

THORNTON & ROSS LIMITED
REPORT AND ACCOUNTS
1 DECEMBER 1996

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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
B Atkinson

Secretary and Registered Office

J Crawshaw
Linthwaite Laboratories
Linthwaite
Huddersfield
HD7 5QH

Auditors

Wheawill & Sudworth
Chartered Accountants
35 Westgate
Huddersfield
HD1 1PA

Bankers

Barclays Bank plc
17 Market Place
Huddersfield
HD1 2AB

Solicitors

Baxter Caulfield
13 Station Street
Huddersfield
HD1 1LY

THORNTON & ROSS LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the 52 weeks ended 1 December 1996.

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.

A fall of 2.6% in turnover and an increase in other operating costs during the period has contributed to a reduction in the operating profit. A profit of £1,066,646 realised on the sale of investments has increased the profit before taxation to £4,036,719 compared with £3,845,315 in the previous period.

The directors consider the state of the company's affairs to be satisfactory and continue to examine opportunities for further development of the business and its efficiencies.

Results and dividends

The profit for the period, after taxation, amounted to £2,752,409. After total dividends of £254,780, the amount added to reserves was £2,497,629.

The results of the period are dealt with fully in the annexed accounts.

Share capital

In 1996 certain shareholders expressed a desire to redeem their investment in the company. Consequently, on 22 November 1996 the company purchased and then cancelled 8,913 'B' ordinary shares of £1 each, representing 25% of the called up share capital of that description, for a consideration of £4,233,675.

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 £1,451,131; 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.

THORNTON & ROSS LIMITED**DIRECTORS' REPORT** (continued)**Research and development**

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

Directors and their interests

The directors during the period ended 1 December 1996 and their interests, as defined by the Companies Act 1985, in the share capital of the company at that date and 3 December 1995 were:

	'A'	Ordinary 'B'	Preference 'B'	
		1 December 1996	3 December 1995	
Ralph Thornton	-	4,461	8,917	1,431
Margaret B Thornton	-	4,457	8,914	1,400
Nancy Whiteley	1,850	2,000	2,000	13,220
D Gerrie Brown	-	-	-	-
Jonathan H Thornton	-	5,099	5,099	-
David G T Greig	-	-	-	-
R Thornton and M B Thornton (as trustees)	-	1,444	1,444	-
J Valentine	-	-	-	-

B Atkinson was appointed an additional director of the company on 20 February 1997.

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.

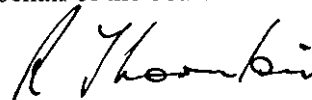
Political and charitable contributions

The company made a political contribution of £500 to the Conservative Party and various charitable contributions totalling £5,787 during the period.

Auditors

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

On behalf of the board



R THORNTON
Chairman
10 April 1997

**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 Practice 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 1 December 1996 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
10 April 1997

THORNTON & ROSS LIMITED**PROFIT AND LOSS ACCOUNT**

for the 52 weeks ended

1 DECEMBER 1996

Notes		1996 £	1995 £
2	Turnover	17,191,341	17,651,836
	Change in stocks of finished goods and in work in progress	73,096	104,035
		<u>17,264,437</u>	<u>17,755,871</u>
	Own work capitalised	22,435	11,952
	Other operating income	7,458	32,094
	Raw materials and consumables	(7,736,402)	(7,843,388)
3	Staff costs	(4,630,056)	(4,674,381)
11	Depreciation	(457,328)	(452,123)
	Other operating charges	(2,236,526)	(1,854,742)
3	Operating profit	<u>2,234,018</u>	<u>2,975,283</u>
4	Interest receivable and similar income	1,802,701	870,265
5	Interest payable and similar charges	-	(233)
	Profit on ordinary activities before taxation	<u>4,036,719</u>	<u>3,845,315</u>
6	Taxation on profit on ordinary activities	(1,284,310)	(1,255,457)
	Profit for the financial period	<u>2,752,409</u>	<u>2,589,858</u>
	Retained profit brought forward	15,879,891	16,535,782
		<u>18,632,300</u>	<u>19,125,640</u>
7	Dividends	(254,780)	(3,245,749)
20	Purchase of own shares	(4,260,368)	-
	Retained profit carried forward	<u><u>14,117,152</u></u>	<u><u>15,879,891</u></u>

Total recognised gains and losses

The total of recognised gains and losses for the 52 weeks ended 1 December 1996 is £2,752,409 being the profit as shown above.

