

SUPERDRUG STORES PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 FEBRUARY 1990

SUPERDRUG STORES PLC

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SUPERDRUG STORES PLC

DIRECTORS' REPORT

The directors present their report and the financial statements for the period ended 3 February 1990.

PRINCIPAL ACTIVITY

The company trades as retailers in stores in the United Kingdom.

RESULTS, DIVIDENDS AND BUSINESS REVIEW

The profit on ordinary activities before taxation amounted to £20,848,000 and after taxation to £13,059,000. The directors propose a dividend of £12,000,000. The directors propose to transfer the retained profit for the period of £1,059,000 to reserves.

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.

The company acquired the whole of the issued share capital of Medicare Limited on 18 November 1989. As of 18 November 1989, all assets, liabilities and trading activities of Medicare Limited were absorbed by Superdrug Stores PLC. The company sold its greeting card and bookshop operations after the balance sheet date.

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.

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.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period were:

R. Goldstein	(Resigned 11 May 1990)
P.D. Goldstein	
R.S. Goldstein	(Resigned 31 July 1990)
H. Goldstein	(Resigned 31 May 1990)
A. Chandler	
G. Mulcahy	
A. Norman	(Resigned 30 June 1989)
G. Brady	(Appointed 1 February 1989)
B. Muirhead	(Appointed 29 September 1989)
V. Steel	(Appointed 30 June 1989)

SUPERDRUG STORES PLC

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS (Continued)

Details of directors' interests are set out in note 14 to the financial statements.

In accordance with the company's Articles of Association Messrs. A Chandler and G. Mulcahy retire by rotation and, being eligible, offer themselves for re-election.

Mr. A. Smith was appointed Managing Director of the company on 23 March 1990.

FIXED ASSETS

The movement in the fixed assets of the company is shown in note 6 to the accounts.

CHARITABLE DONATIONS

Donations paid by the company for charitable purposes amounted to £30,000.

TAXATION STATUS

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

AUDITORS

Our auditors Deloitte Haskins & Sells have merged their practise with Coopers & Lybrand and now practice in the name of Coopers & Lybrand Deloitte. They have signed their audit report in their new name.

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

BY ORDER OF THE BOARD


B. MUIRHEAD
Secretary

12 DECEMBER 1990

AUDITORS' REPORT
TO THE MEMBERS OF SUPERDRUG STORES PLC

We have audited the financial statements on pages 4 to 14 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 3 February 1990 and of its profit and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Copers & Lybrand Deloitte

Chartered Accountants
London

12 December 1990

SUPERDRUG STORES PLC

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 3 FEBRUARY 1990

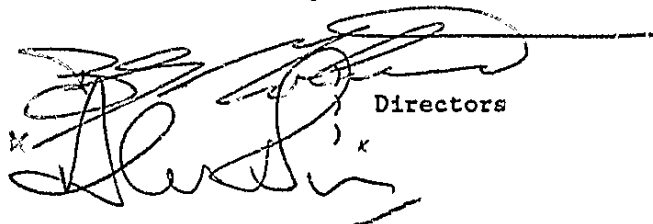
	<u>Notes</u>	<u>3 February</u> <u>1990</u> <u>£'000</u>	<u>28 January</u> <u>1989</u> <u>£'000</u>
TURNOVER	1	452,206	307,467
Cost of sales		347,087	223,893
GROSS PROFIT		105,119	83,574
Selling expenses		(81,051)	(61,298)
Administrative expenses		(4,978)	(4,118)
Other operating income		1,758	1,320
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	20,848	19,478
Taxation	5	7,789	7,259
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,059	12,219
Dividend paid and proposed		12,000	7,950
RETAINED PROFIT FOR THE YEAR		£1,059	£4,269

