

**Deloitte
Haskins + Sells**

SUPERDRUG STORES P.L.C.
REPORT AND FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988

SUPERDRUG STORES P.L.C.

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SUPERDRUG STORES P.L.C.

DIRECTORS' REPORT

The directors present their report and the financial statements for the 48 weeks ended 30th January 1988.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is trading as a retailer in the United Kingdom.

Following the acquisition of Tip-Top Drugstores plc and Share Drug Stores PLC by Woolworth Holdings plc after the year end the company will be able to accelerate its expansion programme and further consolidate its profile in the market place.

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £8,242,000 (1987 - £7,435,000). The Directors recommend that this amount be dealt with as follows:

	£'000
Ordinary dividends - interim paid	15
- final proposed	7,500
Transfer to reserves	727
	<hr/>
	8,242
	=====

POST BALANCE SHEET EVENTS

Shortly after the year end Tip-Top Drugstores plc and Share Drug Stores PLC were acquired by Woolworth Holdings plc under agreed bids. The two companies' operations will be absorbed into Superdrug throughout the coming year.

FIXED ASSETS

The changes in fixed assets are detailed in note 9 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors during the period were:

R. Goldstein	President
P.D. Goldstein	Joint Chairman and Managing Director
R.S. Goldstein	Joint Chairman and Managing Director
H. Goldstein	
A. Chandler	
G. Mulcahy	Appointed 15th July 1987
A. Norman	Appointed 15th July 1987
A. Grass	Resigned 1st May 1987
M. Grass	Resigned 1st May 1987

Details of directors' interests are set out in note 19 to the financial statements.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

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

In accordance with the Articles of Association Messrs Mulcahy and Norman hold office only until the next Annual General Meeting and, being eligible, offer themselves for re-election.

EMPLOYEES

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.

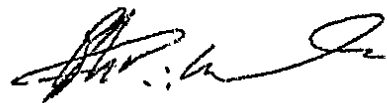
DISABLED PERSONS

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 whilst employed by the company and will otherwise provide for the training, career development and promotion of disabled employees.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution to reappoint Deloitte Haskins & Sells as auditors to the company will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

14th 15th December 1988

AUDITORS' REPORT
TO THE MEMBERS OF SUPERDRUG STORES P.L.C.

We have audited the financial statements on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30th January 1988 and of its profit and source and application of funds for the forty-eight weeks then ended and comply with the Companies Act 1985.

Deloitte Haskins & Sells
Chartered Accountants

15th December 1988

SUPERDRUG STORES P.L.C.

PROFIT AND LOSS ACCOUNT
FOR THE 48 WEEKS ENDED 30th JANUARY 1988

	Notes	48 weeks ended 30th January 1988 £'000	52 weeks ended 28th February 1987 £'000
TURNOVER	2	222,392	202,912
Cost of sales		159,532	156,056
GROSS PROFIT		62,860	46,856
Distribution costs		46,992	21,230
Administrative expenses		3,217	13,497
Other operating income		(989)	(788)
		49,220	33,939
TRADING PROFIT		13,640	12,917
Interest receivable	3	1	3
Interest payable and similar charges	4	(58)	(662)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	13,583	12,258
TAXATION	7	5,341	4,823
PROFIT FOR THE FINANCIAL PERIOD		8,242	7,435
Dividends	8	7,515	2,036
RETAINED PROFIT FOR THE PERIOD		727	5,399

STATEMENT OF RETAINED PROFITS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988


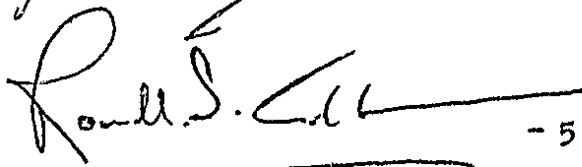
Retained profits at beginning of period	33,105
Retained profit for the period	727
Amount equivalent to additional depreciation on revalued assets transferred from revaluation reserve	99
Profit and loss account carried forward	33,931

SUPERDRUG STORES P.L.C.

