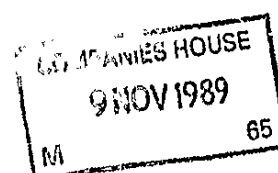


Deloitte
Haskins + Sells

807043

SUPERDRUG STORES P.L.C.

REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989



SUPERERUG STORES P.L.C.

REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989

CONTENTS

	<u>PAGE</u>
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Statement of source and application of funds	6
Notes to the financial statements	7 - 13

SUPERDRUG STORES P.L.C.

DIRECTORS' REPORT

The directors present their report and the financial statements for the 52 weeks ended 28 January 1989.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

As at 26 November 1988 certain assets and liabilities of the company were transferred to Halcyon Limited. Also at that date the company acquired the non-trading assets and liabilities of Share Drug Stores PLC and of Tip Top Drugstores plc.

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £12,219,000 (1988 - £8,242,000). The directors recommend that this amount be dealt with as follows:

	£'000
Ordinary dividends - interim paid	-
- final proposed	7,950
Transfer to reserves	4,269
	<hr/>
	12,219
	=====

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	
A. Norman	

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

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

SUPERBUG STORES P.L.C.

DIRECTORS' REPORT (Continued)

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.

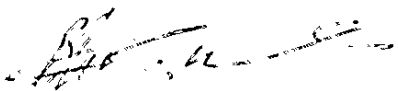
DISABLED PERSONS

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

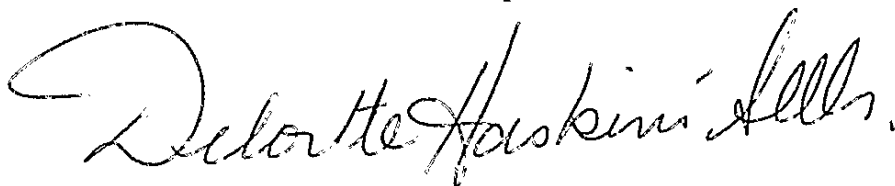

B. CHANDARIA
Secretary

14 October 1989

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

We have audited the financial statements on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 January 1989 and of its profit and source and application of funds for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in cursive script, reading "Delor & Haskins".

Chartered Accountants

4 October 1989

SUPERDRUG STORES P.L.C.

PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 28 JANUARY 1989

	<u>Notes</u>	52 weeks ended 28 January 1989 £'000	48 weeks ended 30 January 1988 £'000
TURNOVER	2	307,467	222,392
Cost of sales		223,893	159,532
GROSS PROFIT		83,574	62,860
Distribution costs		61,298	46,992
Administrative expenses		4,118	3,217
Other operating income		(1,320)	(989)
		64,096	49,220
TRADING PROFIT		19,478	13,640
Interest receivable	3	-	1
Interest payable and similar charges	4	-	(58)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	19,478	13,583
TAXATION	7	7,259	5,341
PROFIT FOR THE FINANCIAL PERIOD		12,219	8,242
Dividends	8	7,950	7,515
RETAINED PROFIT FOR THE PERIOD		4,269	727
		=====	=====

STATEMENT OF RETAINED PROFITS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989

Retained profits at beginning of period	33,931
Retained profit for the period	4,269
Realised revaluation surplus	3
Investments in subsidiaries written down	(38,203)
Profit and loss account carried forward	Nil
	=====

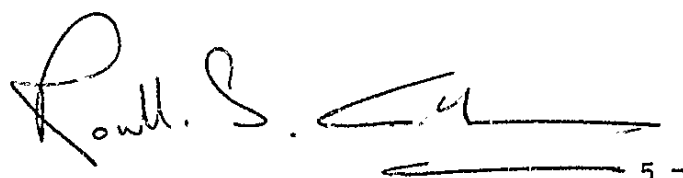
SUPERDRUG STORES P.L.C.

BALANCE SHEET
AS AT 28 JANUARY 1989

	<u>Notes</u>	<u>28 January</u> <u>1989</u> <u>£'000</u>	<u>30 January</u> <u>1988</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	9	72,881	46,600
Investments	10	1,844	38
		<u>74,725</u>	<u>46,638</u>
CURRENT ASSETS			
Stocks - Goods for resale		-	30,812
Debtors	11	9,295	8,108
Cash at bank and in hand		-	152
		<u>9,295</u>	<u>39,072</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>78,001</u>	<u>44,603</u>
NET CURRENT LIABILITIES		<u>(68,706)</u>	<u>(5,531)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,019</u>	<u>41,107</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	<u>-</u>	<u>1,154</u>
		<u>6,019</u> =====	<u>39,953</u> =====
CAPITAL AND RESERVES			
Called up share capital	14	3,551	3,551
Share premium account		1,581	1,581
Revaluation reserve	15	887	890
Profit and loss account		-	33,931
		<u>6,019</u> =====	<u>39,953</u> =====

The financial statements on pages 4 to 13 were approved by the Board on 4 October 1989 and were signed on its behalf by:

