

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIESINDEX TO ACCOUNTS

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SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIESREPORT OF THE DIRECTORS
=====

The Directors have pleasure in submitting their Annual Report together with the Audited Accounts for the period 2nd March 1980 to 28th February 1981.

Directors

The Directors of the Holding Company as at 28th February 1981 were as follows:-

R.S. Goldstein	
P.D. Goldstein	
R. Goldstein	
H. Goldstein	
M.O. Goldstein	
A. Grass	(U.S.A.)
L.E. Lehrman	(U.S.A.)

Principal Activities

The principal activities of the Group are the retailing of health and beauty aids, medicinal products, toiletries, stationery and other consumer products.

State of Affairs

The state of the Group's affairs as at the Balance Sheet date was satisfactory.

Financial Results

The Net Trading Profit for the period amounted to £3,526,164 (1980 - £2,886,523) on which there is liability to Corporation Tax of £350,000. An amount of £690,000 has been provided for Taxation Equalisation (1980 - £383,000).

Dividend

The Directors do not recommend the payment of a dividend.

Exports

The Group made no exports during the period.

Staff

The average number of employees in the Group during the period was 1800 and the aggregate remuneration paid or payable to them for the period was £5,547,014 (Company - employees 1780 - aggregate remuneration £5,481,089).

Directors' Shareholdings

The Directors have the following interests in the Company's shares as set out below:-

	<u>28.2.81</u>	<u>1.3.80</u>
R.S. Goldstein	5150 'B' Ordinary	5150 'B' Ordinary
P.D. Goldstein	5150 'B' Ordinary	5150 'B' Ordinary
R. Goldstein	-	-
H. Goldstein	-	-
M.O. Goldstein	909 'A' Ordinary)	909 'A' Ordinary)
	909 'B' Ordinary)	909 'B' Ordinary)
A. Grass	-	-
L.E. Lehrman	-	-

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS (Contd)
=====

Substantial Interest in the Company's Share Capital

As at 28th February 1981 Rite Aid Corporation of Harrisburg, Pennsylvania, U.S.A., owned 10,300 'A' Ordinary Shares of £1 each representing 42.5% of the issued Share Capital (1.3.80 same).

Fixed Assets

There were net additions to Fixed Assets as follows:-

Short Leasehold Premises	£ 746,907
Equipment, Fixtures & Fittings	£1,601,690
Plant and Machinery	£ 177,311
Motor Vehicles	£ 96,909

Close Company

The Company is a "Close Company" as defined by the Income and Corporation Taxes Act 1970.

Auditors.

The Auditors, Messrs. Leigh, Sorene & Lawson, Chartered Accountants, have expressed their willingness to continue in office in accordance with the provisions of the Companies Act 1976.

BY ORDER OF THE BOARD



SECRETARY

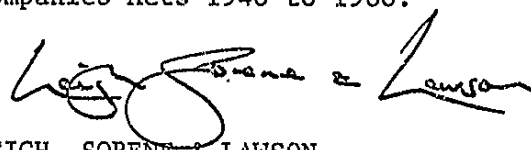
26th March 1981

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE AUDITORS
=====

We have audited the Financial Statements on pages 4 to 13 in accordance with approved Auditing Standards, except for Current Cost Accounts as required by S.S.A.P.16 which at this date are still in the course of preparation, and have carried out such procedures as we considered necessary.

In our opinion the Financial Statements, which have been prepared under the historical cost convention including the value of the residual interest of a long lease, give a true and fair view of the state of affairs of the Company and the Group at 28th February 1981 and of the Results and Source and Application of Funds of the Group for the period then ended and comply with the Companies Acts 1948 to 1980.



LEIGH, SORENE & LAWSON
CHARTERED ACCOUNTANTS

Mutual House
193/197 Regent Street
London W1R 8JR

26th March 1981

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD
2ND MARCH 1980 TO 28TH FEBRUARY 1981

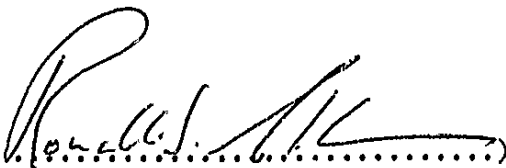
<u>Notes</u>	<u>1981</u>	<u>1980</u>
Turnover	£ 50,745,944 =====	£ 37,401,467 =====
1. Trading Profit before Taxation	3,526,164	2,886,523
2. Other Income	148,325	58,187
	<hr/>	<hr/>
	3,674,489	2,944,710
3. Extraordinary Item	95,344	-
	<hr/>	<hr/>
	3,579,145	2,944,710
4. Taxation	990,755	383,806
	<hr/>	<hr/>
	2,588,390	2,560,904
Balance brought forward	7,807,115	5,246,211
	<hr/>	<hr/>
Balance carried forward	£ 10,395,505 =====	£ 7,807,115 =====