BALANCE SHEET
AS AT 30th JANUARY 1988

	<u>Notes</u>	<u>30th January</u> <u>1988</u> <u>£'000</u>	<u>28th February</u> <u>1987</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	9	46,600	41,541
Investments	10	38	38
		<u>46,638</u>	<u>41,579</u>
CURRENT ASSETS			
Stocks - Goods for resale		30,812	23,720
Debtors	11	8,108	2,223
Cash at bank and in hand		152	130
		<u>39,072</u>	<u>26,073</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>44,603</u>	<u>28,717</u>
NET CURRENT LIABILITIES		<u>(5,531)</u>	<u>(2,644)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>41,107</u>	<u>38,935</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	<u>1,154</u>	<u>1,154</u>
		<u>39,953</u> =====	<u>37,781</u> =====
CAPITAL AND RESERVES			
Called up share capital	14	3,551	3,509
Share premium account	14	1,581	178
Revaluation reserve	15	890	989
Profit and loss account		<u>33,931</u>	<u>33,105</u>
		<u>39,953</u> =====	<u>37,781</u> =====

The financial statements on pages 4 to 14 were approved by the Board on
and were signed on its behalf by:


Directors


SUPERDRUG STORES P.L.C.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988

	48 weeks ended 30th January 1988 £'000	52 weeks ended 28th February 1987 £'000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	13,583	12,258
Adjustments for items not involving the movement of funds:		
Depreciation	4,889	3,947
Profit on disposal of tangible fixed assets	(189)	(201)
TOTAL GENERATED FROM OPERATIONS	18,283	16,004
Proceeds from sale of tangible fixed assets	3,165	7,237
Issue of share capital	1,445	82
	22,893	23,323
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	12,924	14,550
Taxation paid	461	3,907
Dividends paid	1,243	1,859
	14,628	20,316
NET SOURCE OF FUNDS	8,265	3,007
MOVEMENT IN WORKING CAPITAL		
Stocks	7,092	3,631
Debtors	5,885	898
Creditors	(5,565)	(2,317)
	7,412	2,212
Net liquid funds	853	795
	8,265	3,007

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988

1. ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Accounting periods

With effect from 30th January 1988 the company makes up its financial statements to the Saturday nearest to the end of January.

(c) Tangible fixed assets

Depreciation is not provided on freehold land and buildings since the properties are maintained in a good state of repair and the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. On other assets depreciation is provided on cost or revalued amounts so as to write off the assets over their estimated useful lives on the following bases:

Leasehold property	-	straight line basis over the term of the lease
Fixtures, fittings and equipment	-	reducing balance basis at 15% per annum
Plant and machinery	-	reducing balance basis at 15% per annum
Motor cars	-	straight line basis at 25% per annum
Other motor vehicles	-	straight line basis at 33 1/3% per annum

(d) Stocks

Stocks, which consists 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.

(e) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which, in the opinion of the directors, are likely to crystallise in the foreseeable future.

(f) Turnover

Turnover represents sales, excluding value added tax, to customers of the company.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover of £222,392,000 (1987 - £202,912,000) and profit on ordinary activities before taxation of £13,583,000 (1987 - £12,258,000) represent the results of retail trading carried on wholly within the United Kingdom.

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988 (continued)

3. INTEREST RECEIVABLE	48 weeks ended 30th January 1988 £'000	52 weeks ended 28th February 1987 £'000
Interest on bank deposits	1 ===	3 ===
4. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest on bank overdrafts	58 ===	662 ===
5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after crediting:		
Rents receivable	683	675
and after charging:		
Depreciation and other amounts written off tangible fixed assets	4,889	3,947
Auditors' remuneration	37	35
Operating lease payments on stores	12,494 =====	10,878 =====
6. DIRECTORS AND EMPLOYEES		
	<u>Number</u>	<u>Number</u>
The average number of persons (including directors) employed by the company during the period was:		
Sales	5,500	3,988
Administration	122	115
Distribution	283	268
	5,905 =====	4,371 =====