 Directors


5 -

SUPERDRUG STORES P.L.C.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989

	52 weeks ended 28 January 1989 £'000	48 weeks ended 30 January 1988 £'000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	19,478	13,583
Adjustments for items not involving the movement of funds:		
Depreciation	6,544	4,889
Profit on disposal of tangible fixed assets	(46)	(189)
TOTAL GENERATED FROM OPERATIONS	<u>25,975</u>	<u>18,283</u>
Proceeds from sale of tangible fixed assets	839	3,165
Issue of share capital	-	1,445
	<u>26,815</u>	<u>22,893</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	33,618	12,924
Purchase of investments	40,009	-
Taxation paid	4,557	461
Group relief paid	4,439	-
Dividends paid	7,500	1,243
	<u>90,123</u>	<u>14,628</u>
NET SOURCE/(APPLICATION) OF FUNDS	<u>(63,308)</u>	<u>8,265</u>
	=====	=====
MOVEMENT IN WORKING CAPITAL		
Stocks	(30,812)	7,092
Debtors	1,187	5,885
Creditors	(36,889)	(5,565)
	<u>(66,514)</u>	<u>7,412</u>
Net liquid funds	<u>3,206</u>	<u>853</u>
	<u>(63,308)</u>	<u>8,265</u>
	=====	=====

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989

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

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 £307,467,000 (1988 - £222,392,000) and profit on ordinary activities before taxation of £19,478,000 (1988 - £13,583,000) 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 52 WEEKS ENDED 28 JANUARY 1989 (Continued)

3. INTEREST RECEIVABLE	52 weeks ended 28 January 1989 £'000	48 weeks ended 30 January 1988 £'000
Interest on bank deposits	Nil ===	1 ===
4. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest on bank overdrafts	Nil ===	58 ===
5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after crediting:		
Rents receivable	1,120	683
Profit on disposal of tangible assets	46	-
	=====	=====
and after charging:		
Depreciation and other amounts written off tangible fixed assets	6,544	4,889
Auditors' remuneration	30	37
Operating lease payments on stores	17,755	12,494
	=====	=====
6. DIRECTORS AND EMPLOYEES		
The average number of persons (including directors) employed by the company during the period was:		
Sales	8,337	5,500
Administration	176	122
Distribution	409	283
	=====	=====
	8,922	5,905
	=====	=====

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989 (Continued)

6. DIRECTORS AND EMPLOYEES (continued)	52 weeks ended 28 January 1989 £'000	48 weeks ended 30 January 1988 £'000
Staff costs (for the above persons) during the period were:		
Wages and salaries	31,940	23,255
Social security costs	2,392	1,886
Other pension costs	681	209
	<u>35,013</u>	<u>25,350</u>
	=====	=====

Directors' remuneration:

The remuneration paid to the directors was:

Fees	-	-
Other emoluments	541	531
	===	===

Fees and other emoluments disclosed above
(excluding pension contributions) include
amounts paid to:

Joint chairman and highest paid director	155	102
Joint chairman	149	102
	===	===

The number of directors (including the joint
chairmen) who received emoluments (excluding
pension contributions) in the following ranges
was:

	Number	Number
£ 0 - £ 5,000	2	4
£ 35,001 - £ 40,000	-	1
£ 50,001 - £ 55,000	1	1
£ 60,001 - £ 65,000	1	-
£ 75,001 - £ 80,000	-	1
£100,001 - £105,000	-	2
£120,001 - £125,000	1	-
£145,001 - £150,000	1	-
£150,001 - £155,000	1	-
	===	===

The number of senior employees of the company,
other than directors, who received remuneration
(excluding pension contributions) in the
following ranges was:

£ 30,001 - £ 35,000	4	-
£ 35,001 - £ 40,000	5	-
£ 40,001 - £ 45,000	5	-
£ 45,001 - £ 50,000	3	-
£ 50,001 - £ 55,000	1	-
	===	===

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989 (Continued)

	52 weeks ended 28 January 1989 £'000	48 weeks ended 30 January 1988 £'000
7. TAXATION		
United Kingdom corporation tax at 35% based on the profit for the period	7,259	5,426
Adjustment to prior year tax provisions	-	(85)
	<u>7,259</u>	<u>5,341</u>
	=====	=====

8. DIVIDENDS

The directors recommend a final dividend totalling £7,950,000 for the period ending 28 January 1989.