SUPERDRUG STORES PLC

BALANCE SHEET AS AT 3 FEBRUARY 1990

	<u>Notes</u>	<u>3 February</u> <u>1990</u>		<u>28 January</u> <u>1989</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	6	86,288		72,881	
Investments	7	7,118		1,844	
			93,406		74,725
CURRENT ASSETS					
Debtors	8	491		9,295	
		491		9,295	
CREDITORS: Amounts falling due within one year	9	(86,819)		(78,001)	
NET CURRENT ASSETS			(86,328)		(68,706)
TOTAL ASSETS LESS CURRENT LIABILITIES			7,078		6,019
			£7,078		£6,019
CAPITAL AND RESERVES					
Called up share capital	11		3,551		3,551
Share premium account	12		1,581		1,581
Revaluation reserve	12		796		887
Profit and loss account	12		1,150		-
			£7,078		£6,019

The financial statements on pages 4 to 14 were approved by the Board of Directors on 12 DECEMBER 1990 and were signed on its behalf by:


Directors

HEERDRUG STORES PLC

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE PERIOD ENDED 3 FEBRUARY 1990

	3 February 1990		28 January 1989	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Profit before exceptional item	1,059		19,478	
Adjustments for items not involving the movement of f. ls:				
Depreciation	8,665		6,544	
Reorganisation Provision	4,033		-	
		13,757		26,022
FUNDS FROM OTHER SOURCES				
Disposals of tangible fixed assets	2,145		793	
Movement in amounts owed to group companies	21,021		57,417	
		23,166		58,210
APPLICATION OF FUNDS				
Purchase of tangible fixed assets	24,217		33,618	
Investments	5,274		40,009	
Taxation paid	(93)		4,557	
Dividends paid	19,950		7,500	
Group relief	-		4,439	
		(49,348)		(90,123)
		£(12,425)		£(5,891)
INCREASE/(DECREASE) IN WORKING CAPITAL:				
Stocks		-		(30,812)
Debtors		(8,804)		1,187
Creditors		(3,621)		20,528
		(12,425)		(9,097)
Movement in net liquid funds:				
Increase/(decrease) in cash in hand and at bank		-		3,206
		£(12,425)		£(5,891)

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 FEBRUARY 1990

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with statements of standard accounting practice issued by UK accounting bodies. The particular accounting policies adopted are described below:

Accounting convention

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

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, and, in the case of freehold and long leasehold properties, the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties.

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

Freehold property	- nil
Short leasehold	- over remaining period of the lease
Tenants improvements	- over estimated useful life
Tenants fixtures	- 15%
Computers and electronic equipment	- 20%
Motor vehicles	- 25%
Trucks	- 20%
Trailers	- 10%

Leased assets

The value of assets held under finance leases is not material and compliance with SSAP 21 in respect of these assets is, therefore, not required.

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

Capitalisation of interest

Interest incurred on borrowings to finance major property developments is included in the cost of the project.

Fixed asset investments

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

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 FEBRUARY 1990 (Continued)

1. ACCOUNTING POLICIES (Continued)

Pensions

The company is a member of the defined contribution and defined benefits schemes of Kingfisher plc. 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 group's defined benefit schemes 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 except where the directors consider that it is unlikely to become payable in the foreseeable future.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1990 £'000	1989 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rental income	1,616	1,120
and after charging:		
Auditors' remuneration (including expenses)	57	30
Lease payments:		
Operating leases - land and buildings	31,145	17,755
Depreciation - land and buildings	2,153	1,711
- plant and equipment	6,512	4,833
	<hr/>	<hr/>
3. EMPLOYEES	1990 £'000	1989 £'000
Staff costs:		
Wages and salaries	50,380	31,940
Social security costs	3,726	2,392
Other pension costs	600	681
	<hr/>	<hr/>
	£54,706	£35,013
	<hr/>	<hr/>
	Number	Number
The average number of persons employed by the company during the period was:		
Stores	10,637	8,337
Distribution	479	409
Administration	221	176
	<hr/>	<hr/>
	11,337	8,922
	<hr/>	<hr/>

