

SCOTTS CHEMISTS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

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18 APR 1990

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YEAR ENDED 30th JUNE 1989

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SCOTT'S CHEMISTS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 30th June 1989.

Principal activities and business review

The principal activities of the company during the year were as retail chemists operating in England.

Results and dividends

The profit on ordinary activities after taxation amounted to £3,711 (1988: £19,716). The directors do not recommend the payment of a dividend.

Fixed assets

Changes in fixed assets are shown in notes 6 and 7 to the accounts.

Directors and directors' interests

The directors who served during the period under review were as follows:

A.J. Lloyd  
A.J. Vaisey  
P.E. Lloyd  
R.G. Turner  
S.W. Buckell  
J. Lomas (resigned 1st August 1988)  
P. Wilkington (appointed 1st August 1988)

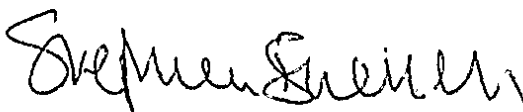
No director had any interest in the share capital of the company during the year. Messrs. A.J. Lloyd, A.J. Vaisey, P.E. Lloyd, R.G. Turner and S.W. Buckell are directors of Lloyds Chemists plc, the holding company, and their interests are disclosed in the accounts of that company.

Auditors

Our auditors Peat Marwick McLintock have informed us that they will practise under the name of KPMG Peat Marwick McLintock with effect from 1st January 1990.

In accordance with Section 384(1) of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company will be proposed of the forthcoming annual general meeting.

By Order of the Board



Secretary

AUDITORS' REPORT TO THE MEMBERS OFSCOTTS CHEMISTS LIMITED

We have audited the accounts on pages 3 to 12 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30th June 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Paul Mark M. D. L. L.*

Birmingham

Chartered Accountants

11th October 1989

SCOTTS CHEMISTS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 30th JUNE 1989

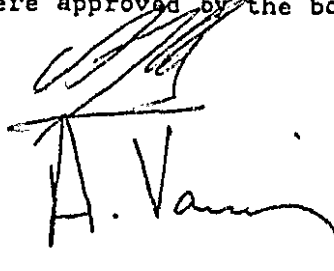
	Note	Year ended 30th June 1989 £	Period ended 30th June 1988 £
TURNOVER	1	2,476,949	3,391,390
Cost of sales		(2,011,379)	(2,588,959)
GROSS PROFIT		465,570	802,431
Distribution costs		(432,418)	(640,319)
Administrative expenses		(3,916)	(106,134)
Other operating income		3,026	-
OPERATING PROFIT		32,262	55,978
Interest payable	3	(18,664)	(45,070)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	13,598	10,908
Tax on profit on ordinary activities	5	(9,887)	8,808
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	3,711	19,716

Movements on retained reserves are shown in notes 14 and 15.

SCOTT'S CHEMISTS LIMITEDBALANCE SHEETAT 30th JUNE 1989

		1989		1988	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	6	136,707		92,374	
Investments	7	146,901		147,901	
			283,608		240,275
CURRENT ASSETS					
Stocks	8	279,095		240,334	
Debtors	9	2,539,297		213,480	
Cash at bank and in hand		899		838,757	
		2,819,291		1,292,571	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(2,879,090)		(1,309,955)	
NET CURRENT LIABILITIES			(59,799)		(17,384)
TOTAL ASSETS LESS CURRENT LIABILITIES			223,809		222,891
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11		(463,762)		(463,762)
PROVISIONS FOR LIABILITIES AND CHARGES	12		(3,707)		-
NET LIABILITIES			(243,660)		(240,871)
CAPITAL AND RESERVES					
Called up share capital	13		30,000		30,000
Goodwill write off reserve	14		(347,625)		(355,609)
Profit and loss account	15		73,965		84,738
			(243,660)		(240,871)

These accounts were approved by the board of directors on 11th October 1989.

