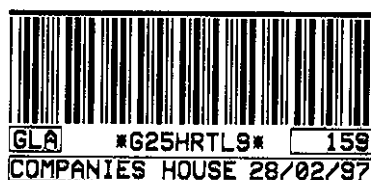


SCO 57216

DONALD MUNRO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 1996

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## DONALD MUNRO LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 1996.

## PRINCIPAL ACTIVITY

The principal activity of the company is the operating of retail chemists and dispensing pharmacies.

## REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The turnover for the year increased and margins were maintained. The increase in overheads resulted in a minor operating loss. There is no significant increase in the performance of the various outlets in the current year although turnover will increase due to the acquisition of additional retail outlets. It is the directors' opinion that the position of the company at the year end was satisfactory.

The results for the year are set out on page 5.

## DIVIDENDS AND TRANSFER TO RESERVES

Dividends of £80,160 were paid during the year and it is proposed that the deficit for the year of £16,961 be deducted from reserves.

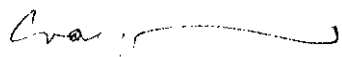
## DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year and the interests in the shares of those serving at the end of the year were as follows:

	Shares of £1 each	
	1996	1995
D H Munro	2	2
J Irvine	-	-
T C Morrisson	-	-
A D Tinning	-	-
J McAuley	-	-
J F Rae	-	-

In accordance with Section 385A of the Companies Act 1985 Messrs John Gray & Co. C.A. will continue to hold office.

By order of the board

  
Craig Morrisson  
Director

10 Stroud Road  
Kelvin Industrial Estate  
East Kilbride  
Glasgow  
27 February 1997

DONALD MUNRO LIMITED

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 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 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 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.

AUDITORS' REPORT TO THE MEMBERS OF

DONALD MUNRO LIMITED

We have audited the financial statements on pages 5 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 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.

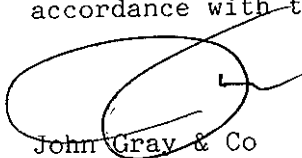
BASIS OF OPINION

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 judgments 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 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



John Gray & Co  
Chartered Accountants  
Registered Auditors  
13 Brown Street  
Port Glasgow  
27 February 1997

## DONALD MUNRO LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1996

1995		
£		£
7,312,063	Turnover - continuing operations	7,825,377
(5,465,918)	Cost of sales	(5,868,766)
<hr/>		<hr/>
1,846,145	Gross profit	1,956,611
( 929,387)	Distribution costs	(1,022,559)
( 845,966)	Administrative expenses	( 934,116)
<hr/>		<hr/>
70,792	Operating (loss)/profit - continuing operations (Note 2)	( 64)
76,300	Income from other fixed asset investments	75,500
1	Interest received	-
40,000	Income from shares in related companies	44,500
( 4,980)	Interest payable (Note 7)	( 6,098)
<hr/>		<hr/>
182,113	Profit on ordinary activities before taxation	113,838
( 64,721)	Tax on ordinary activities (Note 8)	( 50,639)
<hr/>		<hr/>
117,392	Profit for financial year	63,199
( 80,160)	Dividends paid	( 80,160)
<hr/>		<hr/>
37,232	Retained (loss)/profit for financial year (Note 18)	( 16,961)
<hr/>		<hr/>

## CONTINUING OPERATIONS

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

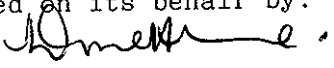
## TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit or loss in the above two financial years.

The notes on pages 7 to 14 form part of the financial statements.