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988 (continued)

6. DIRECTORS AND EMPLOYEES

	48 weeks ended 30th January 1988 £'000	52 weeks ended 28th February 1987 £'000
Staff costs (for the above persons) during the period were:		
Wages and salaries	23,255	20,538
Social security costs	1,886	1,543
Other pension costs	209	75
	<u>25,350</u>	<u>22,156</u>
	=====	=====
Directors' remuneration:		
The remuneration paid to the directors was:		
Fees	-	-
Other emoluments	531	426
	=====	=====
Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to each of the joint chairmen and joint highest paid directors	102	90
	=====	=====
The number of directors (including the joint chairmen) who received emoluments (excluding pension contributions) in the following ranges was:		
	<u>Number</u>	<u>Number</u>
£ 0 - £ 5,000	4	2
£ 35,001 - £ 40,000	1	1
£ 40,001 - £ 45,000	-	1
£ 50,001 - £ 55,000	1	-
£ 75,001 - £ 80,000	1	-
£ 85,001 - £ 90,000	-	2
£100,001 - £105,000	2	-
	===	===

7. TAXATION

	£'000	£'000
United Kingdom corporation tax at 35% based on the profit for the period	5,426	4,900
Adjustment to prior year tax provisions	(85)	(77)
	<u>5,341</u>	<u>4,823</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988 (continued)

8. DIVIDENDS

Dividends amounting to £15,000 were paid to former shareholders during the year and the directors recommend a final dividend totalling £7,500,000 for the period ending 30th January 1988.

9. TANGIBLE FIXED ASSETS

	<u>Land and buildings</u>				<u>Fixtures, fittings and equipment</u>	<u>Total</u>
	<u>Freehold property</u>	<u>Long leasehold property</u>	<u>Short leasehold property</u>	<u>Plant and machinery</u>		
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost or valuation:						
At 1st March 1987	9,527	1,949	19,120	2,811	23,931	57,338
Additions	298	53	5,151	855	6,567	12,924
Disposals	(2,926)	-	(61)	(257)	(68)	(3,312)
At 30th January 1988	<u>6,899</u>	<u>2,002</u>	<u>24,210</u>	<u>3,409</u>	<u>30,430</u>	<u>66,950</u>
Accumulated depreciation:						
At 1st March 1987	241	65	4,097	1,553	9,841	15,797
Charge for the period	23	13	1,174	959	2,720	4,889
Disposals	(87)	-	(18)	(196)	(35)	(336)
At 30th January 1988	<u>177</u>	<u>78</u>	<u>5,253</u>	<u>2,316</u>	<u>12,526</u>	<u>20,350</u>
Net book value:						
At 30th January 1988	<u>6,722</u>	<u>1,924</u>	<u>18,957</u>	<u>1,093</u>	<u>17,904</u>	<u>46,600</u>
	=====	=====	=====	=====	=====	=====
At 28th February 1987	<u>9,286</u>	<u>1,884</u>	<u>15,023</u>	<u>1,258</u>	<u>14,090</u>	<u>41,541</u>
	=====	=====	=====	=====	=====	=====

The above figures include leasehold property, revalued on an open market basis in August 1981 at £2,798,000 and with a net book value of £1,860,000. Had this property not been revalued it would have been shown at a cost of £977,000 and a net book value of £619,000.