  
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 ) DIRECTORS

SCOTT'S CHEMISTS LIMITEDSOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 30th JUNE 1989

	<u>1989</u>		<u>1988</u>	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>SOURCE OF FUNDS</b>				
Profit on ordinary activities before taxation		13,598		10,908
Adjustments for items not involving the movement of funds:				
Depreciation	29,774		102,050	
Loss/(profit) on disposal of tangible fixed assets	<u>7,894</u>		<u>(63,775)</u>	
		<u>37,668</u>		<u>38,275</u>
<b>FUNDS GENERATED FROM OPERATIONS</b>		<u>51,266</u>		<u>49,183</u>
Proceeds of sale of tangible fixed assets	-		168,199	
Transfer of fixed assets	-		9,780	
Proceeds of sale of investments	1,000		-	
Increase in creditors falling due after more than one year	<u>-</u>		<u>463,762</u>	
		1,000		641,741
<b>APPLICATION OF FUNDS</b>				
Purchase of fixed assets	(82,001)		(129,175)	
Purchase of goodwill	(6,500)		(196,000)	
Tax paid	-		(11,209)	
Bank and hire purchase loan repayments	<u>-</u>		<u>(96,926)</u>	
		<u>(88,501)</u>		<u>(433,310)</u>
<b>(DECREASE)/INCREASE IN WORKING CAPITAL</b>		<u>(36,235)</u>		<u>257,614</u>
<b>COMPONENTS OF (DECREASE)/INCREASE IN WORKING CAPITAL:</b>				
Stocks	38,761		(4,924)	
Debtors	2,325,817		(67,016)	
Creditors falling due within one year	<u>(1,398,205)</u>		<u>(637,948)</u>	
		966,373		(709,888)
<b>Movement in net liquid funds:</b>				
(Decrease)/increase in cash at bank and in hand		(837,858)		967,502
Increase in bank overdraft		<u>(164,750)</u>		<u>-</u>
		<u>(36,235)</u>		<u>257,614</u>

SCOTTS CHEMISTS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 30th JUNE 19891. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:

(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

(b) Turnover

Turnover represents cash and credit sales excluding value added tax.

(c) Depreciation and amortisation of tangible fixed assets

Depreciation is calculated so as to write off the cost of tangible fixed assets over their estimated useful lives. The principal rates used are as follows:

Short leasehold land and buildings	Period of lease
Motor vehicles	25% on a reducing balance
Fixtures, fittings and equipment	10% - 20% straight line

(d) Leased assets

Assets used by the company which have been funded through finance leases are capitalised and the resulting lease obligations are included in creditors.

All other leases are operating leases and the rental charges are taken to the profit and loss account over the life of the lease.

(e) Goodwill

Goodwill arising on the acquisition of businesses or operations, which represents the excess of purchase consideration over the fair value of the separable net assets acquired, is written off to reserves.

(f) Stocks

Stocks are valued at the lower of cost and net realisable value.

(g) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

SCOTTS CHEMISTS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th JUNE 1989  
(continued)

(h) Pensions

The company is part of the pension scheme operated by the group. The group set up a defined contribution scheme on 31st March 1989 to encompass employees that were in the previous schemes and widened the membership of the new scheme to other categories of employees. The assets of the new scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the new scheme and previous schemes.

2. Staff numbers and costs

The aggregate payroll costs during the year were as follows:

	Year ended 30th June 1989 <u>£</u>	Period ended 30th June 1988 <u>£</u>
Wages and salaries	233,923	307,868
Social security costs	19,269	71,148
Other pension costs	540	3,498
	<u>253,732</u>	<u>382,514</u>

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	<u>Number</u>	<u>Number</u>
Selling	35	29
Administration	-	2
	<u>35</u>	<u>31</u>

These figures have been adjusted to include the full time equivalent of part time employees.



SCOTTS CHEMISTS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th JUNE 1989  
(continued)

3. Interest payable and similar charges

	Year ended 30th June 1989 <u>£</u>	Period ended 30th June 1988 <u>£</u>
On bank loans, overdrafts and other loans wholly repayable within five years	18,664	40,985
Finance lease and hire purchase interest	-	4,035
	<u>18,664</u>	<u>45,070</u>

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/  
(crediting) the following:

	Year ended 30th June 1989 <u>£</u>	Period ended 30th June 1988 <u>£</u>
Depreciation of tangible fixed assets	29,774	102,050
Directors' emoluments	-	27,705
Auditors' remuneration and expenses	3,000	3,350
Operating lease payments:		
Hire of plant and machinery	3,178	4,220
Other assets	33,806	56,782
Rent receivable	(3,221)	-
	<u></u>	<u></u>

5. Tax on profit on ordinary activities

	Year ended 30th June 1989 <u>£</u>	Period ended 30th June 1988 <u>£</u>
Corporation tax charge at 35% (1988: 35%) based on the profit for the year	6,180	6,041
Adjustments in respect of prior years	-	(14,849)
Deferred taxation	3,707	-
	<u>9,887</u>	<u>(8,808)</u>

