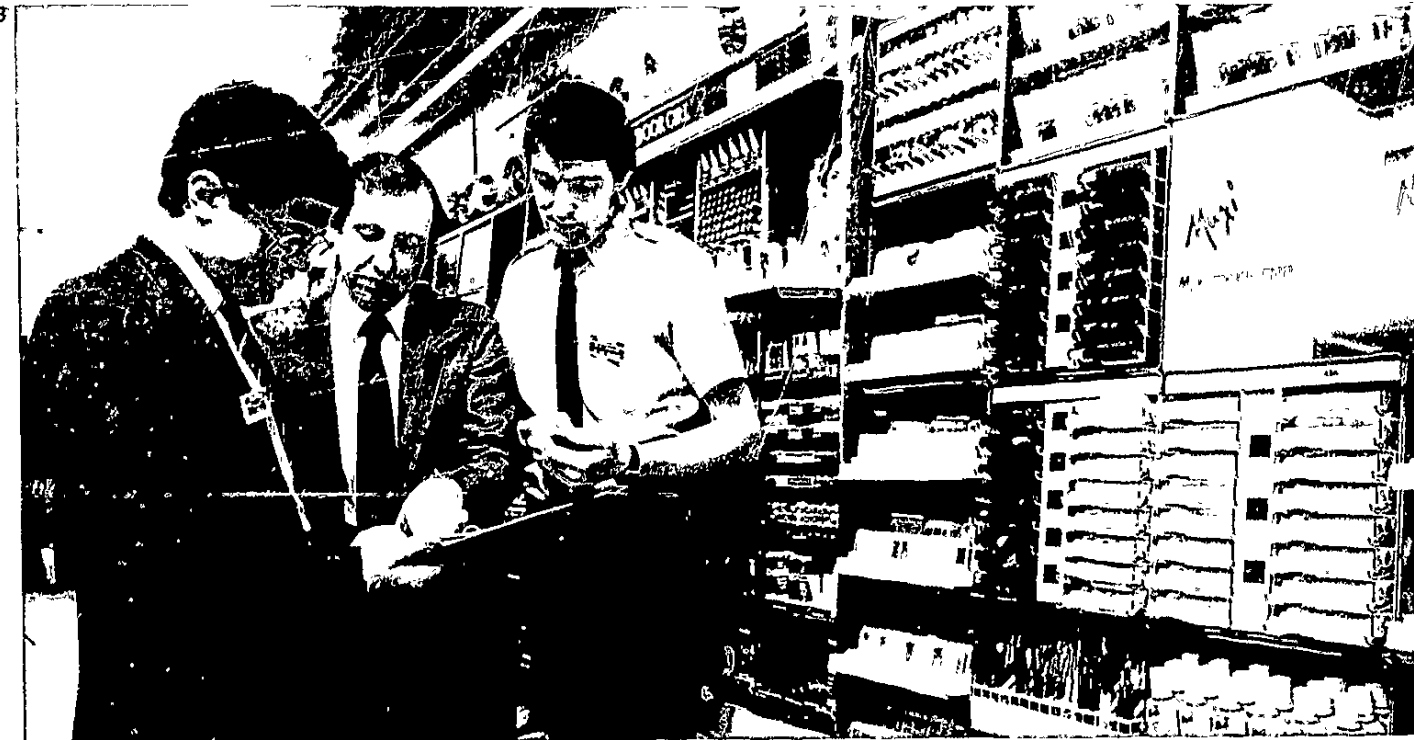
Customer purchasing a range of own label products with Mr Chandler Store Operations Director and Mr Edwards Regional Manager at Weston Favell



SUPERDRUG PICTORIAL



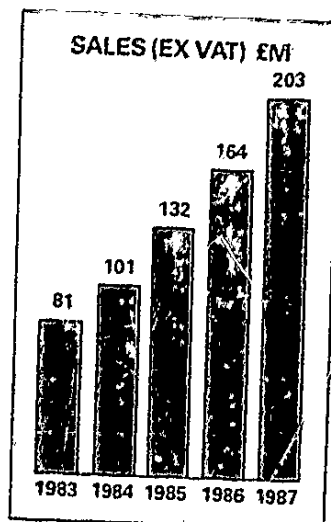
1 Department Indicator signs assist customers to easily locate product ranges 2 One of our new High Street Stores



3 In Store training 4 Bold displays of promotional products



REPORT OF THE DIRECTORS



The Directors present their annual report and the audited financial statements for the 52 weeks ended 28th February, 1987

OPERATIONAL REVIEW

Retail Stores

The Company maintained its rapid store development during 1986 with a net addition of 43 new branches opened and by year end operated 297 stores. As in previous years the location of new branches varied from traditional high streets to the most modern out of town shopping centre in the U.K.

The sales area increased to an average of 2,750 sq. ft. and there was continued minor evolution of the range of products sold.

