

Ry 1c

THORNTON & ROSS LIMITED

REPORT AND ACCOUNTS

3 DECEMBER 1995

CONTENTS

	Page
Company information	1
Directors' report	2-3
Auditors' report	4
Profit and loss account	5
Cash flow statement	6
Balance sheet	7
Notes to the accounts	8-16
The following does not form part of the statutory accounts:	
Trading and profit and loss account	17-18

Company Registration Number 185947



**THORNTON & ROSS LIMITED****COMPANY INFORMATION****Directors**

R Thornton (Chairman)  
J H Thornton (Managing Director)  
D G Brown  
D G T Greig  
M B Thornton  
N Whiteley  
J Valentine

**Secretary and registered office**

J Crawshaw  
Linthwaite Laboratories  
Linthwaite  
Huddersfield  
HD7 5QH

**Auditors**

Wheawill & Sudworth  
Chartered Accountants  
35 Westgate  
Huddersfield  
HD1 1PA

**Solicitors**

Baxter Caulfield  
13 Station Street  
Huddersfield  
HD1 1LY

**Bankers**

Barclays Bank plc  
17 Market Place  
Huddersfield  
HD1 2AB

**THORNTON & ROSS LIMITED****DIRECTORS' REPORT**

The directors present their report and accounts for the 52 weeks ended 3 December 1995.

**Directors' responsibilities for preparing the accounts**

Company law requires the directors to prepare accounts 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 accounts, the directors are required to

- ~ select suitable accounting policies and then apply them consistently;
- ~ make judgments 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 accounts;
- ~ prepare the accounts 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 accounts 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.

**Activities and business review**

The company's principal activity during the period was that of pharmaceutical manufacturing.

Turnover has increased by over 6% during the year, contributing to an improvement in the operating profit. There has been an increase in interest received and similar income. Profit before tax was £3,845,315, compared with £3,076,183 in the previous year.

The directors consider the state of the company's affairs to be satisfactory.

**Results and dividends**

The profit for the period, after taxation, amounted to £2,589,858. After total dividends of £3,245,749, the amount deducted from reserves was £655,891.

**Market value of land and buildings**

In the opinion of the directors, the present value of land and buildings is in excess of the book value of £1,120,752; however the directors consider that the amount of the excess has no significance as these assets are being retained for the company's continuing trading activities.

**Fixed assets**

Land and buildings, vehicles and plant have been acquired in the period at a cost of £553,646.

**Research and development**

Product improvement and the development of new products is a continuous aim.

# THORNTON & ROSS LIMITED

## DIRECTORS' REPORT (Continued)

### Future developments

The directors are always examining opportunities for further development of the business and its efficiencies.

### Directors and their interests

The directors during the period ended 3 December 1995 and their interests, as defined by the Companies Act 1985, in the share capital of the company at that date and 4 December 1994 were:

	Ordinary 'A'	Ordinary 'B'	Preference 'B'
Ralph Thornton		8,917	1,431
Margaret B Thornton		8,914	1,400
Nancy Whiteley	1,850	2,000	13,220
D Gerrie Brown			
Jonathan H Thornton		5,099	
David G T Greig			
R Thornton and M B Thornton as trustees		1,444	
J Valentine			

### Employment of disabled persons

Disabled persons are employed and trained whenever their aptitudes and abilities allow and suitable vacancies are available. Where an employee becomes disabled, an attempt is made to continue his or her employment and to arrange appropriate re-training or transfer if necessary.

### Employee involvement

Regular meetings are held involving employees and management at which employees are informed of matters concerning them, company development and financial and economic factors affecting the performance of the company.

### Charitable contributions

During the year the company made various charitable contributions totalling £6,929.

### Auditors

A resolution to reappoint Wheawill & Sudworth as auditors will be put to the shareholders at the Annual General Meeting.

