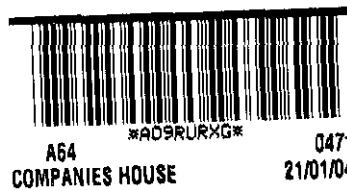


Donald Wardle and Son Limited

**Directors' report and financial
statements**

Registered number 2914910

Period ended 29 March 2003



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Donald Wardle and Son Limited	3
Profit and loss account	4
Balance sheet	5
Reconciliation of movements in shareholders' funds	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the period ended 29 March 2003.

Principal activities

The principal activity of the company is the wholesale distribution and retail of medical and surgical supplies.

Business review

The results for the period are shown in the profit and loss account of page 4.

On 8 April 2002, the entire share capital of Independent Medical Holdings Limited, the company's immediate parent undertaking, was acquired by Sants Pharmaceutical Distributors Limited, a wholly owned subsidiary of United Co-operatives Limited.

Proposed dividend

The directors do not recommend the payment of a dividend (*period ended 6 April 2002: £nil*).

Directors and directors' interests

The directors who held office during the period were as follows:

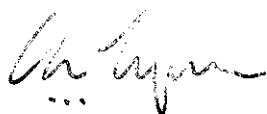
CHG Thompson (appointed 8 April 2002)
JD Brocklehurst (appointed 8 April 2002, resigned 1 July 2003)
AR Wardle (resigned 28 March 2003)
K Bridgett (resigned 27 June 2003)
AE Harvey (resigned 8 April 2002)
D Wardle (resigned 8 April 2002)
BJ Wardle (resigned 8 April 2002)
MD Beaumont (appointed 8 April 2002, resigned 7 September 2002)
PA Kew (appointed 8 April 2002, resigned 6 September 2002)
SD Smith (appointed 8 April 2002, resigned 14 February 2003)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



CHG Thompson
Director

Wood House
Etruria Road
Hanley
Stoke on Trent
ST1 5NW

18 December 2003

Statement of 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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditor to the members of Donald Wardle and Son Limited

We have audited the financial statements on pages 4 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1995. Our audit has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 as at 29 March 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

13 January 2004

Profit and loss account
for the period ended 29 March 2003

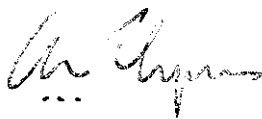
	Note	51 weeks ended 29 March 2003	53 weeks ended 6 April 2002
		£	£
Turnover			
Continuing operations		19,666,457	16,381,064
Discontinued operations		-	86,510
		<hr/>	<hr/>
Cost of sales	1	19,666,457 (14,020,814)	16,467,574 (11,431,810)
		<hr/>	<hr/>
Gross profit			
Continuing operations		5,645,643	4,979,553
Discontinued operations		-	56,211
		<hr/>	<hr/>
Distribution costs		5,645,643 (1,512,856)	5,035,764 (1,407,165)
Administrative expenses - normal		(3,643,406)	(3,092,786)
Administrative expenses - exceptional	2	-	(90,214)
		<hr/>	<hr/>
Operating profit			
Continuing operations (normal)		489,381	486,870
Continuing operations (exceptional)		-	(90,214)
Discontinued operations		-	48,943
		<hr/>	<hr/>
Profit on sale of division	2	489,381 -	445,599 209,135
		<hr/>	<hr/>
Profit on ordinary activities before interest		489,381	654,734
Interest payable and similar charges	5	(31,570)	(61,848)
Interest receivable and similar income	6	4,197	4,086
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-4	462,008	596,972
Tax on profit on ordinary activities	7	-	(169,125)
		<hr/>	<hr/>
Retained profit for the financial period		462,008	427,847
Retained profit brought forward		984,079	556,232
		<hr/>	<hr/>
Retained profit carried forward		1,446,087	984,079
		<hr/>	<hr/>

The company has no recognised gains or losses other than the profit for the current and prior period as reported above.
 Discontinued operations relate to the sale of the Clinical Waste division in August 2001.

Balance sheet
at 29 March 2003

	<i>Note</i>	29 March 2003		6 April 2002	
		£	£	£	£
Fixed assets					
Intangible assets	8		-		16,943
Tangible assets	9		428,245		245,180
			<hr/>		<hr/>
			428,245		262,123
Current assets					
Stocks	10	921,164		762,707	
Debtors	11	3,833,567		2,250,160	
Cash at bank and in hand		6,276,306		694,719	
		<hr/>		<hr/>	
		11,031,037		3,707,586	
Creditors: amounts falling due within one year	12	(9,963,195)		(2,924,297)	
		<hr/>		<hr/>	
Net current assets			1,067,842		783,289
			<hr/>		<hr/>
Total assets less current liabilities			1,496,087		1,045,412
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	13		-		(9,034)
Provisions for liabilities and charges	14		-		(2,299)
			<hr/>		<hr/>
Net assets			1,496,087		1,034,079
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15	50,000		50,000	
Profit and loss account		1,446,087		984,079	
		<hr/>		<hr/>	
Equity shareholders' funds			1,496,087		1,034,079
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 18 December 2003 and were signed on its behalf by:



CHG Thompson
Director

Reconciliation of movements in shareholders' funds
for the period ended 29 March 2003

	51 weeks ended 2 March 2003 £	53 weeks ended 6 April 2002 £
Profit for the financial period	462,008	427,847
Opening shareholders' funds	1,034,079	606,232
Closing shareholders' funds	1,496,087	1,034,079

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The period to the 29 March 2003 is a 51 week period with the comparative period to 6 April 2002 being a 53 week period.

The company is exempt from the requirement of FRS 1 to prepare a cashflow statement as it is a wholly owned subsidiary undertaking of United Norwest Co-operatives Limited, and its cash flows are incorporated in the cashflow statement of that society.

The company has, in accordance with FRS 8, taken advantage of the exemption from reporting the transactions between the company and its fellow group companies since 90% or more of the voting rights are controlled by the group and the consolidated financial statements in which the company are consolidated are publicly available.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% on cost
Property improvements	-	5% on cost
Fixtures, fittings and office equipment	-	15% - 20% on cost
Computer equipment	-	25% - 40% on cost
Motor vehicles	-	25% - 40% on cost

No depreciation is provided on freehold land.

Goodwill

Goodwill relating to a business purchased by the company is amortised over a period of five years. In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive direct economic benefit from the goodwill acquired as part of that business.

Leases

Assets acquired under finance are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company contributes to the personal pension schemes of certain directors and staff. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Stocks

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

Taxation

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. No discounting is applied to the deferred tax balance.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Notes (continued)

2 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated:</i>		
<i>after charging</i>		
Auditors' remuneration - audit	12,998	9,500
Auditors' remuneration - other services	-	10,370
Depreciation and other amounts written off tangible fixed assets:		
- owned	59,622	32,172
- leased	10,402	10,332
Amortisation of goodwill	16,943	75,174
Loss on sale of tangible fixed assets	13,549	-
Hire of other assets - operating leases	192,560	224,499
	<hr/>	<hr/>
<i>after crediting</i>		
Profit on sale of tangible fixed assets	-	1,853
Profit on sale of division	-	209,135
	<hr/>	<hr/>

Exceptional administrative expenses in 2002 of £90,214 related to a provision for the impairment of intangible fixed assets.

3 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	66,666	-
Pension contributions	2,785	-
	<hr/>	<hr/>
	69,451	-
	<hr/>	<hr/>

The directors who held office during the period were remunerated until August 2002 by the company's immediate parent undertaking, Independent Medical Holdings Limited.

Notes (continued)

4 Staff numbers and costs

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

	Number of employees	
	2003	2002
Management and administrative	48	40
Warehouse	38	41
Sales	20	16
	<hr/>	<hr/>
	106	97
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	1,478,563	1,256,376
Social security costs	107,824	169,612
Other pension costs	8,185	-
	<hr/>	<hr/>
	1,594,572	1,425,988
	<hr/>	<hr/>

5 Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts repayable within one year	26,623	22,839
Finance charges on invoice discounting scheme	-	35,630
Finance charges payable in respect of finance leases and hire purchase contracts	3,326	3,379
Other interest	1,621	-
	<hr/>	<hr/>
	31,570	61,848
	<hr/>	<hr/>

6 Interest receivable and similar income

	2003 £	2002 £
Bank interest receivable	4,197	4,086
	<hr/>	<hr/>

Notes (continued)

7 Tax on profit on ordinary activities

	2003 £	2002 £
<i>Current tax</i>		
Current tax on income for the period	-	198,655
Adjustments in respect of prior periods	-	(22,816)
	<hr/>	<hr/>
Current tax charge	-	175,839
<i>Deferred tax</i>		
Origination/reversal of timing differences	-	(6,714)
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	169,125
	<hr/>	<hr/>
	2003 £	2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	462,008	596,972
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	138,602	179,092
<i>Effects of:</i>		
Expenses not deductible for tax purposes net of income not chargeable	-	54,238
Capital allowances in period in excess of depreciation	-	(5,402)
Small companies relief	-	-
Utilisation of capital loss relief	-	(21,502)
Utilisation of group relief	(138,602)	(7,771)
Adjustments to tax charge in respect of previous periods	-	(22,816)
	<hr/>	<hr/>
Total current tax charge (see above)	-	175,839
	<hr/>	<hr/>

Notes (continued)