Our expansion has extended our presence in the North of England and a further four branches were opened in Scotland, the Northern stores are now developing as quickly as those opened in the South where traditionally we have a stronger presence.

The store design remained basically the same as previous years although our in-house design department made minor amendments ensuring the Company's image was maintained as up to date as possible.

We continued with our modernisation programme with a further 43 stores renovated and five stores relocated into larger premises. The refurbishment programme which commenced four years ago will continue so that by 1990 all stores will have the modern Superdrug look.

Management Services

A number of interesting management systems were developed during the year ensuring once again that our branches were given the best facilities possible to maintain good stock levels and first class service. The mainframe computer, which is maintained at Croydon, has been upgraded to both increase the speed and capacity to take account of future growth. During the year we established for the first time direct communication links between our Croydon office and certain major suppliers, enabling us to reduce the lead time between orders being placed and deliveries made direct to stores. We are also discussing with various suppliers a new automatic debit and credit system freeing certain jobs that are currently handled manually. The new year holds a number of exciting challenges for

the management services team taking the Company into the 1990's.

Buying

The Buying Department was further enhanced during the course of the year and is now running with a very strong team of Buyers and assistants. The enlarged Design and Quality Control Departments have been of great importance in assisting the growth of own label to 34% in the last year with continued growth coming through in the future.

The competition in the high street whilst always intensive has increased in the last year but the Buying Department have maintained our competitive edge whilst upholding our gross margin. At the same time our share of the toiletries market has yet again increased to 9.6%* (December 1986) from 7.93% (December 1985).

*Source AGB/TCPI Toiletry Market.

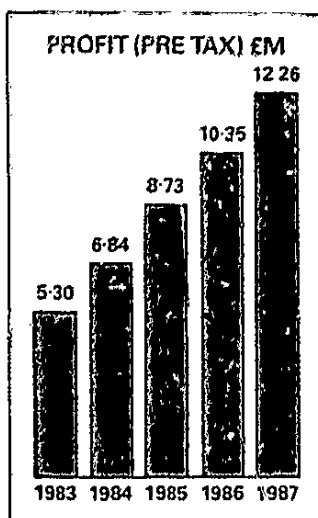
Distribution

This was a further year of continued expansion for the distribution services of the Company. By year end the Southern Distribution Centre was handling 173 stores and the Northern Centre 124. It is anticipated that the two distribution centres will be handling an equal number of stores by the end of the current year. We anticipate that the two warehouses will be able to handle approximately 600 stores when fully operational.

The first full year of operation at NRDC with more sophisticated and mechanised systems is already showing improved productivity compared with the already impressive performance of the older Southern depot. The recently renovated transport section with its own maintenance facility is also showing valuable savings. A new innovation during the past year was the introduction of a 'haul back' system whereby we collect goods direct from suppliers on our own vehicles ensuring that the vehicles are used to their maximum efficiency. We also introduced an evening delivery schedule at both centres and this proved to be most cost effective. All things being equal we are well placed to handle the next phase of the Company's expansion programme.

Estates Department

Another interesting and busy year for the Estates Department with 43 new stores opened and a further 48 modernised or re-located. The refurbishment programme which we commenced



in 1984 is now producing excellent results with sales increased in the modernised stores

Competition in the high street for suitable locations continues to be fierce but we feel that the Department is well placed to meet our budgeted opening requirements of over 50 stores for 1987/88. For the current year we already have well over 40 branches agreed and 12 of these open and successfully trading

The Department deals with the majority of rent reviews, lease renewals and other professional matters internally. All new properties are project managed and designed by our own in-house team of surveyors working with a selected number of national contractors. The Department is well placed to ensure the Company's continual growth over the next few years and to meet our stated goal of doubling the size of the Company by 1990.

Employees

Over 1,000 additional full and part time jobs were created during the past 12 months and the Company's expansion programme guaranteed promotional opportunities for a large number of existing employees both at store and head office level. The Company now employs 1,872 full time and 3,542 part time staff.

The Company has always maintained a strong training programme enabling employees to develop specific skills and where possible all promotions are made from existing employees. Personnel throughout the country are kept informed of developments on a weekly basis by the Company's Bulletin which is distributed to all stores. There are further up-dates given to employees on a quarterly basis through meetings arranged by Area Supervisors to ensure that all staff are informed of Company activity.

As previously stated the recent merger between Superdrug and Woolworth Holdings has given further career opportunities to all existing personnel. Woolworth Holdings has also guaranteed that the employment and rights of all Superdrug employees, including any pension rights, will be fully safeguarded.

STATUTORY INFORMATION

Profits and Dividends

The consolidated profit on ordinary activities for the year after providing for taxation was £7.44 m (1986: £6.51m). An interim dividend of 2.3p (1986: 2.0p) per share was paid on

1st December 1986 and the Directors recommend a final dividend of 3 5p (1986: 3 0p) per share to make a total for the year of 5 8p (1986: 5 0p) per share. The surplus for the year transferred to reserves was £5.40m (1986: £4.75m).