On behalf of the board



R Thornton  
Chairman

16 April 1996

AUDITORS' REPORT TO THE SHAREHOLDERS OF  
THORNTON & ROSS LIMITED

We have audited the accounts on pages 5 to 16.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 3 December 1995 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



WHEAWILL & SUDWORTH

Registered Auditors  
Chartered Accountants

35 Westgate  
Huddersfield  
HD1 1PA  
16 April 1996

## THORNTON &amp; ROSS LIMITED

## PROFIT AND LOSS ACCOUNT

for the 52 weeks ended

3 DECEMBER 1995

Notes		1995 £	1994 £
2	Turnover	17,651,836	16,588,639
	Change in stocks of finished goods and in work in progress	104,035	284,315
		<hr/> 17,755,871	<hr/> 16,872,954
	Own work capitalised	11,952	34,308
	Other operating income	32,094	33,194
	Raw materials and consumables	(7,843,388)	(7,460,149)
3	Staff costs	(4,674,381)	(4,451,600)
11	Depreciation	(452,123)	(511,535)
	Other operating charges	(1,854,742)	(2,025,938)
		<hr/>	<hr/>
3	Operating profit	2,975,283	2,491,234
4	Interest receivable and similar income	870,265	585,098
5	Interest payable and similar charges	(233)	(149)
		<hr/>	<hr/>
	Profit on ordinary activities before taxation	3,845,315	3,076,183
6	Taxation on profit on ordinary activities	(1,255,457)	(973,766)
		<hr/>	<hr/>
	Profit for the financial period	2,589,858	2,102,417
	Retained profit brought forward	16,535,782	14,672,928
		<hr/>	<hr/>
		19,125,640	16,775,345
7	Dividends	(3,245,749)	(239,563)
		<hr/>	<hr/>
	Retained profit carried forward	15,879,891	16,535,782
		<hr/>	<hr/>

## Total recognised gains and losses

The total of recognised gains and losses for the period ended 3 December 1995 is £2,589,858 being the profit as shown above.

The notes on pages 8 to 16 form part of these accounts.

## THORNTON &amp; ROSS LIMITED

## CASH FLOW STATEMENT

for the 52 weeks ended

3 DECEMBER 1995

		1995		1994	
		£	£	£	£
Notes					
8	Net cash inflow from operating activities		3,377,495		2,619,043
	Returns on investments and servicing of finance				
	Interest and dividends received and capital gains on investments	811,993		550,522	
	Dividends paid	(3,245,749)		(239,563)	
	Interest paid and similar charges	<u>(354)</u>		<u>(27)</u>	
			(2,434,110)		310,932
	Taxation				
	Corporation tax paid (including advance corporation tax and overseas dividend tax)		(964,913)		(1,005,791)
	Investing activities				
	Payment to acquire tangible fixed assets	(496,646)		(576,580)	
	Receipts from sale of tangible fixed assets	<u>45,054</u>		<u>44,045</u>	
			(451,592)		(532,535)
9/10	(Decrease) increase in cash and cash equivalents		<u>(473,120)</u>		<u>1,391,649</u>

## THORNTON &amp; ROSS LIMITED

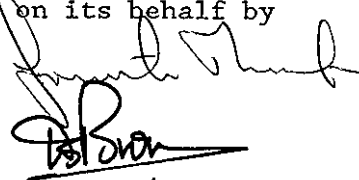
## BALANCE SHEET

3 DECEMBER 1995

Notes		1995 £	1994 £
	<b>Fixed assets</b>		
11	Tangible assets	2,542,832	2,488,610
12	Investment	1	1
		<hr/>	<hr/>
		2,542,833	2,488,611
		<hr/>	<hr/>
	<b>Current assets</b>		
13	Stocks	3,117,790	2,970,622
14	Debtors	3,503,476	3,235,304
15	Investments	1,510,990	1,507,946
	Cash at bank and in hand	11,401,659	10,247,309
		<hr/>	<hr/>
		19,533,915	17,961,181
		<hr/>	<hr/>
16	Creditors: amounts falling due within one year	(5,547,389)	(3,377,805)
	<b>Net current assets</b>	<u>13,986,526</u>	<u>14,583,376</u>
17	Deferred asset	<u>27,715</u>	<u>27,715</u>
	<b>Total assets less current liabilities</b>	16,557,074	17,099,702
18	Provision for liabilities	(502,427)	(386,917)
19	Deferred income	(41,566)	(43,813)
		<hr/>	<hr/>
	<b>Total net assets</b>	<u>16,013,081</u>	<u>16,668,972</u>
		<hr/>	<hr/>
	<b>Capital and reserves</b>		
20	Called up share capital	64,045	64,045
	Capital redemption reserve	69,145	69,145
		<hr/>	<hr/>
		133,190	133,190
	<b>Profit and loss account</b>	<hr/>	<hr/>
		15,879,891	16,535,782
		<hr/>	<hr/>
21	<b>Shareholders' funds</b>	<u>16,013,081</u>	<u>16,668,972</u>
		<hr/>	<hr/>