## DONALD MUNRO LIMITED

## BALANCE SHEET AS AT 31 MARCH 1996

1995			£
	£		£
	FIXED ASSETS		
245,452	Intangible assets (Note 9)		444,107
268,290	Tangible assets (Note 10)		255,824
19,623	Investments (Note 11)		19,623
			<hr/>
533,365			719,554
	CURRENT ASSETS		
755,787	Stocks (Note 12)	784,510	
698,153	Debtors (Note 13)	749,090	
22,123	Cash in bank and on hand	261,704	
			<hr/>
1,476,063		1,795,304	
( 902,781)	CREDITORS DUE WITHIN ONE YEAR (Note 14)	(1,444,256)	
			<hr/>
573,282	NET CURRENT ASSETS		351,048
			<hr/>
1,106,647	TOTAL ASSETS LESS CURRENT LIABILITIES		1,070,602
( 33,020)	CREDITORS DUE AFTER MORE THAN ONE YEAR (Note 15)		( 15,036)
( 5,100)	PROVISIONS FOR LIABILITIES AND CHARGES (Note 16)		( 4,000)
			<hr/>
1,068,527	NET ASSETS		1,051,566
			<hr/>
	CAPITAL AND RESERVES		
1,000	Called up share capital (Note 17)		1,000
1,067,527	Profit and Loss Account (Note 18)		1,050,566
	These financial statements were approved by the board of directors on 27 February 1997 and were signed on its behalf by:		
			
	Donald H Munro	Director	
			<hr/>
1,068,527			1,051,566
			<hr/>

## DONALD MUNRO LIMITED

## 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.

## FIXED ASSETS AND DEPRECIATION

Depreciation is provided by the company to write off the cost of intangible and tangible fixed assets as follows:

Goodwill	5% (Straight line basis)
Heritable property	2% (Straight line basis)
Leasehold property	10% (Straight line basis)
Fixtures and fittings	10% (Straight line basis)
Motor vehicles	25% (Reducing balance basis)
Computer equipment	20% (Straight line basis)

## INVESTMENT INCOME

Income from investments is included, together with the related tax credit, in the profit and loss account of the accounting period in which it is received.

## LEASES

Where the company enters into a lease which entails taking substantially all of the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

## PENSIONS

The company is a member of the group defined contribution pension scheme operated by its parent company Strathclyde (Pharmaceuticals) Limited. The assets of the scheme are held separately from those of the group in an independently administered fund. There were no outstanding or prepaid contributions at the balance sheet date (1995 £ Nil).

## DODNALD MUNRO LIMITED

## NOTES (continued)

## STOCKS

Stocks are stated at the lower of cost and net realisable value.  
Cost is defined as Trade Cost at the year end.

## TAXATION

The charge for the year is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

## TURNOVER

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

2. OPERATING PROFIT	1996	1995
	£	£

Operating profit is stated after charging:

Auditors' remuneration	7,570	5,800
Depreciation on intangible fixed assets	43,011	18,107
Depreciation on tangible fixed assets:		
Owned	27,809	25,566
Leased	48,500	52,935
Operating lease payments:		
Land and buildings	155,158	144,200
Pension costs	27,294	29,414
Gain on disposal of assets	( 860)	( 906)

## 3. REMUNERATION OF DIRECTORS

Directors' emoluments

Remuneration as executives	200,766	183,479
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The emoluments, excluding pension contributions, of the chairman were £Nil (1995 £Nil) and those of the highest paid director were £56,064 (1995 £46,380).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

£ 1 - £ 5,000	2	2
£35,001 - £40,000	1	1
£40,001 - £45,000	1	2
£45,001 - £50,000	-	1
£55,001 - £60,000	2	-



## DONALD MUNRO LIMITED

## NOTES (continued)

## 4. STAFF NUMBERS AND COSTS

1996

1995

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

Sales and distribution	82	76
Administration	8	8
	<u>90</u>	<u>84</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	838,999	766,090
Social security costs	73,663	67,222
Other pension costs	27,294	29,414
	<u>939,956</u>	<u>862,726</u>

## 5. INCOME FROM FIXED ASSET INVESTMENTS

Unlisted	120,000	116,300
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## 6. OTHER INTEREST RECEIVED

Taxed interest	-	1
	<u>=</u>	<u>=</u>

## 7. INTEREST PAYABLE

Finance lease charges	6,098	4,980
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## 8. TAXATION

U K corporation tax at 30% (1995 31%) on the profit for the year on ordinary activities	42,839	58,221
Deferred taxation	( 1,100)	( 1,500)
Tax credit on dividends received	8,900	8,000
	<u>50,639</u>	<u>64,721</u>

## 9. INTANGIBLE FIXED ASSETS

	Cost	Aggregate Depreciation	NBV
At beginning of year	367,620	(122,168)	245,452
Purchased in year	241,666	-	241,666
Depreciation for year	-	( 43,011)	( 43,011)
At end of year	<u>609,286</u>	<u>(165,179)</u>	<u>444,107</u>

## DONALD MUNRO LIMITED

## NOTES (continued)

## 10. TANGIBLE FIXED ASSETS

Details of tangible fixed assets are as set out on page 14.