Principal Activity

The principal activity of the Group continues to be the retailing of household and toiletry products, health foods and beauty aids in general.

Fixed Assets

Movements in fixed assets during the period are detailed in Note 12 to the financial statements. The Directors consider that there is no substantial difference between the market and balance sheet value of the group's assets.

Directors

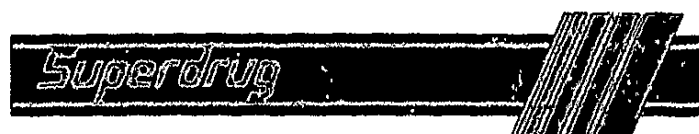
The present membership of the Board is set out on page 2. All the Directors served throughout the period with the exception of A. Chandler and M. Grass who joined the Board on 27th March and 19th April 1986 respectively. In addition, Mr. Alex Grass and Mr. Martin Grass resigned from the Board on 1st May 1987. The Directors' interests as defined in the Companies Act 1985, in the shares of the company as at 28th February 1987 and 1st March 1986 were as follows:

	28th February 1987	
	Ordinary Shares of 10p each Beneficial	Non-Beneficial
R. Goldstein	57,500	—
P. D. Goldstein	5,520,000	1,306,800
R. S. Goldstein	4,100,000	1,450,000
H. Goldstein	668,100	300,300
A. Chandler*	17,300	—
A. Grass	—	—
M. Grass	—	—

*Mr. A. Chandler is interested in share options totalling 44,300 shares as at 28th February 1987.

	1st March 1986	
	Ordinary Shares of 10p each Beneficial	Non-Beneficial
R. Goldstein	157,500	—
P. D. Goldstein	5,595,000	1,090,300
R. S. Goldstein	4,400,000	1,050,000
H. Goldstein	713,100	300,000
A. Chandler	N/A	N/A
A. Grass	—	—
M. Grass	N/A	N/A

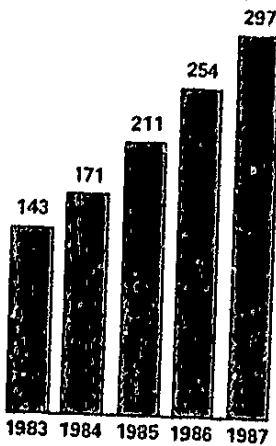
In accordance with the Company's Articles of Association Mr. Howard Goldstein retires by rotation, and, being eligible, offers himself for re-election.



REPORT OF THE DIRECTORS

CONTINUED

STORES TRADING



Substantial Interest

As at 28th February 1987 Rite Investments Corporation, a company incorporated in Delaware in the United States of America and a wholly owned subsidiary of Rite Aid Corporation, held 9,875,000 Ordinary Shares representing 28.2% of the issued Ordinary share capital. Mr. Alex Grass is Chairman of the Board and a substantial shareholder in Rite Aid Corporation. Mr. Martin Grass is also a Director of Rite Aid Corporation.

So far as the Directors are aware, and save for the holdings of individual Directors no other person held or was beneficially interested in 5% or more of the Ordinary Share Capital of the company as at 28th February 1987.

Holding Company

Since the 28th February 1987 substantially the whole of the allotted share capital of the Company has been acquired by Woolworth Holdings plc.

Executive share option scheme

On 10th February 1983, the Company adopted a Share Option Scheme for Executives. Options granted under this scheme will not normally be exercisable before the expiry of two years from the date of grant and will lapse at the expiry of seven years from the date of grant.

On 16th February 1983, options were granted for 203,100 Ordinary shares at a price of 175p, and on 20th July 1984 options were granted for a further 70,700 Ordinary shares at a price of 267p. Options have been exercised as at 28th February 1987 in respect of 44,250 Ordinary shares at an aggregate subscription price of £80,882.

On 16th July 1985, shareholders approved an additional Share Option Scheme which was introduced under the provisions of the Finance Act 1984 to exist alongside the 1983 Scheme. Options granted under the 1985 Scheme will not normally be exercisable before the expiry of three years from the date of grant.

On 30th July 1985, options were granted under the 1985 Scheme for 167,500 Ordinary shares at a price of 383p.

On 8th July 1986, options were granted under the 1985 Scheme for 110,000 Ordinary shares at a price of 475p.

The maximum number of Ordinary shares which may be issued under both the 1983 Scheme and the 1985 Scheme is 1,750,000.

Disabled Persons

The Company gives full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes and abilities. The company will continue to employ and arrange appropriate training for persons who have become disabled persons whilst employed by the Company and will otherwise provide for the training, career development and promotion of disabled employees.

Donations

During the period a donation of £500 was made to the Croydon Business Venture.

Close company status

So far as the Directors are aware the company is not a close company for taxation purposes.

Auditors

Messrs. Touche Ross & Co. and Leigh Sorene & Lawson will not be seeking re-election as joint Auditors and it is proposed that Messrs. Deloitte Haskins & Sells be appointed in their place, in accordance with Section 384 of the Companies Act 1985.

