

**SUPERDRUG STORES PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998**



SUPERDRUG STORES PLC

REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

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# SUPERDRUG STORES PLC

## DIRECTORS' REPORT

The Directors present their report and the financial statements for the financial year ended 31 January 1998.

### PRINCIPAL ACTIVITY

The Company trades as a retailer out of stores based in the United Kingdom.

### RESULTS, DIVIDENDS AND BUSINESS REVIEW

The profit on ordinary activities before taxation amounted to £36.5m (1997: £38.5m) and after taxation to £21.7m (1997: £22.5m). The Directors propose a final dividend of £15.0m to bring the total dividend to £16.0m (1997: £19.0m).

Both the level of business and the period end financial position were satisfactory and the Directors expect that the present level of activity will be sustained for the foreseeable future.

### ACQUISITIONS

On 28 April 1997, the Company acquired the entire issued share capital of F C Davison & Son (Chemists) Limited for consideration of £298,499.

### DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year were:

W. J. Glover (Managing Director)	(appointed 29 August 1997)
C. Ash	(resigned 3 October 1997)
R. Broadbridge	(resigned 28 February 1998)
I. R. M. Edwards	(appointed 4th April 1997)
S. Hunt	
R. E. Jones	(resigned 31 March 1998)
J. O'Connor	(appointed 27 March 1998)
S. Round	
G. C. Steele	(resigned 16 July 1997)
P. Vacassin	(resigned 30 April 1998)
K. Whitton	(appointed 30 October 1997)
L. Wright	(appointed 29 May 1998)

Details of Directors' interests in the share capital of Kingfisher plc are set out in note 16 to the financial statements.

### EMPLOYEE INVOLVEMENT

The Board regards employee involvement and effective communication as being essential to foster good employee relations, to achieve improved performance and productivity, to enhance the quality of working life, and to gain commitment to the Company's business objectives.

The prime method of communication and involvement throughout the Company is the normal day-to-day process of briefing employees through line management.

# SUPERDRUG STORES PLC

## DIRECTORS' REPORT

### DISABLED PERSONS

It is the Company's policy to give full consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who have become disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions.

### SUPPLIER PAYMENT POLICY

The Company does not impose standard payment terms on its suppliers but agrees specific terms with each. It is the company's policy to pay its suppliers in accordance with the terms which have been agreed.

The Company's average creditor payment period at 31 January 1998 was 35 days (1997: 44 days).

### YEAR 2000

The Company has followed the requirements of UITF Abstract 20 by charging the costs of rendering existing software year 2000 compliant to the profit and loss account as they are incurred. These costs amounted to £0.5m.

### CHARITABLE DONATIONS

The Company made £44,368 (1997: £132,984) in charitable donations during the period.

### TAXATION STATUS

The Company is not a close Company within the provisions of the Income and Corporation Taxes Act 1988.

### AUDITORS

The Company's auditors have indicated their willingness to accept reappointment as auditors for a further term and a resolution proposing their reappointment will be put to the annual general meeting.

### By Order of the Board



**Ian R. M. Edwards**  
*Director*

31 July 1998

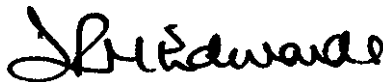
## SUPERDRUG STORES PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit for the year to that date. In preparing the financial statements the Directors are required:

- to ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.
- to take such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- to apply suitable accounting policies in a consistent manner and supported by reasonable and prudent judgements and estimates where necessary.
- to comply with all applicable accounting standards (except where any departures from this requirement are explained in the notes to the financial statements).

**By Order of the Board**



**Ian R. M. Edwards**

*Director*

31 July 1998

## **REPORT OF THE AUDITORS TO THE MEMBERS OF SUPERDRUG STORES PLC**

We have audited the financial statements on pages 5 to 17.

### **Respective responsibilities of Directors and Auditors**

As described on page 3 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.

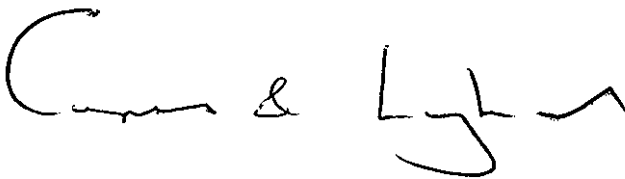
### **Basis of opinion**

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 January 1998 and of the profit for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'C & L' followed by a stylized flourish.