SUPERDRUG STORES LIMITED

BALANCE SHEET AS AT 28TH FEBRUARY 1981

Notes

<u>ASSETS EMPLOYED</u>		<u>1981</u>	<u>1980</u>
5.	<u>FIXED ASSETS</u>	7,198,013	7,054,086
	Trade Marks at Cost	9,618	3,132
6.	Investments in Subsidiary Companies	37,754	37,752
		<u>7,245,385</u>	<u>7,094,970</u>
<u>CURRENT ASSETS</u>			
	Stock	9,985,261	9,646,628
	Debtors	372,613	443,595
	Bank Balances and Cash	4,585,613	27,348
		<u>14,943,487</u>	<u>10,117,571</u>
<u>CURRENT LIABILITIES</u>			
	Creditors	9,007,126	6,947,627
	Bank Overdraft	488,199	1,205,927
	Taxation	323,000	
		<u>9,818,325</u>	<u>8,153,554</u>
	<u>Net Current Assets</u>	<u>5,125,162</u>	<u>1,964,017</u>
		<u>12,370,547</u>	<u>9,058,987</u>
	<u>Less: Amounts due to</u> Subsidiary Companies	<u>(1,085,890)</u>	<u>(1,028,687)</u>
		<u>£ 11,284,657</u>	<u>£ 8,030,300</u>
<u>FINANCED BY:</u>			
7.	<u>Share Capital</u>	24,236	24,236
8.	<u>Reserves</u>	9,554,421	6,990,064
		<u>9,578,657</u>	<u>7,014,300</u>
9.	<u>Taxation Equalisation Account</u>	<u>1,706,000</u>	<u>1,016,000</u>
		<u>£ 11,284,657</u>	<u>£ 8,030,300</u>





) DIRECTORS
)
)

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIESSOURCE AND APPLICATION OF FUNDS STATEMENTSOURCE OF FUNDS

	<u>1980/81</u>	<u>1979/80</u>
Profit before Taxation	3,526,164	2,886,523
<u>Adjustment for Items not involving the Movement of Funds</u>		
Depreciation	852,860	568,262
<u>TOTAL FUNDS GENERATED FROM OPERATIONS</u>	<u>4,379,024</u>	<u>3,454,785</u>

Funds From Other Sources

Sales of Fixed Assets	3,579,383	141,160
Taxation Refund	49,245	-
	<u>3,628,628</u>	<u>141,160</u>
	£ 8,007,652	£ 3,595,945
	=====	=====

APPLICATION OF FUNDS

Purchase of Fixed Assets	4,519,180	4,245,688
Purchase of Trade Marks	6,486	3,132
Taxation Payment.	-	77,806
	<u>4,525,666</u>	<u>4,326,626</u>

INCREASE/DECREASE IN WORKING CAPITAL

Increase in Stock	333,305	3,767,477
Increase (Decrease) in Debtors and Prepayments	(43,819)	209,460
(Increase) in Creditors	(2,080,867)	(4,652,795)
	<u>(1,791,381)</u>	<u>(675,858)</u>

MOVEMENT IN NET LIQUID FUNDS

Increase in Cash in Hand	8,285	13,175
Increase (Decrease) in Bank Balance	<u>5,265,082</u>	<u>(67,998)</u>
	3,481,986	(730,681)
	£ 8,007,652	£ 3,595,945
	=====	=====

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIES

ACCOUNTING POLICIES

Turnover

Turnover comprises sales of goods, net of Value Added Tax and excluding inter-company transactions.

Depreciation and Amortisation

- (a) Depreciation on fixed assets is provided on the reducing balance method at the following annual rates:-

Equipment, Fixtures & Fittings	15%
Plant and Machinery	15%
Motor Vehicles	25%

Depreciation is provided on freehold properties on the straight line basis at 2% p.a.

- (b) Leasehold premises and expenditure thereon are amortised over the duration of their leases.

Stock

Stock has been valued at the lower of cost and net realisable value.

Deferred Taxation

A provision is made for deferred taxation only if a Liability is expected to arise in the foreseeable future.

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIESNOTES ON THE ACCOUNTS

	<u>1981</u>	<u>1980</u>
	<u>£</u>	<u>£</u>
1. <u>Trading Profit before Taxation</u>		
<u>Includes:</u> Bank Deposit Interest Received	36,876	137,412
and is after charging:	=====	=====
Depreciation and Amortisation	852,860	568,263
Directors' Emoluments	123,250	101,958
Directors' Pension Contributions	63,000	73,850
Auditors' Remuneration	14,500	11,500
Bank Interest Paid	105,478	19,095
	=====	=====
2. <u>Other Income</u>		
<u>Profit on:</u>		
Disposal of Fixed Assets	148,325	58,187
	=====	=====
3. <u>Extraordinary Item</u>		
This represents write-offs of assets arising from the discontinuation of use of certain premises.		
4. <u>Taxation</u>		
The Charge for the Period is made up as follows:		
	<u>1981</u>	<u>1980</u>
	<u>£</u>	<u>£</u>
Provision for Corporation Tax @ 52% on the profits for the period as adjusted for taxation purposes (payable 1.12.81)	350,000	-
Taxation deferred by Capital Allowances	690,000	383,000
Adjustment relating to previous period	(49,245)	806
	<u>990,755</u>	<u>383,806</u>
	=====	=====