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

THORNTON & ROSS LIMITED
CASH FLOW STATEMENT

for the 52 weeks ended

1 DECEMBER 1996

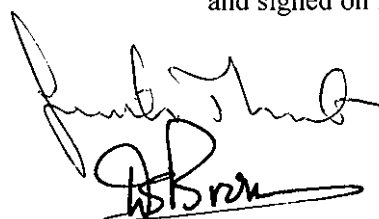
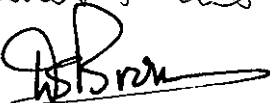
Notes	1996		1995	
	£	£	£	£
8	Net cash inflow from operating activities		3,146,085	
	Returns on investments and servicing of finance			
	Interest and dividends received and capital gains			
	on investments		811,993	
	1,876,315			
	Dividends paid		(3,245,749)	
	(251,411)			
	Interest paid and similar charges		(354)	
	-			
	Net cash inflow (outflow) from returns on and servicing of finance		1,624,904	
			(2,434,110)	
	Taxation			
	Corporation tax paid (including advance corporation tax and overseas dividend tax)		(1,258,242)	
			(964,913)	
	Investing activities			
	Payments to acquire tangible fixed assets		(496,646)	
	(756,871)			
	Receipts from sale of tangible fixed assets		45,054	
	50,961			
	Net cash outflow from investing activities		(705,910)	
			(451,592)	
	Financing activities			
20	Purchase of own shares		(4,260,368)	
			-	
9	Decrease in cash and cash equivalents		(1,453,531)	
			(473,120)	

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

THORNTON & ROSS LIMITED
BALANCE SHEET
1 DECEMBER 1996

Notes		1996 £	1995 £
	Fixed assets		
11	Tangible assets	2,788,212	2,542,832
12	Investment	1	1
		<u>2,788,213</u>	<u>2,542,833</u>
	Current assets		
13	Stocks	3,169,042	3,117,790
14	Debtors	3,350,242	3,503,476
15	Investments	551,000	1,510,990
	Bank and other deposits	9,537,804	11,401,659
		<u>16,608,088</u>	<u>19,533,915</u>
16	Creditors: amounts falling due within one year	(4,530,200)	(5,547,389)
	Net current assets	<u>12,077,888</u>	<u>13,986,526</u>
17	Deferred asset	<u>28,558</u>	<u>27,715</u>
	Total assets less current liabilities	<u>14,894,659</u>	<u>16,557,074</u>
18	Provision for liabilities	(604,877)	(502,427)
19	Deferred income	(39,440)	(41,566)
	Total net assets	<u>14,250,342</u>	<u>16,013,081</u>
	Capital and reserves		
20	Called up share capital	55,132	64,045
21	Capital redemption reserve	78,058	69,145
		<u>133,190</u>	<u>133,190</u>
	Profit and loss account	<u>14,117,152</u>	<u>15,879,891</u>
22	Shareholders' funds	<u>14,250,342</u>	<u>16,013,081</u>

The accounts on pages 5 to 16 were approved by the board of directors on 10 April 1997
and signed on its behalf by

 J H THORNTON)
) Directors
 D G BROWN)

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

THORNTON & ROSS LIMITED

NOTES TO THE ACCOUNTS

1 DECEMBER 1996

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 $\frac{2}{3}$ % 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.

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 pay 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.

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.

THORNTON & ROSS LIMITED
NOTES TO THE ACCOUNTS (continued)
1 DECEMBER 1996
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.

	1996 £	1995 £
3 Operating profit		
a) This is stated after charging:		
Directors' emoluments (see below)	352,447	339,026
Auditors' remuneration in respect of:		
Audit services	16,250	15,750
Other services	13,250	5,225
Hire of plant and machinery	5,255	5,231
	<u>352,447</u>	<u>339,026</u>
b) Directors' emoluments:		
Management remuneration and pension contributions	330,195	317,567
Pensions to former directors	22,252	21,459
	<u>352,447</u>	<u>339,026</u>

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

Chairman	77,036	74,873
Highest paid director	80,399	77,136
All the directors	Number	Number
£5,001 - £10,000	3	3
£50,001 - £55,000	1	2
£55,001 - £60,000	1	-
£70,001 - £75,000	-	1
£75,001 - £80,000	1	1
£80,001 - £85,000	1	-

THORNTON & ROSS LIMITED

NOTES TO THE ACCOUNTS (continued)