SCOTTS CHEMISTS LIMITED  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30th JUNE 1989  
(continued)

6. Tangible fixed assets

	Short leasehold land and buildings	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£
<u>Cost</u>				
At 1st July 1988	33,138	63,733	167,815	264,686
Additions	8,137	4,120	69,744	82,001
Disposals	-	(43,284)	(46,820)	(90,194)
At 30th June 1989	41,275	24,569	190,739	256,583
<u>Depreciation and amortisation</u>				
At 1st July 1988	13,478	53,581	105,253	172,312
Charge for the year	3,755	3,021	22,998	29,774
Disposals	-	(43,284)	(38,926)	(82,210)
At 30th June 1989	17,233	13,318	89,325	119,876
<u>Net book value</u>				
At 30th June 1989	24,042	11,251	101,414	136,707
At 30th June 1988	19,660	10,152	62,562	92,374

7. Investments

	Shares in group companies	Unlisted securities	Total
	£	£	£
At 1st July 1988	146,901	1,000	147,901
Disposals	-	(1,000)	(1,000)
At 30th June 1989	146,901	-	146,901

The company's wholly owned subsidiary is W.A. Stroyde (Chemists) Limited which has remained dormant throughout the period. The company's total involvement in its subsidiary as at 30th June 1989 comprised:

	30th June 1989	30th June 1988
	£	£
Shares at cost	146,901	146,901
Current account - amount owing to subsidiary	(146,854)	(146,854)
	47	47

SCOTTS CHEMISTS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th JUNE 1989  
(continued)

7. Investments (continued)

Under the provisions of section 229(2) of the Companies Act 1985, the company has not prepared consolidated accounts since it is a wholly owned subsidiary of another company registered in the United Kingdom.

8. Stocks

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Goods for resale	279,095	240,334

9. Debtors

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Trade debtors	200,575	181,309
Other debtors	14,668	1,908
Amounts owed by group companies	2,324,054	30,263
	<u>2,539,297</u>	<u>213,480</u>

10. Creditors: amounts falling due within one year

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Bank overdraft	164,750	-
Trade creditors	-	7,925
Amounts owed to group companies	2,694,018	1,290,464
Corporation tax	12,414	6,234
Bank and hire purchase loans	-	5,332
Other creditors	7,908	-
	<u>2,879,090</u>	<u>1,309,955</u>

11. Creditors: amounts falling due after more than one year

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Amounts due to group companies	463,762	463,762

SCOTTS CHEMISTS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th JUNE 1989  
(continued)

12. Deferred taxation

	<u>£</u>
At 1st July 1988	-
Transfer from profit and loss account	3,707
At 30th June 1989	<u>3,707</u>

The provision for deferred taxation may be analysed as follows:

	<u>Amount provided £</u>	<u>Full potential liability £</u>
Accelerated capital allowances	<u>3,707</u>	<u>3,707</u>
13. <u>Share capital</u>		
	<u>1989 £</u>	<u>1988 £</u>
Authorised:		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
14. <u>Goodwill write off reserve</u>		
		<u>£</u>
At 1st July 1988		355,609
Goodwill written off during the year		6,500
Transfer to profit and loss account		<u>(14,484)</u>
At 30th June 1988		<u>347,625</u>
15. <u>Profit and loss account</u>		
		<u>£</u>
At 1st July 1988		84,738
Retained profit for the year		3,711
Transfer from goodwill write off reserve		<u>(14,484)</u>
		<u>73,965</u>

SCOTTS CHEMISTS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th JUNE 1989  
(continued)

16. Commitments under operating leases

	<u>Lease of land and buildings</u>	
	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Commitments which expire:		
Within one year	2,925	1,800
Between two and five years	1,950	2,925
After five years	30,350	33,550
	<u>35,225</u>	<u>38,275</u>

17. Capital commitments

Capital expenditure sanctioned by the board and outstanding at 30th June 1989 amounted to £25,000 (1988: £99,500).

Contracts placed against these sanctions so far as not provided for in these accounts amounted to £8,600 (1988: £10,000).

18. Contingent liabilities

The company guarantees the borrowings of other group companies which at 30th June 1989 amounted to £9,039,021 (1988: £4,179,979).

19. Holding company

The company is a wholly owned subsidiary of Lloyds Chemists plc, which is incorporated in England.