

CARACROWN LIMITED

FINANCIAL STATEMENTS

- for the year ended -

30TH JUNE 1998

Company No: 2423039



STRAUGHANS

Chartered Accountants
Suite 6, Coniston House,
Town Centre, Washington, Tyne and Wear. NE38 7RN

CARACROWN LIMITED

DIRECTORS

Mr C.A. Murphy
Mr T.J. Ryan
Mr P. Fieldhouse

SECRETARY

Mr T.J. Ryan

REGISTERED OFFICE

335 Benton Road,
Newcastle Upon Tyne.
NE7 7EE

AUDITORS

Straughans
Chartered Accountants
Suite 6, Coniston House,
Town Centre, Washington,
Tyne and Wear. NE38 7RN

CARACROWN LIMITED

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CARACROWN LIMITED

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 30th June 1998 .

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of retail pharmacists.

The directors consider the results for the year to be satisfactory.

YEAR 2000 ISSUE

Although our business uses a manual accounting system we could be affected by the systems used by our suppliers and customers. We have assessed the possibility of the year 2000 related failures in our significant suppliers, all of whom inform us that they are dealing with the problem.

It is impossible to guarantee that no year 2000 related problems will remain. However, the directors feel that the company will be able to deal properly with any failures that may occur.

DIVIDENDS

The directors have paid an interim dividend amounting to £20,000, and they do not recommend payment of a final dividend.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date and their interests in the company at that date and at the beginning of the year (or on appointment if later), were as follows:

	<u>Class of share</u>	<u>Number of shares</u>	
		<u>1998</u>	<u>1997</u>
Mr C.A. Murphy	Ordinary shares	333	333
Mr T.J. Ryan	Ordinary shares	333	333
Mr P. Fieldhouse	Ordinary shares	333	333

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CARACROWN LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

The auditors, Straughans, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

Date: 20/1/99

By Order of the Board

CA Murphy
Secretary

CARACROWN LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF
CARACROWN LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As described in the Directors' Report 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 affairs of the company as at 30th June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Straughans
Chartered Accountants
and Registered Auditors
Suite 6, Coniston House,
Town Centre, Washington,
Tyne and Wear. NE38 7RN

.....*Straughans*.....
Chartered Accountants
and Registered Auditors

Date: 22 / 1 / 99.

CARACROWN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1998

	Notes	1998 £	1997 £ as restated
TURNOVER		888,569	805,823
Cost of sales		(684,080)	(605,719)
GROSS PROFIT		204,489	200,104
Administrative expenses		(124,080)	(142,838)
OPERATING PROFIT	2	80,409	57,266
Interest payable	3	(13,131)	(13,301)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		67,278	43,965
Tax on profit on ordinary activities	5	(5,926)	(14,803)
PROFIT FOR THE FINANCIAL YEAR		61,352	29,162
Dividends	6	(20,000)	(20,000)
RETAINED PROFIT FOR THE YEAR	16	41,352	9,162

None of the company's activities were acquired or discontinued during the above two financial years.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 6 to 12 form part of these financial statements.

CARACROWN LIMITED

BALANCE SHEET AT 30TH JUNE 1998

	Notes	1998		1997	
		£	£	as restated	£
				£	£
FIXED ASSETS					
Intangible assets	7		138,000		149,500
Tangible assets	8		12,278		15,694
			<hr/>		<hr/>
			150,278		165,194
CURRENT ASSETS					
Stocks	9	59,661		57,691	
Debtors	10	136,591		112,391	
Cash at bank and in hand		5,135		4,696	
		<hr/>		<hr/>	
		201,387		174,778	
CREDITORS: Amounts falling due within one year	11	(237,240)		(232,433)	
		<hr/>		<hr/>	
NET CURRENT LIABILITIES			(35,853)		(57,655)
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			114,425		107,539
CREDITORS: Amounts falling due after more than one year	12		(97,187)		(131,653)
PROVISIONS FOR LIABILITIES AND CHARGES	14		(2)		(2)
			<hr/>		<hr/>
			17,236		(24,116)
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	15		999		999
Profit and loss account	16		16,237		(25,115)
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS	17		17,236		(24,116)
			<hr/>		<hr/>

The financial statements were approved by the board on 20th JANUARY 99 and signed on its behalf by

)
) Directors
)

The notes on pages 6 to 12 form part of these financial statements.

CARACROWN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

1.2 TURNOVER

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

1.3 GOODWILL

The company's policy is to write off goodwill evenly over its estimated life of 20 years.

1.4 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

Leasehold property improvements	Straight line over the life of the lease
Fixtures and fittings	15% Reducing balance
Office equipment	33.5% Reducing balance

1.5 STOCKS

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

Net realisable value is based on estimated selling price less further costs to completion and disposal.

1.6 DEFERRED TAXATION

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

1.7 LEASING AND HIRE PURCHASE

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

CARACROWN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998

2.	OPERATING PROFIT	1998 £	1997 £
	The operating profit is stated after charging:		
	Depreciation	4,546	4,614
	Amortisation of goodwill	11,500	11,500
	Auditors' remuneration	2,630	2,800
	Operating lease rentals:		
	Land and buildings	11,040	10,540
		<u> </u>	<u> </u>
3.	INTEREST PAYABLE	1998 £	1997 £
	On bank loans and overdrafts	13,131	13,301
		<u>13,131</u>	<u>13,301</u>
		<u> </u>	<u> </u>
4.	DIRECTORS AND EMPLOYEES	1998 £	1997 £
	Staff costs:		
	Wages and salaries	61,158	76,778
	Social security costs	3,988	5,679
		<u>65,146</u>	<u>82,457</u>
		<u> </u>	<u> </u>
	The average number of employees during the year was made up as follows:		
		Number	Number
	Directors	2	2
	Sales	8	8
		<u>10</u>	<u>10</u>
		<u> </u>	<u> </u>
	Directors' emoluments:	£	£
	Remuneration for management services	<u>25,529</u>	<u>42,383</u>
		<u> </u>	<u> </u>