By Order of the Board

H. Goldstein

Howard Goldstein

Secretary

19th June 1987

H. Goldstein

THE FINANCIAL ACCOUNTS

SUPERDRUG STORES PLC



THE FINANCIAL ACCOUNTS

SUPERDRUG STORES PLC

Consolidated Profit and Loss Account

For the 52 weeks ended 28 February 1987

	Note	52 weeks ended 28 February 1987 £000	52 weeks ended 1 March 1986 £000
Turnover	2	202,912	164,289
Cost of sales		<u>156,056</u>	<u>127,211</u>
Gross profit		<u>46,856</u>	<u>37,078</u>
Distribution costs		21,230	17,874
Administrative expenses		13,497	9,525
Other operating income	4	(788)	(573)
		<u>33,939</u>	<u>26,826</u>
		12,917	10,252
Interest receivable	5	3	400
Interest payable and similar charges	6	(662)	(297)
Profit on ordinary activities before taxation	7	12,258	10,355
Tax on profit on ordinary activities	8	<u>4,823</u>	<u>3,845</u>
Profit for the financial period	9	7,435	6,510
Dividends paid and proposed	10	<u>2,036</u>	<u>1,752</u>
Amount transferred to retained profits		<u>5,399</u>	<u>4,758</u>
Earnings per share	11	21.19p	18.58p
Fully taxed earnings per share	11	<u>21.19p</u>	<u>16.88p</u>
Statement of retained profits			
Retained profits at beginning of period as previously reported		28,482	20,835
Prior year adjustment	16	<u>—</u>	<u>2,770</u>
As restated		28,482	23,605
Retained profits for the period		5,399	4,758
Amount equivalent to additional depreciation on revalued assets transferred from revaluation reserve		<u>240</u>	<u>119</u>
Profit and loss account carried forward		<u>34,121</u>	<u>28,482</u>

**Consolidated
Balance Sheet**
As at 28 February 1987

	Note	28 February 1987 £000	1 March 1986 £000
Fixed assets			
Tangible assets	12	41,541	37,974
Current assets			
Stocks		23,720	20,089
Prepayments		2,223	1,325
Cash at bank and in hand		130	114
		<u>26,073</u>	<u>21,528</u>
Creditors: Amounts falling due within one year	14	<u>28,717</u>	<u>26,086</u>
Net current liabilities		<u>(2,644)</u>	<u>(4,558)</u>
Total assets less current liabilities		<u>38,897</u>	<u>33,416</u>
Provisions for liabilities and charges	16	<u>—</u>	<u>—</u>
		<u>38,897</u>	<u>33,416</u>
Capital and reserves			
Called up share capital	17	3,509	3,505
Share premium account	17	178	100
Revaluation reserve	18	1,088	1,329
Profit and loss account	18	34,122	28,482
		<u>38,897</u>	<u>33,416</u>

The financial statements were
approved by the Board on 19 June 1987.

Directors:

Peter David Goldstein
Ronald Sidney Goldstein

[Handwritten signatures of Peter David Goldstein and Ronald Sidney Goldstein]

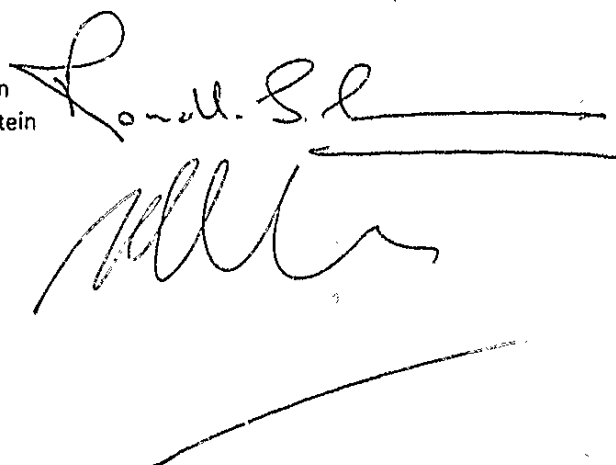


**Company
Balance Sheet**
As at 28 February 1987

		28 February 1987 £'000	1 March 1986 £'000
Fixed Assets			
Tangible assets	12	41,541	37,974
Investments	13	38	38
		<u>41,579</u>	<u>38,012</u>
Current Assets			
Stocks		23,720	20,089
Prepayments		2,223	1,325
Cash at bank and in hand		130	114
		<u>26,073</u>	<u>21,528</u>
Creditors: Amounts falling due within one year	14	<u>28,717</u>	<u>26,086</u>
Net current liabilities		<u>(2,644)</u>	<u>(4,558)</u>
Total assets less current liabilities		<u>38,935</u>	<u>33,454</u>
Creditors: Amounts falling due after more than one year	15	1,154	1,154
Provisions for liabilities and charges	16	—	—
		<u>37,781</u>	<u>32,300</u>
Capital and reserves			
Called up share capital	17	3,509	3,505
Share premium account	17	178	100
Revaluation reserve	18	989	1,230
Profit and loss account	18	33,105	27,465
		<u>37,781</u>	<u>32,300</u>