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988 (continued)

10. INVESTMENTS	30th January 1988 £'000	28th February 1987 £'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) Limited
Branston Bros. Limited
Elgee Drug Stores Limited
Supergirl (Cosmetics) Limited
Sugerguy Toiletries Limited
Superdrug Stores (Trading) Limited
Bookmania Limited
Volume 1 Bookshops Limited
Superbooks Limited

11. DEBTORS	£'000	£'000
Amounts falling due within one year:		
Amounts owed by holding company	3,569	-
Amounts owed by fellow subsidiaries	419	-
Prepayments	4,120	2,223
	8,108 =====	2,223 =====

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	£'000	£'000
Bank loans and overdrafts	3,358	4,189
Trade creditors	17,935	13,318
Amounts owed to fellow subsidiaries	151	-
Corporation tax	4,583	4,142
Amounts owed to holding company in respect of group relief	4,439	-
Other tax and social security	3,268	3,180
Other creditors and deferred income	3,369	2,660
Dividend proposed	7,500	1,228
	44,603 =====	28,717 =====

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988 (continued)

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE
THAN ONE YEAR

30th January 1988 £'000	28th February 1987 £'000
Loans from subsidiaries	
1,154	1,154
=====	=====

14. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Share capital £'000	Share premium account £'000
Authorised:		
45,000,000 ordinary shares of 10p, 1988 and 1987	4,500	
	=====	
Allotted and fully paid:		
Balance at 1st March 1987	3,509	178
Options exercised	42	1,403
	=====	=====
Balance at 30th January 1988	3,551	1,581
	=====	=====

During the year options held under the 1983 executive share option scheme were exercised in respect of 100,200 ordinary shares of 10p each at an option price of 175p, and 46,950 ordinary shares of 10p each at an option price of 267p.

Options held under the 1985 executive share option scheme were exercised in respect of 162,500 ordinary shares at an option price of 383p, and 110,000 ordinary shares of 10p each at an option price of 475p.

15. REVALUATION RESERVE

	£'000
Balance at 1st March 1987	989
Amount equivalent to additional depreciation on revalued assets	(99)
	=====
Balance at 30th January 1988	890
	=====

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988 (continued)

16. DEFERRED TAXATION

	<u>30th January 1988</u>		<u>28th February 1987</u>	
	<u>Amount provided</u>	<u>Total potential tax</u>	<u>Amount provided</u>	<u>Total potential tax</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Capital allowances in excess of depreciation	-	4,996	-	5,046
Surplus on revaluation	-	346	-	346
	-	5,342	-	5,392
	===	=====	===	=====

17. CAPITAL COMMITMENTS

	<u>30th January 1988</u>	<u>28th February 1987</u>
	<u>£'000</u>	<u>£'000</u>
Contracted for but not provided in the financial statements	5,800	2,620
	=====	=====
Authorised but not yet contracted for	5,700	3,300
	=====	=====

18. OTHER FINANCIAL COMMITMENTS

At 30th January 1988 the company had annual commitments under non-cancellable operating leases for land and buildings as follows:

	<u>£'000</u>	<u>£'000</u>
Expiring within one year	113	193
Expiring between two and five years	1,216	674
Expiring in five years or more	14,954	12,763
	16,283	£13,630
	=====	=====

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 48 WEEKS ENDED 30th JANUARY 1988 (continued)

19. DIRECTORS' INTERESTS

The directors' interests in the shares of the company and of Woolworth Holdings plc were as follows:

(a) Superdrug Stores P.L.C.

Ordinary shares
of 10p each

	1st March 1987	
	<u>Beneficial</u>	<u>Non-beneficial</u>
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. Chandler also held share options totalling 44,300 shares at 1st March 1987.

The directors had no interests in Superdrug Stores P.L.C. at 30th January 1988.

(b) Woolworth Holdings plc

Ordinary shares
of 10p each

	30th January 1988	
	<u>Beneficial</u>	<u>Non-beneficial</u>
R. Goldstein	97,750	-
H. Goldstein	1,130,498	425,000
A. Chandler	34,720	-

The directors had no interests in Woolworth Holdings plc at 1st March 1987.

Messrs. P.D. Goldstein, R.S. Goldstein, G. Mulcahy and A. Norman are directors of Woolworth Holdings plc and their interests are disclosed in the financial statements of that company.

20. ULTIMATE HOLDING COMPANY

The ultimate holding company is Woolworth Holdings plc, a company incorporated in Great Britain.