1 DECEMBER 1996

3	Operating profit (continued)	1996 £	1995 £
c)	Particulars of staff: The average weekly number of persons employed including directors during the year was made up as follows:		
	Selling and administrative	52	55
	Manufacturing	242	260
		<u>294</u>	<u>315</u>
	Staff costs:		
	Wages and salaries	3,939,864	3,990,988
	Social security costs	292,483	297,441
	Other pension costs	397,709	385,952
		<u>4,630,056</u>	<u>4,674,381</u>
4	Interest receivable and similar income		
	Company dividends (gross):		
	UK listed	12,110	33,447
	Overseas	4,083	11,655
	Government stocks	28,421	28,039
	Interest on bank and other deposits	691,441	783,029
	Other interest	-	25
	Profit on disposal of investments	1,066,646	14,070
		<u>1,802,701</u>	<u>870,265</u>
5	Interest payable and similar charges		
	Bank overdrafts	-	224
	Loss on disposal of investment	-	9
		<u>-</u>	<u>233</u>

THORNTON & ROSS LIMITED

NOTES TO THE ACCOUNTS (continued)

1 DECEMBER 1996

		1996 £	1995 £
6	Taxation on profit on ordinary activities		
	Based on the profit for the period:		
	Corporation tax at 33% (1995 33%)	1,291,005	1,251,243
	Tax attributable to dividends received:		
	UK	2,422	6,689
	Overseas	816	3,046
	Deferred taxation (release) charge for the period	(10,000)	10,000
		<u>1,284,243</u>	<u>1,270,978</u>
	Corporation tax under (over) provided in a previous period	67	(15,521)
		<u>1,284,310</u>	<u>1,255,457</u>
7	Dividends	1996 £	1995 £
	'B' Cumulative preference shares (paid 14 November 1996)	913	913
	Ordinary shares:		
	first interim £3.30 per share (1995 £3.17 per share) (paid 12 July 1996)	139,636	134,135
	second interim £3.42 per share (1995 £30.72 per share) (paid 27 March 1997)	114,231	1,299,886
	third interim £nil (1995 £82.39 per share) less dividend waived	- -	<u>3,486,250</u> <u>1,786,297</u>
	fourth interim £nil (1995 £2.62 per share)	-	1,699,953 110,862
		<u>254,780</u>	<u>3,245,749</u>
8	Reconciliation of operating profit to net cash inflow from operating activities	1996 £	1995 £
	Operating profit	2,234,018	2,975,283
	Depreciation	457,328	452,123
	Increase in stocks	(51,252)	(147,168)
	Decrease (increase) in debtors	372,743	(164,900)
	Increase in creditors	20,798	156,647
	Increase in provision for discretionary pension increases	112,450	105,510
		<u>3,146,085</u>	<u>3,377,495</u>

THORNTON & ROSS LIMITED

NOTES TO THE ACCOUNTS (continued)

1 DECEMBER 1996

9	Analysis of changes in cash and cash equivalents			1996 £	1995 £	
	Balance at 3 December 1995			11,107,110	11,580,230	
	Net cash outflow			(1,453,531)	(473,120)	
	Balance at 1 December 1996			9,653,579	11,107,110	
10	Analysis of balances of cash and cash equivalents as shown in the balance sheet			3 December 1995 £	1 December 1996 £	Change in the period £
	Cash at bank and in hand			11,401,659	9,537,804	(1,863,855)
	Short term investments			1,510,990	551,000	(959,990)
	Bank overdraft			(1,805,539)	(435,225)	1,370,314
				11,107,110	9,653,579	(1,453,531)
11	Tangible fixed assets	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
	Cost:					
	At 3 December 1995	2,463,726	4,046,668	712,286	990,428	8,213,108
	Additions	411,734	201,569	19,539	122,953	755,795
	Disposals	(495)	(496,238)	(3,518)	(126,355)	(626,606)
	At 1 December 1996	2,874,965	3,751,999	728,307	987,026	8,342,297
	Depreciation:					
	At 3 December 1995	1,342,974	3,082,427	536,194	708,681	5,670,276
	Charge for the period	81,338	211,984	35,958	130,174	459,454
	Disposals	(478)	(480,835)	(3,168)	(91,164)	(575,645)
	At 1 December 1996	1,423,834	2,813,576	568,984	747,691	5,554,085
	Net book value at:					
	1 December 1996	1,451,131	938,423	159,323	239,335	2,788,212
	3 December 1995	1,120,752	964,241	176,092	281,747	2,542,832
	Depreciation charge for the period					459,454
	Capital grants released					(2,126)
						457,328