Directors:

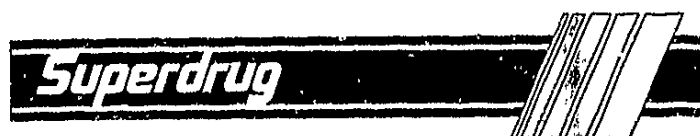
Peter David Goldstein
Ronald Sidney Goldstein



**Consolidated
Statement of
Source & Application
of funds**

For the 52 weeks
ended 28 February
1987

	52 weeks ended 28 February 1987 £'000	52 weeks ended 1 March 1986 £'000
Source of Funds		
Profit on ordinary activities before taxation	12,258	10,355
Adjustments for items not involving the movement of funds		
Depreciation	3,947	3,323
Profit on sale of fixed assets	(201)	(101)
	<hr/>	<hr/>
Total generated from operations	16,004	13,577
Proceeds from sale of tangible fixed assets	7,237	485
Issue of share capital	82	50
Increase in creditors	2,317	—
	<hr/>	<hr/>
	25,640	14,112
	<hr/>	<hr/>
Application of funds		
Purchase of tangible fixed assets	14,550	13,434
Taxation paid	3,907	1,335
Dividends paid	1,859	1,576
Increase in stocks	3,631	5,577
Increase in prepayments	898	211
Decrease in creditors	—	177
	<hr/>	<hr/>
	24,845	22,310
	<hr/>	<hr/>
Increase (Decrease) in net liquid funds	795	(8,198)
	<hr/>	<hr/>
Net liquid funds comprise cash at bank and in hand less bank overdrafts and loans.		



**Notes to
the Accounts**
for the 52 weeks
ended 28 February
1987

1 Accounting policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets

(b) Accounting periods

The Company makes up its financial statements to the Saturday nearest to the end of February.

(c) Basis of consolidation

The group financial statements consolidate the financial statements of the Company and all subsidiaries for the 52 weeks ended 28 February 1987.

(d) Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost or revalued amounts so as to write off the assets over their estimated useful lives as follows:

Freehold buildings	Straight line basis at 2% per annum
Leasehold property	Straight line basis over the term of the lease
Fixtures, fittings and equipment	Reducing balance basis at 15% per annum
Motor vehicles	Reducing balance basis at 25% per annum
Plant and machinery	Reducing balance basis at 15% per annum

(e) Stocks

Stocks, which consist solely of goods for resale, are valued at the lower of cost and net realisable value. Cost is computed at selling price less appropriate trading margins.

(f) Deferred taxation

Deferred taxation is provided at the rates of taxation which are expected to apply to differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that is probable that a liability or asset will crystallise in the future.

(g) Turnover

Turnover represents sales, excluding Value Added Tax, to customers of the group.

2 Turnover and profits

Turnover of **£202,912,000** (1986—£164,289,000) and profits of **£12,258,000** (1986—£10,355,000) represent the results of retail trading carried on wholly within the United Kingdom.

3 Information regarding directors and employees

	52 weeks ended 28 February 1987 £'000	52 weeks ended 1 March 1986 £'000
Directors' emoluments:		
Fees	—	—
Other emoluments	426	391
Remuneration of each of the joint chairmen and joint highest paid directors	90	74
Scale of directors' remuneration:		
£	No.	No.
0	2	2
35,001	1	1
40,001	1	—
55,001	—	1
65,001	1	—
70,001	—	2
85,001	2	—

**Notes to
the Accounts**
For the 52 weeks
ended 28 February
1987

Employee costs during the period

	52 weeks ended 28 February 1987	52 weeks ended 1 March 1986
Wages and salaries	£'000 20,538	£'000 16,803
Social security costs	1,543	1,508
Other pension costs	75	59
	<u>22,156</u>	<u>18,370</u>

Remuneration of senior employees which fall within the following range:

£	£	No.	No.
30,001	35,000	—	1

Average number of persons employed:

	No.	No.
Sales	3,988	3,568
Administration	115	110
Distribution	268	252
	<u>4,371</u>	<u>3,930</u>

4 Other operating income

Represents rental income receivable and amounts due from sale of waste.