CARACROWN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
The taxation charge comprises:		
U.K. corporation tax at 21% (1997 - 23%)	5,926	14,559
	5,926	14,559
Adjustment in respect of prior years	-	244
	5,926	14,803

6. DIVIDENDS

	1998 £	1997 £
Equity interests		
Ordinary:-		
Interim dividend paid 30th June 1998	20,000	20,000
	20,000	20,000

7. INTANGIBLE ASSETS

	Goodwill £
<u>Cost</u>	
At 1st July 1997 and At 30th June 1998	230,000
<u>Amortisation</u>	
At 1st July 1997	80,500
Charge for year	11,500
At 30th June 1998	92,000
<u>Net book value at 30th June 1998</u>	138,000
<u>Net book value at 30th June 1997</u>	149,500

CARACROWN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998

8. TANGIBLE ASSETS

	Land & buildings £	Office equipment £	Fixtures & Fittings £	Total £
<u>Cost</u>				
At 1st July 1997	20,056	1,687	21,477	43,220
Additions	—	1,130	—	1,130
At 30th June 1998	20,056	2,817	21,477	44,350
<u>Depreciation</u>				
At 1st July 1997	12,502	1,525	13,499	27,526
Charge for year	3,126	54	1,366	4,546
At 30th June 1998	15,628	1,579	14,865	32,072
<u>Net book value at 30th June 1998</u>	4,428	1,238	6,612	12,278
<u>Net book value at 30th June 1997</u>	7,554	162	7,978	15,694
			1998 £	1997 £
Analysis of net book value of land and buildings:				
Short leasehold			4,428	7,554

9. STOCKS

	1998 £	1997 £
Finished goods and goods for resale	59,661	57,691
	<u>59,661</u>	<u>57,691</u>

10. DEBTORS

	1998 £	1997 as restated £
Trade debtors	127,396	105,622
Other debtors	8,712	6,252
Prepayments and accrued income	483	517
	<u>136,591</u>	<u>112,391</u>

CARACROWN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998

11.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1998 £	1997 £
	Bank loans and overdrafts	98,702	90,764
	Trade creditors	77,195	66,411
	Corporation tax	5,926	14,559
	Other taxes and social security costs	1,516	3,998
	Directors' current accounts	49,610	30,420
	Accruals and deferred income	4,291	26,281
		<u>237,240</u>	<u>232,433</u>
12.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1998 £	1997 £
	Loans	97,187	131,653
		<u>97,187</u>	<u>131,653</u>
13.	BORROWINGS	1998 £	1997 £
	<u>The company's borrowings are repayable as follows:</u>		
	In one year, or less or on demand	98,702	90,764
	Between one and two years	39,372	36,966
	Between two and five years	53,453	71,511
	In five years or more	4,362	23,176
		<u>195,889</u>	<u>222,417</u>

Details of security:

The bank loans are secured by an unscheduled mortgage debenture dated 3rd July 1990 and a legal mortgage dated 2nd July 1990 over 335 Benton Road, Newcastle upon Tyne.

Interest is charged on loans due in more than five years at 2% above the bank base rate.

Loans due in more than five years are repayable by instalments.

CARACROWN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax is calculated at 21% (1997 - 23%) analysed over the following timing differences:

	Fully Provided 1998 £	1997 £
On the excess of capital allowances over depreciation	2	2
	<u>2</u>	<u>2</u>

15. SHARE CAPITAL

Authorised

Equity interests:

10,000 Ordinary shares of £1 each

1998 £	1997 £
10,000	10,000
<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid

Equity interests:

999 Ordinary shares of £1 each

999	999
<u>999</u>	<u>999</u>

16. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Retained profits at 1st July 1997 (as previously reported)	16,405	4,571
Prior year adjustment	(41,520)	(38,848)
	<u> </u>	<u> </u>
Retained profits at 1st July 1997 (as restated)	(25,115)	(34,277)
	<u> </u>	<u> </u>
Retained profit for the year	41,352	9,162
	<u> </u>	<u> </u>
Retained profits at 30th June 1998	16,237	(25,115)
	<u>16,237</u>	<u>(25,115)</u>

The prior year adjustment of £41,520 represents a change in the accounting treatment of advance payments received from the Pricing Prescription Authorities. All receipts are now to be treated on an earnings basis.

CARACROWN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	61,352	29,162
Dividends	(20,000)	(20,000)
	<hr/>	<hr/>
Shareholders' funds at 1st July 1997	41,352	9,162
Prior year adjustment	17,404	5,570
	(41,520)	(38,848)
	<hr/>	<hr/>
Shareholders' funds at 1st July 1997 as restated	(24,116)	(33,278)
	<hr/>	<hr/>
Shareholders' funds at 30th June 1998	17,236	(24,116)
	<hr/>	<hr/>
Represented by:-		
Equity interests	17,236	(24,116)
	<hr/>	<hr/>
	<hr/>	<hr/>

18. REVENUE COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

<u>Land and buildings</u>	1998 £	1997 £
Expiry date:		
Between one and five years	11,040	11,040
	<hr/>	<hr/>
	11,040	11,040
	<hr/>	<hr/>

19. TRANSACTIONS WITH DIRECTORS

During the year the company paid £11,040(1997: £10,540) for the rent of property and £10,987(1997: £3,017) for locum fees to Mr C Murphy, a director of the company.