THORNTON & ROSS LIMITED

NOTES TO THE ACCOUNTS (continued)

1 DECEMBER 1996

12	Investment in subsidiary company	1996 £	1995 £
	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 dormant company.		
13	Stocks		
	Raw materials and consumables	1,188,715	1,210,559
	Work in progress	93,818	84,767
	Finished goods and goods for resale	1,886,509	1,822,464
		<u>3,169,042</u>	<u>3,117,790</u>
14	Debtors		
	Trade debtors	2,635,798	3,003,422
	Other debtors	2,705	2,435
	Prepayments and accrued income	373,616	452,619
	Corporation tax repayable	338,123	45,000
		<u>3,350,242</u>	<u>3,503,476</u>
15	Investments		
		1996	1995
		Market value £	Market value £
		Cost £	Cost £
	Listed - UK	-	835,476
	- overseas	-	922,999
		<u>-</u>	<u>1,758,475</u>
	UK Government securities	637,626	751,732
		<u>637,626</u>	<u>2,510,207</u>
		551,000	689,500
		551,000	1,510,990

THORNTON & ROSS LIMITED

NOTES TO THE ACCOUNTS (continued)

1 DECEMBER 1996

20 Share capital

	Authorised		Allotted, called up and fully paid	
	1996 Number	1995 Number	1996 £	1995 £
Shares of £1 each				
‘A’ ordinary	18,400	18,400	6,650	6,650
‘B’ ordinary	71,600	71,600	26,751	35,664
	<u>90,000</u>	<u>90,000</u>	<u>33,401</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) cumulative preference	37,000	37,000	21,731	21,731
	<u>135,000</u>	<u>135,000</u>	<u>55,132</u>	<u>64,045</u>

Purchase of own shares

On 22 November 1996 the company purchased and then cancelled 8,913 of its ‘B’ ordinary shares representing 25% of the number of shares of that description in issue for a consideration of £4,260,368 including stamp duty and expenses.

The 6% ‘B’ preference shares rank in priority to the ordinary shares to a cumulative dividend at the rate of 4.2% plus tax credit per annum on the capital thereon and in a winding up to repayment of capital paid up or credited as paid up thereon, together with all arrears and accruals of dividend whether earned or declared or not down to the commencement of the winding up but shall not have the further right to participate in profits or assets. They shall not confer on the holders thereof the right to receive notice or to be present or vote at any General Meeting unless the preferential dividend payable thereon shall remain unpaid for six months after the due date of payment, or unless a resolution is to be proposed varying the rights of the holders of such shares as a class.

21 Capital redemption reserve	1996 £	1995 £
At 3 December 1995	69,145	69,145
Arising on the reduction in share capital following the purchase of the company’s own shares	8,913	-
	<u>78,058</u>	<u>69,145</u>

THORNTON & ROSS LIMITED

NOTES TO THE ACCOUNTS (continued)

1 DECEMBER 1996

22	Reconciliation of movements in shareholders' funds	1996	1995
		£	£
	Opening shareholders funds'	16,013,081	16,668,972
	Profit for the financial period	2,752,409	2,589,858
	Dividends	(254,780)	(3,245,749)
	Purchase of own shares	(4,260,368)	-
		<hr/>	<hr/>
	Closing shareholders funds'	14,250,342	16,013,081
		<hr/>	<hr/>
	Equity interests	14,228,611	15,991,350
	Non-equity interests	21,731	21,731
		<hr/>	<hr/>
		14,250,342	16,013,081
		<hr/>	<hr/>
23	Capital commitments		
	Capital expenditure not provided in the accounts:		
	Contracted	120,000	6,515
	Authorised by the directors but not contracted	3,300,000	300,000
		<hr/>	<hr/>
24	Contingent liabilities		
	Indemnities with recourse	17,400	17,800
		<hr/>	<hr/>
25	Pension commitments		

The company operates and makes contributions to a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in a trustee administered fund. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 22 June 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9.5% per annum, that salary increases would average 8% per annum and that increases in present and future pensions would not apply to pensions in excess of the guaranteed minimum.

The pension cost charge for the period was £367,773 (1995 £356,265).

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,971,988 and that the actuarial valuation of those assets fully cover the benefits that had accrued to members, after allowing for expected future increases in earnings. Contributions to the scheme are 11.7% (1995 12.1%) of pensionable salaries inclusive of employee contributions which are 5% for category 'A' members and 3% for category 'B' members.