5 Interest receivable

	£'000	£'000
Interest on bank deposits	3	400

6 Interest payable and similar charges

	£'000	£'000
Interest on bank loans and overdrafts	662	23
Discounting charges on bills of exchange	—	274
	<u>662</u>	<u>297</u>

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is after charging:

	£'000	£'000
Hire of equipment	45	38
Depreciation and other amounts written off tangible fixed assets	3,947	3,323
Auditors' remuneration	35	33
Profit on sale of fixed assets	(201)	(101)

8 Tax on profit on ordinary activities

	£'000	£'000
United Kingdom corporation tax at 39.97% (1986—37.66%) based on the profit for the period	4,900	3,900
Adjustment to prior year tax provisions	(77)	(55)
	<u>4,823</u>	<u>3,845</u>



**Notes to
the Accounts**
For the 52 weeks
ended 28 February
1987

9 Profit of Parent Company

As permitted by Section 228 (7) of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements

The consolidated profit and loss account includes £7,435,000 (1986—£6,510,000) which is dealt within the financial statements of the parent company

10 Dividends

An interim dividend of 2 3p (1986—2 0p) a share was declared in September 1986 and the Directors recommended a final dividend of 3 5p (1986—3 0p) a share for the period ended 28 February 1987 to be paid on 28 August 1987

11 Earnings per share

The calculation of earnings per share is based on the profit after taxation and before extraordinary items of £7,435,000 (1986—£6,510,000) and on the 35,089,450 (1986—35,045,200) 10p ordinary shares in issue as at 28 February 1987.

Fully taxed earnings per share are based on a notional full tax charge.

12 Tangible fixed assets

The Group and the Company

	Land and Buildings					Fixtures, Fittings and Equipment
	Total £'000	Freehold Property £'000	Long Leasehold Property £'000	Short Leasehold Property £'000	Plant and Machinery £'000	£'000
Cost or valuation						
1 March 1986	49,979	10,747	1,834	15,954	2,595	18,849
Additions	14,550	5,755	115	3,252	346	5,082
Disposals	(7,191)	(6,975)	—	(86)	(130)	—
28 February 1987	57,338	9,527	1,949	19,120	2,811	23,941
Cost	55,155	9,527	1,299	17,587	2,811	23,941
Valuation	2,183	—	650	1,533	—	—
	57,338	9,527	1,949	19,120	2,811	23,941
Accumulated depreciation						
1 March 1986	12,005	143	45	3,162	1,251	7,404
Charges	3,947	145	20	976	369	2,437
Disposals	(155)	(47)	—	(41)	(67)	—
28 February 1987	15,797	241	65	4,097	1,553	9,841
Net book value						
28 February 1987	41,541	9,286	1,884	15,023	1,258	14,090
1 March 1986	37,974	10,604	1,789	12,792	1,344	11,445

13 Subsidiary companies

	28 February 1987 £'000	1 March 1986 £'000
Shares in group companies—subsidiaries	38	38

The subsidiaries, which are set out below, are all wholly owned and incorporated in the United Kingdom. None of the subsidiaries trades.

Elgee (Putney) Ltd.	Superdrug Stores (Trading) Ltd.
Branston Bros. Ltd.	Bookmania Ltd.
Elgee Drug Stores Ltd.	Volume 1 Bookshops Ltd.
Supergirl (Cosmetics) Ltd.	Superbooks Ltd.
Superguy Toiletries Ltd.	

**Notes to
the Accounts
for the 52 weeks
ended 28 February
1987**

14 Creditors: Amounts falling due within one year

	The Group and the Company	
	28 February 1987	1 March 1986
Bank loans and overdrafts	£'000	£'000
Trade creditors	4,189	4,968
Bills of exchange payable	13,318	8,272
Corporation tax	—	4,300
Other tax and social security	4,142	3,224
Other creditors and deferred income	3,180	2,401
Dividend proposed	2,660	1,870
	1,228	1,051
	<u>28,717</u>	<u>26,086</u>

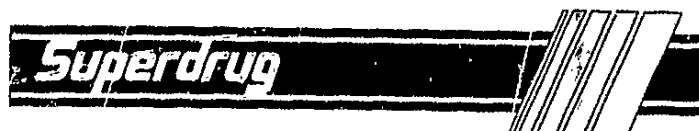
15 Creditors: Amounts falling due after more than one year

	28 February 1987	1 March 1986
	£'000	£'000
Loans from group companies—subsidiaries	<u>1,154</u>	<u>1,154</u>

**16 Provision for liabilities and charges
Deferred taxation**

The potential amounts of deferred taxation and the amounts provided in the financial statements are as follows:

	The Group and the Company			
	28 February 1987		1 March 1986	
	Amount provided £'000	Total potential tax £'000	Amount provided £'000	Total potential tax £'000
Capital allowances in excess of depreciation	—	5,046	—	5,195
Surplus on revaluation	—	346	—	398
	<u>—</u>	<u>5,392</u>	<u>—</u>	<u>5,593</u>



**Notes to
the Accounts**
for the 52 weeks
ended 28 February
1987

17 Called up share capital and share premium account

	Share Capital £'000	Share Premium Account £'000
Authorised 45,000,000 ordinary shares of 10p	<u>4,500</u>	
Allotted and fully paid Balance at 1 March 1986	3,505	100
Options exercised	<u>4</u>	<u>78</u>
Balance at 28 February 1987	<u>3,509</u>	<u>178</u>