The accounts on pages 5 to 16 were approved by the board of directors on 16 April 1996 and signed on its behalf by

J H Thornton )  
 ) Directors  
 D G Brown )



The notes on pages 8 to 15 form part of these accounts.

## THORNTON &amp; ROSS LIMITED

## NOTES TO THE ACCOUNTS

3 DECEMBER 1995

## 1 Accounting policies

## Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

## Depreciation

The depreciation of tangible fixed assets is based on cost and is applied on the following reducing balance bases:

Freehold buildings	-	5% pa
Plant, fixtures and installations	-	15%-20% pa
Computers	-	16 2/3rds % pa
Motor vehicles:		
Commercial	-	50% pa
Cars	-	25% pa

No depreciation is provided on freehold land.

## Government grants

Government grants on capital expenditure are credited to a deferred income account and released to the credit of the profit and loss account on the same basis as the asset, upon which grant has been received, is depreciated.

## Stocks

Stocks are stated at direct cost plus attributable overheads or net realisable value if lower.

## Turnover

Turnover represents the value of goods sold and services provided net of value added tax.

## Research and development

Expenditure on research and development is written off as incurred.

## Deferred taxation

Deferred taxation is provided on the liability method at anticipated future rates of taxation on differences arising from the inclusion of income and expenditure in periods different for accounts and taxation purposes to the extent that a liability will crystallise in the foreseeable future.

## Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

## Pension commitments

The company operates a pension scheme providing benefits based on final pensionable salary and the assets of the scheme are held in a separate Trustee administered fund.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations.

## THORNTON &amp; ROSS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

3 DECEMBER 1995

## 1 Accounting policies (continued)

## Consolidated accounts

The accounts present information about the company as an individual undertaking. The company is exempt from the obligation to prepare and deliver group accounts on the grounds that the subsidiary undertaking is not material.

## 2 Turnover

The turnover and profit before taxation are attributable to the company's principal activity and to customers within the United Kingdom, the Isle of Man and the Channel Islands.

## 3 Operating profit

	1995	1994
(a) This is stated after charging:	£	£
Directors' emoluments (see below)	339,026	330,529
Auditors' remuneration: Audit services	15,750	15,200
Other services	5,225	3,800
Hire of plant and machinery	<u>5,231</u>	<u>10,147</u>
(b) Directors' emoluments:		
Management remuneration and pension contributions	317,567	309,779
Pensions to former directors	<u>21,459</u>	<u>20,750</u>
	<u>339,026</u>	<u>330,529</u>

The emoluments excluding pension contributions of the individual directors were as follows:

Chairman	74,873	73,309
Highest paid director	77,136	78,132
All the directors	Number	Number
£ 5,001 - £10,000	3	3
£45,001 - £50,000	-	2
£50,001 - £55,000	2	-
£70,001 - £75,000	1	1
£75,001 - £80,000	1	1

## (c) Particulars of staff:

The average weekly number of persons employed including directors during the year was made up as follows:

Selling and administrative	55	53
Manufacturing	<u>260</u>	<u>258</u>
	<u>315</u>	<u>311</u>
Staff costs:	£	£
Wages and salaries	3,990,988	3,841,565
Social security costs	297,441	294,552
Other pension costs	<u>385,952</u>	<u>315,483</u>
	<u>4,674,381</u>	<u>4,451,600</u>