8 Intangible fixed assets

	Goodwill £	Licence £	Total £
Cost			
At beginning and end of period	416,189	35,000	451,189
Amortisation			
At beginning of period	399,246	35,000	434,246
Charge in period	16,943	-	16,943
At end of period	416,189	35,000	451,189
Net book value			
At 29 March 2003	-	-	-
At 6 April 2002	16,943	-	16,943

9 Tangible fixed assets

	Long leasehold land and buildings £	Property improve- ments £	Fixtures and fittings £	Computer and office equipment £	Motor vehicles £	Total £
Cost						
At beginning of period	50,000	58,045	93,163	151,120	48,067	400,395
Additions	-	222,987	6,812	37,078	22,100	288,977
Disposals	-	(6,017)	(35,518)	(48,378)	(37,770)	(127,683)
At end of period	50,000	275,015	64,457	139,820	32,397	561,689
Depreciation						
At beginning of period	2,546	10,325	52,385	80,797	9,162	155,215
Charge for period	954	15,958	13,414	34,032	5,666	70,024
On disposals	-	-	(35,193)	(48,285)	(8,317)	(91,795)
At end of period	3,500	26,283	30,606	66,544	6,511	133,444
Net book value						
At 29 March 2003	46,500	248,732	33,851	73,276	25,886	428,245
At 6 April 2002	47,454	47,720	40,778	70,323	38,905	245,180

Notes (continued)

9 Tangible fixed assets (continued)

The cost of long leasehold land and buildings includes £40,000 (2002: £40,000) of depreciable assets.

Included in the total net book value of computer and office equipment is £13,652 (2002: £22,540) in respect of assets held under hire purchase contracts. Depreciation for the period on these assets was £8,888 (2002: £8,888).

Included in the net book value of motor vehicles is £3,342 (2002: £4,856) held under hire purchase contracts. Depreciation for the period in these assets was £1,514 (2002: £1,444).

10 Stocks

	2003 £	2002 £
Finished goods and goods for resale	921,164	762,707

11 Debtors

	2003 £	2002 £
<i>Due within one year</i>		
Trade debtors	3,687,872	2,001,767
Amounts owed by group undertakings	75,501	94,411
Other debtors	12,036	42,136
Prepayments and accrued income	58,158	111,846
	3,833,567	2,250,160

12 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft	-	468,484
Obligations under finance leases and hire purchase contracts (see note 13)	8,941	12,178
Trade creditors	1,882,615	1,694,241
Amounts owed to group undertakings	7,013,352	-
Corporation tax	-	176,655
Other taxation and social security	-	82,934
Other creditors	444	1,519
Accruals and deferred income	1,057,843	488,286
	9,963,195	2,924,297

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under finance leases and hire purchase agreements	-	9,034

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2003 £	2002 £
Within one year	8,941	12,178
In the second to fifth year	-	9,034
	8,941	21,212

14 Provisions for liabilities and charges

	2003 £	2002 £
Net deferred tax liabilities	-	2,299

The elements of deferred taxation are as follows:

	2003 £	2002 £
Difference between accumulated depreciation and amortisation and capital allowances	-	2,299

15 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
50,000 ordinary shares of £1 each	50,000	50,000
<i>Allotted, called up and fully paid</i>		
50,000 ordinary shares of £1 each	50,000	50,000

Notes (continued)

16 Commitments

- (a) There were no capital commitments at the end of the financial period (2002: £nil).
- (b) Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	93,590	-	9,410
In the second to fifth years inclusive	100,000	-	-	112,004
Over five years	-	-	42,000	-
	<u>100,000</u>	<u>93,590</u>	<u>42,000</u>	<u>121,414</u>

17 Related party transactions

Mr AR Wardle and Mrs A E Harvey, who prior to 6 April 2002 were both directors of Donald Wardle and Son Limited, own one of the properties from which the company operates. The rent payable for the period amounted to £42,488 (2002: £42,670). Amounts outstanding to Mr AR Wardle and Mrs AE Harvey at 29 March 2003 amounted to £nil (6 April 2002: £nil).

AR Wardle is a director of Countrywide Care Network Limited. During the period Donald Wardle and Son Limited entered into transactions with the company amounting to £1,800 (2002: £3,275). Amounts outstanding to Countrywide Care Network Limited at 29 March 2003 amounted to £nil (6 April 2002: £353).

18 Ultimate parent company and parent undertaking

The company is a subsidiary undertaking of Independent Medical Holdings Limited which is the immediate parent company.

The company's ultimate parent society is United Co-operatives Limited, an Industrial and Provident Society incorporated in England and Wales. The consolidated accounts of this society are available to the public and may be obtained from Woodhouse, Etruria Road, Hanley, Stoke on Trent, ST1 5NW.