**Coopers & Lybrand**  
**Chartered Accountants and Registered Auditors**  
London

31 July 1998

SUPERDRUG STORES PLC

PROFIT AND LOSS ACCOUNT  
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

	<u>Notes</u>	Financial year to 31 January 1998 £'000	Financial year to 1 February 1997 £'000
TURNOVER	1	749,467	684,773
Cost of sales		(485,676)	(439,602)
GROSS PROFIT		263,791	245,171
Selling expenses		(204,052)	(186,222)
Administrative expenses		(24,317)	(21,090)
Other operating income		4,597	4,092
OPERATING PROFIT		40,019	41,951
Interest receivable and similar income		128	96
Interest payable and similar charges		(3,662)	(3,527)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	36,485	38,520
Taxation	5	(14,776)	(16,032)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		21,709	22,488
Dividends paid and proposed		(16,000)	(19,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	5,709	3,488

All operations are continuing.

The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.


The difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents, is immaterial.

SUPERDRUG STORES PLC

BALANCE SHEET  
AS AT 31 JANUARY 1998

	<u>Notes</u>	31 January 1998	1 February 1997
		£'000	£'000
<b>FIXED ASSETS</b>			
Tangible assets	6	125,222	116,990
Investments	7	-	-
<b>CURRENT ASSETS</b>			
Stock - goods for resale		103,798	91,184
Debtors	8	39,823	30,564
Cash		<u>13,734</u>	<u>14,835</u>
		157,355	136,583
<b>CREDITORS:</b>			
Amounts falling due within one year	9	<u>(268,266)</u>	<u>(242,974)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(110,911)</u>	<u>(106,391)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,311	10,599
Amounts falling due after one year		-	(223)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	10	<u>(7,572)</u>	<u>(4,800)</u>
		<u>6,739</u>	<u>5,576</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	3,551	3,551
Share premium account	12	1,581	1,581
Revaluation reserve	12	154	183
Profit and loss account	12	<u>1,453</u>	<u>261</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>6,739</u>	<u>5,576</u>

Approved by the Board.



I. R. M. Edwards  
Director

31 July 1998

## SUPERDRUG STORES PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

#### 1 ACCOUNTING POLICIES

The financial statements of the Company are made up to the nearest Saturday to 31 January each year. The financial statements have been prepared in accordance with applicable accounting standards issued by UK accounting bodies which have been consistently applied.

##### Accounting convention

The financial statements of the company are prepared under the historical cost convention, modified by the revaluation of certain land and buildings.

##### Stock

Stocks are stated at the lower of cost and net realisable value. Cost includes appropriate overheads.

##### Turnover

Turnover represents retail sales excluding value added tax.

##### Depreciation

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the company. It is the Company's policy to maintain its properties in a state of good repair to prolong their useful lives.

Depreciation of fixed assets is calculated by the straight line method and the annual rates applicable to the principal categories are:

Freehold property	- nil
Long leasehold	- over remaining period of lease
Short leasehold	- over remaining period of lease
Tenants improvements	- less than £15,000 over 5 years, more than £15,000 over life of lease
Tenants fixtures	- 10%
Computers and electronic equipment	- 20%
Motor vehicles	- 25%
Trucks	- 20%
Trailers	- 10%

## SUPERDRUG STORES PLC

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

##### 1 ACCOUNTING POLICIES (continued)

###### Leased assets

All operating lease payments are charged to the profit and loss account in the financial year to which the payment relates.

###### Fixed asset investments

Fixed asset investments are carried at cost less provision for any permanent diminution in value.

###### Goodwill

Purchased goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable assets acquired, and is written off immediately to reserves.

###### Pensions

The Company is a member of the Kingfisher Retirement Trust, a defined contribution scheme and the Kingfisher Pension Scheme, a defined benefits scheme. The assets of these funds are held under trusts which are entirely separate from the group's assets.

The cost of pensions in respect of the defined benefits scheme is charged to the profit and loss account so that it is spread over the working lives of employees. Variations to pension costs caused by differences between the assumptions used and actual experience are spread over the working lives of the current employees at each actuarial valuation date.

###### Deferred taxation

Provision is made for deferred taxation on all material timing differences to the extent that it is probable that the liability or asset will crystallise.

###### Consolidated accounts

By virtue of section 228 of the Companies Act 1985, the company does not produce consolidated accounts as it is a wholly owned subsidiary of Kingfisher plc, which is preparing consolidated accounts.

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

2	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1998	1997
		£'000	£'000
	Profit on ordinary activities before taxation is stated after crediting:		
	Rental income	4,137	2,867
	and after charging:		
	Auditors' remuneration (including expenses)		
	- for audit work	75	74
	- for non-audit work	33	66
	Operating leases - land and buildings	57,752	52,718
	- plant and equipment	574	96
	Loss on disposal of fixed assets	292	648
	Depreciation - land and buildings	426	354
	- plant and equipment	20,311	17,109
3	EMPLOYEES	1998	1997
		£'000	£'000
	Staff costs	89,281	81,165
	Social security costs	5,725	5,475
	Other pension costs	2,287	2,192
		97,293	88,832
	The average number of persons employed by the company during the period was:	1998	1997
	Stores	12,069	11,407
	Distribution	567	590
	Administration	409	358
		13,045	12,355

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

4	DIRECTORS EMOLUMENTS	1998 £'000	1997 £'000
	Aggregate emoluments	<u>1,533</u>	<u>1,392</u>
	Highest paid Director (excluding pension contributions):		
	Aggregate emoluments	<u>224</u>	<u>245</u>
	Accrued pension at year end	<u>20</u>	

The company has taken advantage of the transitional relief from giving a comparative figure for the highest paid director's accrued pension.