5. Fixed Assets

[illegible]

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIESNOTES ON THE ACCOUNTS (Contd)5. (b) Company

<u>Cost</u>	Freehold Property	Leasehold Premises & Expenditure Thereon	Equipment Fixtures & Fittings	Plant & Machinery	Sprink- ler System	Motor Vehicles	Total
Cost		(i)	(ii)				
2.3.80	526,726	2,573,833	2,334,450	2,818,434	64,956	29,909	8,872,663
Additions	276	819,376	1,705,176	1,717,238	177,311	-	4,519,180
	527,002	3,393,209	4,039,626	4,535,672	242,267	29,909	13,391,843
Disposals at Cost	37,111	72,469	4,039,626	115,548	-	29,909	4,297,557
	489,891	3,320,740	-	4,420,124	242,267	-	9,094,286
Value of Residual Interest	-	-	650,000	-	-	-	650,000
Cost or Value	£ 489,891	3,320,740	650,000	4,420,124	242,267	-	9,744,286
28.2.81	=====	=====	=====	=====	=====	=====	=====

Accumulated
Depreciation

Balance							
2.3.80	19,992	471,306	-	1,085,461	26,337	20,613	1,818,577
Charge for Period	9,795	186,366	1,650	511,633	32,390	-	848,851
	29,787	657,672	1,650	1,597,094	58,727	20,613	2,667,428
Disposals	1,483	21,163	-	76,223	-	20,613	121,155
Balance	£ 28,304	636,509	1,650	1,520,871	58,727	-	2,546,273
28.2.81	=====	=====	=====	=====	=====	=====	=====

Net Book
Value

As at							
28.2.81	£ 461,587	2,684,231	648,350	2,899,253	183,540	-	7,198,013
	=====	=====	=====	=====	=====	=====	=====
As at							
1.3.80	£ 506,734	2,102,527	2,334,450	1,732,973	38,619	9,296	7,054,086
	=====	=====	=====	=====	=====	=====	=====

Leasehold Premises & Expenditure Thereon

- (i) Leaseholds with less than 50 years to run.
- (ii) Leasehold with more than 50 years to run.

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIESNOTES ON THE ACCOUNTS (Contd)6. Investments in Subsidiary Companies

The Company owns the whole of the Ordinary issued Share Capital of the following companies which are incorporated in the United Kingdom:-

Elgee (Putney) Ltd	
Elgee Drug Stores Ltd)
Branston Bros. Ltd)
Superguy Toiletries Ltd) Non-trading
Supergirl Cosmetics Ltd)
Rite Aid (U.K.) Ltd)

7. Share CapitalAuthorised, Issued and Fully Paid

	<u>1981</u>	<u>1980</u>
12,118 "A" Ordinary Shares of £1 each	12,118	12,118
12,118 "B" Ordinary Shares of £1 each	12,118	12,118
	<u>£ 24,236</u>	<u>£ 24,236</u>
	=====	=====

8. Reserves

	<u>1981</u>		<u>1980</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Profit and Loss Account	10,395,505	9,407,565	7,307,115	6,843,208
Capital Reserve	120,192	120,192	120,192	120,192
Share Premium Account	26,664	26,664	26,664	26,664
Capital Reserve on Consolidation	79,520	-	79,520	-
	<u>£ 10,621,881</u>	<u>9,554,421</u>	<u>8,033,491</u>	<u>6,990,064</u>
	=====	=====	=====	=====

9. Taxation Equalisation

Balance Brought Forward	1,018,000	1,016,000	635,000	633,000
Transfer from Profit and Loss Account	690,000	690,000	383,000	383,000
	<u>£ 1,708,000</u>	<u>1,706,000</u>	<u>1,018,000</u>	<u>1,016,000</u>
	=====	=====	=====	=====

This represents Corporation Tax @ 52% on the excess of the tax written down values of assets eligible for Capital Allowances over their book written down values.

SUPERDRUG STORES LIMITED AND SUBSIDIARY COMPANIES

NOTES ON THE ACCOUNTS (Contd)

10. Directors' Emoluments

	<u>1981</u>	<u>1980</u>
<u>Total Emoluments</u>	£ 123,250 =====	£ 101,958 =====
Chairman	£ 24,583 =====	£ 19,583 =====
Highest Paid Directors (Two)	£ 29,583 =====	£ 24,417 =====
<u>Other Directors:</u>		
£0 to £2,500	2	2
£15,001 to £20,000	2	2

11. Capital Commitments

There are Capital Commitments not provided for in these Accounts amounting to approximately £377,000.

12. Deferred Taxation

The assumption has been made that the new system for stock relief proposed in the Budget Speech on 10th March 1981 will be implemented. The charge for taxation would have been £750,000 under the old system for stock relief.

If the old system of stock appreciation relief were to be retained the potential amount of deferred taxation would in total amount to £4,050,000.