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 FEBRUARY 1990 (Continued)

3. EMPLOYEES (Continued)

	<u>1990</u> Number	<u>1989</u> Number
The number of employees whose remuneration (excluding pension contributions) was within the following bands was:		
£30,000 - £35,000	9	4
£35,001 - £40,000	9	5
£40,001 - £45,000	6	5
£45,001 - £50,000	1	3
£50,001 - £55,000	1	1
£60,001 - £65,000	4	-
£65,001 - £70,000	1	-
£70,001 - £75,000	3	-

4. DIRECTORS

	<u>1990</u> £'000	<u>1989</u> £'000
Staff costs include the following emoluments of directors:		
Other emoluments (including pension contributions)	1,210	541
	<u>1,210</u>	<u>541</u>

Directors' remuneration includes amounts paid to the company's two joint Chairmen and Managing Directors, who were also the highest paid directors:

P.D. Goldstein	346	149
R.S. Goldstein	346	155
The joint chairman and managing director and highest paid director	346	155

	Number	Number
The number of other directors whose remuneration was within the following bands was:		
£ 0 - £ 5,000	3	2
£ 35,001 - £ 40,000	1	-
£ 50,001 - £ 55,000	-	1
£ 60,001 - £ 65,000	-	1
£ 70,001 - £ 75,000	1	-
£ 85,001 - £ 90,000	1	-
£ 90,001 - £ 95,000	1	-
£120,001 - £125,000	-	1
£235,001 - £240,000	1	-

SUPERDRUG SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 FEBRUARY 1990 (Continued)

5.	TAXATION	1990 £'000	1989 £'000	
	Tax charge on profit on the ordinary activities of the company for the year:			
	U.K. Corporation tax at 35% (1989 - 35%)	7,789	7,259	
		<u>£7,789</u>	<u>£7,259</u>	
6.	TANGIBLE FIXED ASSETS	Fixtures, fittings and equipment	Total	
	Land and buildings	£'000	£'000	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	
	COST OR VALUATION			
	At 29 January 1989	45,771	52,993	98,764
	Reclassifications	5,206	(5,206)	-
	Additions	11,398	12,819	24,217
	Disposals	(1,370)	(2,245)	(3,615)
	Adjustment to opening balance	886	-	886
	At 3 February 1990	<u>61,891</u>	<u>58,361</u>	<u>120,252</u>
	DEPRECIATION			
	At 29 January 1989	6,976	18,907	25,883
	Charge for year	2,153	6,512	8,665
	Disposals	(248)	(1,222)	(1,470)
	Adjustment to opening balance	396	490	886
	At 3 February 1990	<u>9,277</u>	<u>24,687</u>	<u>33,964</u>
	NET BOOK VALUES			
	At 3 February 1990	<u>£52,614</u>	<u>33,674</u>	<u>86,288</u>
	At 28 January 1989	<u>£38,795</u>	<u>£34,086</u>	<u>£72,881</u>
	At valuation	2,798	-	2,798
	At cost	<u>58,942</u>	<u>58,363</u>	<u>117,305</u>
		<u>61,740</u>	<u>58,363</u>	<u>120,103</u>
	Aggregate depreciation	<u>9,126</u>	<u>24,689</u>	<u>33,815</u>
		<u>9,126</u>	<u>24,689</u>	<u>33,815</u>
	Net book amount:			
	At 3 February 1990	<u>£52,614</u>	<u>£33,674</u>	<u>£86,288</u>
	At 28 January 1989	<u>£38,795</u>	<u>£34,086</u>	<u>£72,881</u>

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 FEBRUARY 1990 (Continued)

6. TANGIBLE FIXED ASSETS (Continued)

If land and buildings had not been revalued, they would have been included at the following:

	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
Cost	977	977
Aggregate depreciation	438	398
Net amount	<u>£539</u>	<u>£579</u>

7. FIXED ASSET INVESTMENTS

Investments in
subsidiaries and
related companies
£'000

Cost	
At 29 January 1989	1,844
Additions	5,274
At 3 February 1990	<u>£7,118</u>

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
Medicare Limited
Medicare Properties Limited
Superdrug Book Stores Limited

Medicare Limited traded until 18 November 1989 when its activities were absorbed by fellow group companies. None of the other subsidiaries trade. Volume 1 Bookshops Limited was sold on 30 June 1990.