Retirement benefits are accruing to 7 directors (1997: 6 directors) under the Kingfisher group's defined benefit scheme.

5	TAXATION	1998 £'000	1997 £'000
	Tax charge on profit on the ordinary activities of the company for the period:		
	UK Corporation tax at 31.33% (1997 - 33%)	12,812	13,725
	Overseas taxation	23	-
	Double taxation relief	(23)	-
	Deferred taxation	1,528	3,399
	Over/ (under) provision in respect of prior years	<u>436</u>	<u>(1,092)</u>
		<u>14,776</u>	<u>16,032</u>

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

6 TANGIBLE FIXED ASSETS

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>COST OR VALUATION</b>			
At 1 February 1997	10,954	209,894	220,848
Reclassifications	(4)	(481)	(485)
Additions	713	31,839	32,552
Disposals	(16)	(10,040)	(10,056)
At 31 January 1998	<u>11,647</u>	<u>231,212</u>	<u>242,859</u>
<b>DEPRECIATION</b>			
At 1 February 1997	(3,267)	(100,591)	(103,858)
Reclassifications	-	485	485
Charge for period	(426)	(20,311)	(20,737)
Disposals	6	6,467	6,473
At 31 January 1998	<u>(3,687)</u>	<u>(113,950)</u>	<u>(117,637)</u>
<b>NET BOOK VALUE</b>			
At 31 January 1998	<u>7,960</u>	<u>117,262</u>	<u>125,222</u>
At 1 February 1997	<u>7,687</u>	<u>109,303</u>	<u>116,990</u>

Land and buildings may be further analysed as follows:-

	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Total 1998 £'000	Total 1997 £'000
At valuation	-	-	541	541	556
At cost	824	3,506	6,776	11,106	10,398
	<u>824</u>	<u>3,506</u>	<u>7,317</u>	<u>11,647</u>	<u>10,954</u>
Aggregate depreciation	(29)	(515)	(3,143)	(3,687)	(3,267)
Net book value:					
At 31 January 1998	<u>795</u>	<u>2,991</u>	<u>4,174</u>	<u>7,960</u>	
At 1 February 1997	<u>795</u>	<u>3,059</u>	<u>3,833</u>		<u>7,687</u>

# SUPERDRUG STORES PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

#### 7 FIXED ASSET INVESTMENTS

On 28 April 1997 the Company acquired 11,000 shares of £1 each in F.C. Davison & Son (Chemists) Limited, being 100% of its nominal share capital, for consideration of £298,499. The principle asset of F.C. Davison & Son (Chemists) Limited was the intangible goodwill associated with the pharmacy licence owned by the business. The licence was transferred to the Company and the investment has subsequently been written down to reflect the underlying value of the company's remaining assets.

Other fixed asset investments are held at nil value to reflect the underlying value of the non-trading subsidiaries.

The subsidiaries, which are set out below, are all non-trading, wholly owned and incorporated in Great Britain.

	Description of shares held
Share Drug Stores plc	Ordinary 10p shares
Tip Top Drugstores plc	Ordinary 10p shares
F.C. Davison & Son (Chemists) Limited	Ordinary £1 shares

8 DEBTORS	1998	1997
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	22,172	14,547
Amounts owed by parent company and fellow subsidiary undertakings	2,189	1,944
Other debtors	2,780	1,985
Rents paid in advance	626	462
Other prepayments	12,056	11,626
	<u>39,823</u>	<u>30,564</u>

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

9	CREDITORS	1998	1997
		£'000	£'000
	Amounts falling due within one year:		
	Bank overdrafts	20,938	1,439
	Trade creditors	49,113	54,683
	Amounts owed to parent company & fellow subsidiary undertakings	139,059	124,102
	Corporation tax	11,690	11,785
	Other taxation and social security	13,112	12,191
	Other creditors	3,053	7,391
	Accruals & deferred income	16,301	12,383
	Proposed dividend	15,000	19,000
		<u>268,266</u>	<u>242,974</u>
10	PROVISION FOR LIABILITIES & CHARGES		
		1998	1997
		£'000	£'000
	Final salary pension fund provision	722	389
	Deferred taxation provided on accelerated capital allowances	5,939	4,411
	Other provisions	911	-
		<u>7,572</u>	<u>4,800</u>
	The movement on the amount provided for deferred tax is:		
	At start of the year	4,411	1,012
	Profit and loss account	1,528	3,399
	At end of the year	<u>5,939</u>	<u>4,411</u>
	The potential amount of deferred taxation had full provision been applied is:		
	Potential liability:		
	Accelerated capital allowances	5,939	4,411
	Potential chargeable gains on properties	-	70
		<u>5,939</u>	<u>4,481</u>