During the period options held under the 1983 executive share option scheme were exercised in respect of 40,500 ordinary shares of 10p each at an option price of 175p, and 3,750 ordinary shares of 10p each at an option price of 267p

At 28 February 1987 outstanding options under the 1983 and 1985 executive share option schemes were as follows:

Scheme	Date of grant of option	No. of Shares	Option Price
1983 scheme	16 February 1983	100,200	175p
1983 scheme	20 July 1984	46,950	267p
1985 scheme	30 July 1985	162,500	383p
1985 scheme	8 July 1986	110,000	475p

18 Reserves

	The Group		The Company	
	Revaluation reserve	Profit and loss account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000	£'000
Balance at 1 March 1986 as previously reported	1,329	28,482	1,230	27,465
Profit retained for the period		5,399		5,399
Amount equivalent to additional depreciation on revalued assets	(105)	105	(105)	105
Unrealised gain on revalued assets realised on disposal	<u>(136)</u>	<u>136</u>	<u>(136)</u>	<u>136</u>
Balance at 28 February 1987	<u>1,088</u>	<u>34,122</u>	<u>989</u>	<u>33,105</u>

19 Capital commitments

	28 February 1987 £'000	1 March 1986 £'000
Contracted for but not provided in the financial statements	<u>2,620</u>	<u>2,470</u>
Authorised but not yet contracted for	<u>3,300</u>	<u>2,900</u>

20 Directors loan accounts

On 26th February 1987 the Company discharged certain expenses on behalf of Mr. R. S. Goldstein which resulted in a loan of £8,121 at the year end. The loan was repaid in full on 17th March 1987.

**Report of
the Auditors
to the Members of
Superdrug Stores P.L.C.**

Leigh, Sorene & Lawson
Mutual House,
193-197, Regent Street,
London W1R 8JR

Touche Ross & Co.
Hill House,
1, Little New Street,
London EC4A 3TR

We have audited the financial statements on
pages 12 to 20 in accordance with approved
Auditing Standards.

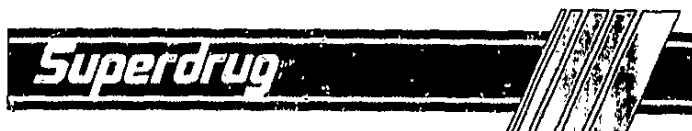
In our opinion the financial statements on pages
12 to 20 give a true and fair view of the state of
affairs of the company and the group at 28th
February 1987 and of the profit and source and
application of funds of the group for the 52
weeks then ended and comply with the
Companies Act 1985.

Leigh, Sorene & Lawson,
Chartered Accountants

Touche Ross & Co.,
Chartered Accountants

Leigh Sorene Lawson *Touche Ross & Co.*

19th June 1987





**Superdrug has 297
stores open and trading
at the end of February
1987**

AVON

Bath
Bristol
Weston Super Mare

BEDFORDSHIRE

Bedford 2
Leighton Buzzard
Luton 3

BERKSHIRE

Bracknell
Maidenhead
Newbury
Reading 2
Slough
Windsor

BUCKINGHAMSHIRE

Aylesbury 2
Chesham
High Wycombe
Milton Keynes

CAMBRIDGESHIRE

Cambridge
Ely
Huntingdon
Peterborough

CHESHIRE

Accrington
Chester
Crewe
Macclesfield
Northwich
Runcorn
Sale
Warrington 2
Winsford
Birkenhead

CLEVELAND

Redcar
Stockton

CUMBRIA

Carlisle
Whitehaven

DERBYSHIRE

Buxton
Derby
Ilkeston

DEVON

Exeter
Paignton
Plymouth
Tiverton
Torquay

DORSET

Boscombe
Weymouth
Winton

DURHAM

Bishop Auckland
Consett
Chester Le Street
Durham

ESSEX

Barking
Barking & Dagenham
Basildon 2
Billericay
Brentwood
Canvey
Colchester
Dagenham
Grays
Harlow
Ilford 2
Loughton
Romford 2
Southend

GLOUCESTERSHIRE

Cheltenham
Cirencester

GREATER LONDON

Aston
Barnet
Battersea
Barnet
Camden
Clapham
Ealing 2
East Ham
Edmonton
Eltham
Enfield
Fulham
Hammersmith
Hounslow
Islington
Kiburn
Lewisham
New Malden
North Finchley
Palmer's Green
Penge
Putney
Shepherd's Bush
Southall
Streatham
Tooting
Twickenham
Upton Park
Uxbridge
Walthamstow
Waltham Road
Wembley
Wimbledon
Wood Green 2
Woolwich
Watford