## THORNTON &amp; ROSS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

3 DECEMBER 1995

	1995 £	1994 £
4 Interest receivable and similar income		
Company dividends (gross)		
UK listed	33,447	30,230
Overseas	11,655	9,983
Government stocks	28,039	27,710
Interest on bank and other deposits	783,029	517,175
Other interest	25	-
Surplus on disposal of investments	14,070	-
	<hr/>	<hr/>
	870,265	585,098
	<hr/>	<hr/>
5 Interest payable and similar charges		
Bank overdrafts	224	149
Loss on disposal of investment	9	-
	<hr/>	<hr/>
	233	149
	<hr/>	<hr/>
6 Taxation on profit on ordinary activities		
Based on the profit for the period:		
Corporation tax at 33% (1994 33%)	1,251,243	967,536
Tax attributable to dividends received:		
UK	6,689	6,046
Overseas	3,046	2,486
Deferred taxation:		
Charge for the year	10,000	-
Corporation tax overprovided in previous period	(15,521)	(2,302)
	<hr/>	<hr/>
	1,255,457	973,766
	<hr/>	<hr/>
7 Dividends		
'B' Cum pref shares		
(paid 9 November 1994)	913	913
Ordinary shares -		
first interim 317% (1994 302%)		
(paid 6 July 1995)	134,135	127,788
second interim 3072% (1994 262%)		
(paid 29 November 1995)	1,299,886	110,862
third interim 8239% (1994 Nil)	3,486,250	
less dividend waived	<u>1,786,297</u>	
(paid 30 November 1995)	1,699,953	-
fourth interim 262% (1994 Nil)		
(paid 1 April 1996)	110,862	-
	<hr/>	<hr/>
	3,245,749	239,563
	<hr/>	<hr/>

## THORNTON &amp; ROSS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

3 DECEMBER 1995

	1995 £	1994 £
<b>8 Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit	2,975,283	2,491,234
Depreciation	452,123	511,535
(Increase) in stocks	(147,168)	(224,365)
(Increase) decrease in debtors	(164,900)	259,309
Increase (decrease) in creditors	156,647	(518,424)
Increase in provision for discretionary pension increases	105,510	99,754
	<u>3,377,495</u>	<u>2,619,043</u>
<b>9 Analysis of changes in cash and cash equivalents during the period</b>		
Balance at 4 December 1994	11,580,230	10,188,581
Net cash (outflow) inflow	(473,120)	1,391,649
	<u>11,107,110</u>	<u>11,580,230</u>
<b>10 Analysis of balances of cash and cash equivalents as shown in the balance sheet</b>		
	<b>4 December 1994 £</b>	<b>3 December 1995 £</b>
Cash at bank and in hand	10,247,309	11,401,659
Short term investments	1,507,946	1,510,990
Bank overdraft	(175,025)	(1,805,539)
	<u>11,580,230</u>	<u>11,107,110</u>
		<u>(473,120)</u>

## NOTES ON ACCOUNTS (Continued)

11 **Tangible fixed assets**12

## THORNTON &amp; ROSS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

3 DECEMBER 1995

12 Investment in subsidiary company	1995	1994
	£	£
LCM Limited		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

The company owns 100% of the issued share capital of LCM Limited, a company registered and incorporated in England. The company is non trading.

## 13 Stocks

Raw materials and consumables	1,210,559	1,167,426
Work in progress	84,767	97,951
Finished goods and goods for resale	1,822,464	1,705,245
	<hr/>	<hr/>
	3,117,790	2,970,622
	<hr/>	<hr/>

## 14 Debtors

Trade debtors	3,003,422	3,027,411
Other debtors	2,435	2,160
Prepayments and accrued income	452,619	205,733
Corporation tax repayable	45,000	-
	<hr/>	<hr/>
	3,503,476	3,235,304
	<hr/>	<hr/>

## 15 Investments

	1995		1994	
	Market value £	Cost £	Market value £	Cost £
Listed - UK	835,476	470,504	713,546	467,839
- Overseas	922,999	350,986	779,102	350,607
	<hr/>	<hr/>	<hr/>	<hr/>
	1,758,475	821,490	1,492,648	818,446
	<hr/>	<hr/>	<hr/>	<hr/>
UK Government securities	751,732	689,500	698,004	689,500
	<hr/>	<hr/>	<hr/>	<hr/>
	2,510,207	1,510,990	2,190,652	1,507,946
	<hr/>	<hr/>	<hr/>	<hr/>

If the investments were realised at their market value at the balance sheet date a taxation liability of £193,468 would arise.