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

11 CALLED UP SHARE CAPITAL

	1998	1997
	£'000	£'000
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

12 RESERVES

	Share premium account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
Balance at 1 February 1997	1,581	183	261
Retained profit for the year	-	-	5,709
Transfer from revaluation reserve to profit and loss account	-	(29)	29
Goodwill written off	-	-	(4,546)
Balance at 31 January 1998	1,581	154	1,453

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£'000	£'000
Profit for the financial year	5,709	3,488
Goodwill written off	(4,546)	(12,120)
Net addition/ (reduction) to shareholders' funds	1,163	(8,632)
Opening shareholders' funds	5,576	14,208
Closing shareholders' funds	6,739	5,576

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

14	COMMITMENTS	1998	1997
		£'000	£'000
a)	Capital commitments:		
	Contracted but not provided	4,773	6,231
	Authorised but not contracted	6,415	1,910

b) Lease commitments:

The company had annual commitments under non-cancellable operating leases as follows:-

	Land and Buildings		Other	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Expiring within one year	1,310	1,170	405	28
Expiring between two and five years	3,917	4,180	886	84
Expiring in five years or more	52,288	48,913	2	-
	57,515	54,263	1,293	112

15 PENSIONS

During the period the company made pension provisions in respect of its employees, through the Kingfisher Retirement Trust, a defined contribution scheme. On the advice of the actuary, contributions to the Kingfisher Pension Scheme, a defined benefits scheme, were made at a reduced level during the year. Full particulars of the group schemes can be found in the financial statements of the ultimate parent undertaking, Kingfisher plc.

## SUPERDRUG STORES PLC

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

#### 16 DIRECTORS' INTERESTS

The directors who held office at 31 January 1998 had the following interests in the shares of Kingfisher plc:

	<u>Ordinary shares of 25p each</u>	
	1998	1997
R. Broadbridge	-	-
I. R. M. Edwards	4,000	-
W. J. Glover	2,699	28,818
S. Hunt	8,726	7,114
S. Round	454	1,175
P. Vacassin	-	927
K. Whitton	-	-

The directors who held office at 31 January 1998 had the following interests in the share options of Kingfisher plc:-

	<u>Options for ordinary shares of 25p each</u>			
	1 Feb 1997	Granted	Exercised	31 Jan 1998
R. Broadbridge	41,126	14,803	10,050	45,879
I. R. M. Edwards	68,193 <sup>1</sup>	18,264	-	86,457
W. J. Glover	49,883 <sup>1</sup>	-	-	49,883
S. Hunt	99,888	21,284	35,347	85,825
S. Round	56,144	15,981	-	72,125
P. Vacassin	50,021	16,524	28,653	37,892
K. Whitton	61,948 <sup>1</sup>	-	-	61,948

R E Jones was a director of the parent company and details of his share interests and options can be found in the financial statements of Kingfisher plc.

In addition, G. C. Steele was granted 36,335 options and exercised 180,840 options during the year.

Full details of directors' shareholdings and options to subscribe are given in the Register of Directors' Interests. Details of the share option scheme can be found in the financial statements of Kingfisher plc.

<sup>1</sup> at date of appointment

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 1998

17 CASH FLOW STATEMENT

The Company is exempt from publishing a cash flow statement since it is a wholly owned subsidiary undertaking whose parent Company is registered in England and Wales and which publishes a group cash flow statement in accordance with FRS1.

18 RELATED PARTY TRANSACTIONS

During the year the Company traded with Time Retail Finance Limited, a fellow subsidiary undertaking and a related party. The related party provides finance to the customers of the Company in the normal course of business and on an arm's length basis, for which the company received a commission. Details of transactions during the year and year-end balances are as follows:-

Transactions with Time Retail Finance Limited

	1998	1997
	£'000	£'000
Sales financed	<u>2,157</u>	<u>1,587</u>
Net commissions receivable	<u>37</u>	<u>27</u>
Receivable at the year-end:	£'000	£'000
Sales financed	<u>103</u>	<u>26</u>
Net commissions receivable	<u>-</u>	<u>-</u>

As a wholly owned subsidiary, the company is exempt from the requirement to disclose related party transactions with other Kingfisher group undertakings under FRS 8, other than those already disclosed above.

19 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Kingfisher plc, a Company registered in England and Wales. Copies of the financial statements of the ultimate parent undertaking can be obtained from The Secretary, Kingfisher plc, North West House, 119 Marylebone Road, London NW1 5PX.