HAMPSHIRE

Aldershot
Andover
Cosham
Gosport
Fareham
Farnborough
Portsmouth 2
Shirley

HEREFORD AND WORCS

Bromsgrove
Kidderminster
Worcester

HERTFORDSHIRE

Barnet
Bishops Stortford
Hitchin
Ross on Wye

HUMBERSIDE

Hull

KENT

Ashford
Beckenham
Bromley
Canterbury
Chatham
Dartford
Deal
Dover
Folkestone
Gillingham
Gravesend 2
Maidstone 3
Margate
Orpington
Ramsgate
Sidcup
Sittingbourne
Stoneborough
Tonbridge
Tunbridge Wells

LANCASHIRE

Altrincham
Blackpool
Bolton
Burnley

Bury

Lancaster
Manchester 2
Morecambe
Ormskirk
Eccles
Preston 2
Rochdale
Salford
Southport
Stockport
Warrington 2
Widnes
Wrexham

LEICESTER

Ashby de la Zouch
Beaumont Leys
Leicester 2
Loughborough

LINCOLNSHIRE

Grantham
Stamford

MERSEYSIDE

Birkenhead
Liverpool
St Helens
Wallasey

MIDDLESEX

Harrow
Hayes

MIDDLESBOROUGH

Couby Newham

WEST MIDLANDS

Brierley Hill
Coventry
Dudley
Halesowen
Harborne
Merry Hill
Northfield
Stourbridge
Walsall
West Bromwich
Wolverhampton

NORFOLK

Kings Lynn
Norwich

NOTTINGHAMSHIRE

Newark on Trent
Mansfield
Nottingham
Worksop

NORTHAMPTONSHIRE

Kettering
Middlesbrough
Northampton
Stratford Upon Avon
Wellingborough
Weston Favell

NORTHUMBERLAND

Berwick

OXFORDSHIRE

Banbury
Bicester
Oxford 2
Witney

SCOTLAND

Airdrie
Clydebank
Dundee
Dunfermline
Kirkcaldy

SHROPSHIRE

Shrewsbury
Telford

SOMERSET

Bridgewater 2
Yeovil 2

STAFFORDSHIRE

Burton on Trent
Chester Le Street
Newcastle Under Lyme
Stafford

SUFFOLK

Bury St Edmunds
Gt Wymouth
Haverhill
Ipswich
Lowestoft
Stowmarket
Sudbury

SURREY

Banstead
Camberley
Carshalton
Croydon 2
Dorking
Epsom 2
Guildford
Kingston Upon Thames
Mitcham
Morden
Reigate
Richmond
Surbiton
Wallington
Walton on Thames
Weybridge
Woking

EAST SUSSEX

Brighton 3
Eastbourne
Hastings
Lewes

WEST SUSSEX

Bognor Regis
Burgess Hill
Chichester
Crawley
Haywards Heath
Horsham
Worthing
Brighton 2

TYNE AND WEAR

South Shields
Sunderland
Washington
Metro

SOUTH WALES

Cwmbran
Llanelli
Swansea

NORTH WALES

Bangor
Rhyl

WILTSHIRE

Chippenham
Salisbury
Swindon 2

YORKSHIRE

Barnsley
Dewsbury
Doncaster
Halifax
Huddersfield
Leeds 2
Pontefract
Rotherham
Scarborough
Sheffield
Shipley
Skipton
Wakefield
York

VOLUME ONE

BOOKSHOPS

Croydon
Kingston Upon Thames

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held in the Main Board Room, at Superdrug Stores PLC, 40 Beddington Lane, Croydon CR0 4TB at 11.30 a.m. on Wednesday 15th July, 1987 for the following purposes:

1. To receive and consider the Financial Statements for the 52 week period ended 28th February, 1987 and the Reports of the Directors and Auditors. Resolution 1
2. To declare a dividend. Resolution 2
3. To re-elect as a Director of the Company Mr. Howard Goldstein who retires by rotation. Resolution 3
4. To elect as Directors of the Company Mr. G. Mulchay and Mr. A. Norman. Resolution 4
5. To appoint Deloitte Haskins & Sells as Auditors to the Company. Resolution 5
6. To authorise the Directors to agree the remuneration of the Auditors. Resolution 6

Registered Office
Beddington Lane,
Croydon, Surrey.
19th June 1987

By Order of the Board
Howard Goldstein
Secretary

Notes

1. Any member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. The proxy need not be a member of the Company. A form of proxy is enclosed, and must be posted so as to arrive at the office of the Company's Registrars, Barclays Bank PLC, Radbroke Hall, Knutsford, Cheshire, WA16 9EU not later than 48 hours before the time of the meeting or any adjournment thereof.
2. There will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and Public Holidays excepted) from the date of this notice until the date of the meeting, and for at least 25 minutes prior to the meeting and during the meeting at Main Board Room, Superdrug Stores plc, 40 Beddington Lane, Croydon, CR0 4TB.
 - 2.1 A statement of all transactions of each director in the share capital of the Company in accordance with the requirements of The Stock Exchange.
 - 2.2 Copies of all service contracts, not expiring or determinable by the employing company without the payment of compensation within one year of directors of the Company or any of its subsidiaries.