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 FEBRUARY 1990 (Continued)

8. DEBTORS	<u>1990</u>	<u>1989</u>
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by subsidiaries	-	7,543
Rents paid in advance	195	-
Prepayments	296	1,752
	<u>£491</u>	<u>£9,295</u>
9. CREDITORS	<u>1990</u>	<u>1989</u>
	£'000	£'000
Amounts falling due within one year:		
Amounts owed to holding company and fellow subsidiaries	66,589	57,568
Corporation tax	7,378	7,285
Other taxation and social security	8,819	5,198
Proposed dividend	-	7,950
Reorganisation Provision	4,033	-
	<u>£86,819</u>	<u>£78,001</u>

10. DEFERRED TAXATION

The amounts of deferred taxation provided and unprovided in the accounts are:

	<u>Provided</u>		<u>Unprovided</u>	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	£'000	£'000	£'000	£'000
Potential liability:				
Accelerated capital allowances	-	-	3,439	6,923
Chargeable gains on revaluation of properties	-	-	279	310
	<u>£ -</u>	<u>£ -</u>	<u>£3,718</u>	<u>£7,233</u>

11. CALLED UP SHARE CAPITAL

	<u>1990</u>	<u>1989</u>
	£	£
Authorised:		
45,000,000 Ordinary shares of 10p each	4,500	4,500
Allotted and fully paid:		
35,510,000 Ordinary shares of 10p each	3,551	3,551

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 FEBRUARY 1990 (Continued)

12. RESERVES

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Balance at 29 January 1989	1,581	887	-
Profit for the year	-	-	1,059
Release of revaluation reserve	-	(91)	91
	<u>£1,581</u>	<u>£796</u>	<u>£1,150</u>

13. COMMITMENTS

	<u>1990</u> £'000	<u>1989</u> £'000
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(a) Capital commitments:

Contracted but not provided	4,935	5,550
Authorised but not contracted	13,125	2,700

(b) Lease commitments:

	<u>1990</u> £'000	<u>Land and buildings</u> 1989 £'000
The company had annual commitments under non-cancellable operating leases as follows:		
Expiring within one year	205	297
Expiring between two and five years	2,358	2,376
Expiring in five years or more	32,694	27,030
	<u>£35,257</u>	<u>£29,703</u>

14. PENSIONS

During the year the company made pension provisions in respect of its employees, either through the Kingfisher Pension scheme, a defined benefits scheme or the Kingfisher Retirement Trust, a defined contribution scheme. Full particulars of the group schemes can be found in the financial statements of the ultimate holding company, Kingfisher plc.

15. DIRECTORS' INTERESTS IN SHARES AND LOAN STOCK

Messrs. P.D. Goldstein, R.S. Goldstein, G. Mulcahy, and V. Steel are directors of Kingfisher PLC and their interests in the shares of Kingfisher PLC are disclosed in the financial statements of that company.

SUPERDRUG STORES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 FEBRUARY 1990 (Continued)

15. DIRECTORS' INTERESTS IN SHARES AND LOAN STOCK (Continued)

The interests of other directors in the shares of Kingfisher PLC were as follows:

	<u>3 February</u> <u>1990</u>	<u>28 January</u> <u>1989</u>
	<u>Beneficial</u>	<u>Beneficial</u>
R. Goldstein	80,000	80,000
H. Goldstein	1,071,000	1,071,000
A. Chandler	28,720	28,720

16. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Kingfisher PLC, a company incorporated in Great Britain.