## THORNTON &amp; ROSS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

3 DECEMBER 1995

## 16 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdrafts	1,805,539	175,025
Trade creditors	1,139,801	1,031,624
Amount owed to group undertaking	1	1
Corporation tax	1,261,384	935,839
Other taxes and social security	491,674	493,991
Accruals	738,128	630,463
Proposed dividend	110,862	110,862
	<hr/>	<hr/>
	5,547,389	3,377,805
	<hr/>	<hr/>

## 17 Deferred asset

Advance corporation tax deductible from future tax liabilities	<u>27,715</u>	<u>27,715</u>
---	---------------	---------------

## 18 Provision for liabilities

	Provided		Not provided	
	1995 £	1994 £	1995 £	1994 £
Deferred taxation:				
Taxation allowances in advance of depreciation	84,000	81,000	171,000	174,000
Other timing differences	(74,000)	(81,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	10,000	-	-	-
Pension scheme commitments	492,427	386,917	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	502,427	386,917	171,000	174,000
	<hr/>	<hr/>	<hr/>	<hr/>

Movement in provisions	1995 £ Deferred Taxation	1995 £ Pension Commitments
Balance at 4 December 1994	-	386,917
Profit and Loss Account	10,000	105,510
	<hr/>	<hr/>
Balance at 3 December 1995	10,000	492,427
	<hr/>	<hr/>

## THORNTON &amp; ROSS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

3 DECEMBER 1995

19	Deferred income			1995 £	1994 £
	Government grants			<u>41,566</u>	<u>43,813</u>
20	Share capital				
		Authorised		Allotted, called up and fully paid	
		1995	1994	1995	1994
	Shares of £1 each	Number	Number	£	£
	'A' ordinary	18,400	18,400	6,650	6,650
	'B' ordinary	71,600	71,600	35,664	35,664
		<u>90,000</u>	<u>90,000</u>	<u>42,314</u>	<u>42,314</u>
	'A' 10% (now 7% plus tax credit) preference	8,000	8,000	-	-
	'B' 6% (now 4.2% plus tax credit) preference	37,000	37,000	21,731	21,731
		<u>135,000</u>	<u>135,000</u>	<u>64,045</u>	<u>64,045</u>
21	Reconciliation of movements in shareholders' funds				
				1995 £	1994 £
	Profit for the financial period			2,589,858	2,102,417
	Dividends			(3,245,749)	(239,563)
	Net (reduction) addition to shareholders' funds			<u>(655,891)</u>	<u>1,862,854</u>
	Shareholders funds' at 4 December 1994			<u>16,668,972</u>	<u>14,806,118</u>
	Shareholders funds' at 3 December 1995			<u>16,013,081</u>	<u>16,668,972</u>
22	Capital commitments				
	Capital expenditure not provided in the accounts:				
	Contracted			6,515	144,000
	Authorised by the directors but not contracted			<u>300,000</u>	<u>105,000</u>
23	Contingent liabilities				
	Indemnities with recourse			<u>17,800</u>	<u>14,800</u>

## THORNTON &amp; ROSS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

3 DECEMBER 1995

## 24 Pension commitments

The actuarial assessment at 22 June 1995 is not yet available.

The previous assessment of the scheme was made as at 22 June 1992 using the projected unit method of valuation. The main assumptions adopted in this review were that the long term investment return would be 9.5% per annum and that pensionable salary increases would average 8% per annum. At 22 June 1992 the market value of the assets of the scheme was £2,324,000. At that date the assets of the scheme were in line with the liabilities.

The pension scheme charge for the period was £356,265 (1994 £294,278) and in calculating this an allowance is made for future costs of providing discretionary increases. Such increases are normally applied on an annual basis and the provision is now shown in the accounts (Note 18) and the comparative figures have been amended accordingly.

Contributions to the scheme are 12.1% (1994 12.1%) of pensionable salaries, inclusive of employee contributions which are 5% for category A members and 3% for category B members.