9. TANGIBLE FIXED ASSETS

	<u>Land and buildings</u>				<u>Fixtures, fittings and equipment</u>	<u>Total</u>
	<u>Freehold property</u> £'000	<u>Long leasehold property</u> £'000	<u>Short leasehold property</u> £'000	<u>Plant and machinery</u> £'000	£'000	£'000
COST OR VALUATION						
At 31 January 1988	6,899	2,002	24,210	3,409	30,430	66,950
Additions	5,013	11	8,307	2,079	18,208	33,618
Disposals	-	-	(671)	(498)	(635)	(1,804)
At 28 January 1989	<u>11,912</u>	<u>2,013</u>	<u>31,846</u>	<u>4,990</u>	<u>48,003</u>	<u>98,764</u>
ACCUMULATED DEPRECIATION						
At 31 January 1988	177	78	5,253	2,316	12,526	20,350
Charge for the period	-	15	1,696	781	4,052	6,544
Disposals	-	-	(243)	(688)	(80)	(1,011)
At 28 January 1989	<u>177</u>	<u>93</u>	<u>6,706</u>	<u>2,409</u>	<u>16,498</u>	<u>25,883</u>
NET BOOK VALUE						
At 28 January 1989	<u>11,735</u>	<u>1,920</u>	<u>25,140</u>	<u>2,581</u>	<u>31,505</u>	<u>72,881</u>
	=====	=====	=====	=====	=====	=====
At 30 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>
	=====	=====	=====	=====	=====	=====

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 £1,761,000. Had this property not been revalued it would have been shown at a cost of £977,000 and a net book value of £579,000.

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989 (Continued)

10. INVESTMENTS	28 January 1989 £'000	30 January 1988 £'000
Shares in group companies - subsidiaries	1,844 =====	38 ===

The subsidiaries, which are set out below, are all wholly owned and incorporated in the United Kingdom.

Share Drug Stores PLC
Tip Top Drugstores plc
Elgee (Putney) Limited
Branston Bros. Limited
Elgee Drug Stores Limited
Supergirl (Cosmetics) Limited
Superguy Toiletries Limited
Superdrug Stores (Trading) Limited
Bookmania Limited
Volume 1 Bookshops Limited
Superbooks Limited

Share Drug Stores PLC and Tip Top Drugstores plc traded until 26 November 1988 when their activities were absorbed by fellow group companies. None of the other subsidiaries trade.

11. DEBTORS	28 January 1989 £'000	30 January 1988 £'000
Amounts falling due within one year:		
Amounts owed by holding company	-	3,569
Amounts owed by fellow subsidiaries	7,543	419
Prepayments	1,752	4,120
	9,295 =====	8,108 =====

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank loans and overdrafts	-	3,358
Trade creditors	-	17,935
Amount owed to holding company	54,319	-
Amounts owed to fellow subsidiaries	3,249	151
Corporation tax	7,285	4,583
Amounts owed to holding company in respect of group relief	-	4,439
Other tax and social security	5,198	3,268
Other creditors and deferred income	-	3,369
Dividend proposed	7,950	7,500
	78,001 =====	44,603 =====

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989 (Continued)

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	28 January 1989 £'000	30 January 1988 £'000
Loans from subsidiaries	- ===	1,154 =====
14. SHARE CAPITAL		
Authorised: 45,000,000 ordinary shares of 10p each	4,500 =====	4,500 =====
Allotted, called up and fully paid: 35,510,000 ordinary shares of 10p each	3,551 =====	3,551 =====
15. REVALUATION RESERVE	£'000	
Balance at 31 January 1988	890	
Realised on disposal of assets	(3) ---	
Balance at 28 January 1989	887 ===	
16. DEFERRED TAXATION		
	28 January 1989	30 January 1988
	Amount provided £'000	Amount provided £'000
	Total potential tax £'000	Total potential tax £'000
Capital allowances in excess of depreciation	- 6,923	- 4,996
Surplus on revaluation	- 310	- 346
	- 7,233 ===	- 5,342 =====
17. CAPITAL COMMITMENTS	28 January 1989 £'000	30 January 1988 £'000
Contracted for but not provided in the financial statements	5,550 =====	5,800 =====
Authorised but not yet contracted for	2,700 =====	5,700 =====

SUPERDRUG STORES P.L.C.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JANUARY 1989 (Continued)

18. OTHER FINANCIAL COMMITMENTS

At 28 January 1989 the company had annual commitments under non-cancellable operating leases for land and buildings as follows:

	28 January 1989 £'000	30 January 1988 £'000
Expiring within one year	297	113
Expiring between two and five years	2,376	1,216
Expiring in five years or more	27,030	14,954
	29,703 =====	16,283 =====

19. DIRECTORS' INTERESTS

The directors had no beneficial interests in the shares of the company.

Messrs. P.D. Goldstein, R.S. Goldstein, G. Mulcahy and A. Norman are directors of Kingfisher plc and their interests in the shares of that company are disclosed in the financial statements of that company. The interests of other directors in the shares of Kingfisher plc were as follows:

(all ordinary shares of 25p each)

	28 January 1989		30 January 1988	
	<u>Beneficial</u>	<u>Non-beneficial</u>	<u>Beneficial</u>	<u>Non-beneficial</u>
R. Goldstein	80,000	-	97,750	-
H. Goldstein	1,071,000	-	1,130,498	425,000
A. Chandler	28,720	-	34,720	-

20. ULTIMATE HOLDING COMPANY

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