Included in the total net book value of tangible fixed assets is £63,738 (1995 £77,050) in respect of assets held under finance leases.

Depreciation for the year on these assets was £21,250 (1995 £25,687).

11. FIXED ASSET INVESTMENTS	1996 £	1995 £
Shares at cost	19,623	19,623

The companies in which the company's interest is more than 10% are as follows:

Bridgeton H C Limited	40%	40%
Woodside Pharmacy (Glasgow) Limited	25%	25%
Maryhill Dispensary Limited	12.5%	12.5%

All of the shares held are in unlisted companies incorporated in Scotland.

## 12. STOCKS

Goods for resale	784,510	755,787
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## 13. DEBTORS

Trade debtors	718,534	695,696
Prepayments and accrued income	30,556	2,457
	749,090	698,153

## 14. CREDITORS: DUE WITHIN ONE YEAR

Obligations under finance leases	33,320	42,293
Trade creditors	69,358	58,982
Corporation tax	46,209	61,590
Accruals and deferred income	47,391	36,600
Due to parent company	1,247,978	703,316
	1,444,256	902,781

The bank overdraft is secured by a floating charge over the assets of the company.

## DONALD MUNRO LIMITED

## NOTES (continued)

15. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1996 £	1995 £
Obligations under finance leases	15,036	33,020
	<u>          </u>	<u>          </u>
These obligations mature within five years.		
16. PROVISIONS FOR LIABILITIES AND CHARGES		
DEFERRED TAXATION		
At beginning of year	5,100	
Transfer to profit and loss account	1,100	
	<u>          </u>	
At end of year	4,000	
	<u>          </u>	
17. CALLED UP SHARE CAPITAL		
Authorised Shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>
Allotted, called up and fully paid Shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
18. RESERVES		
PROFIT AND LOSS ACCOUNT		
At beginning of year	1,067,527	1,030,295
Retained (loss)/profit for year	( 16,961)	37,232
	<u>          </u>	<u>          </u>
At end of year	1,050,566	1,067,527
	<u>          </u>	<u>          </u>
19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit for the financial year	63,199	117,392
Dividends	(80,160)	( 80,160)
	<u>          </u>	<u>          </u>
Net additions to shareholders' funds	(16,961)	37,232
Opening shareholders' funds	1,068,527	1,031,295
	<u>          </u>	<u>          </u>
Closing shareholders' funds	1,051,566	1,068,527
	<u>          </u>	<u>          </u>

## DONALD MUNRO LIMITED

## NOTES (continued)

## 20. CONTINGENT LIABILITIES

The company has given guarantees in respect of overdrafts and finance lease facilities granted to its parent company and fellow subsidiary. At 31 March 1996 these amounted to £7,938,766 (1995 £4,631,796).

## 21. COMMITMENTS

There were no capital commitments at the year end (1995 £Nil).

## 22. POST BALANCE SHEET EVENTS

Since the year end the company has purchased a further three outlets at a cost of £1,850,000.

The company has also purchased a further 12.5% shareholding in Maryhill Dispensary Limited at a cost of £80,800.

23. In the opinion of the directors, the company's ultimate holding company is Strathclyde (Pharmaceuticals) Limited, 10 Stroud Road, East Kilbride, which is incorporated in Scotland.

## DONALD MUNRO LIMITED

## SCHEDULE OF TANGIBLE FIXED ASSETS

	COST PRICE	AGGREGATE DEPRECIATION	WRITTEN DOWN VALUE
	£	£	£
Heritable Property			
As at 31 March 1995	-	-	-
Additions in year	32,692	-	32,692
	32,692	-	32,692
Depreciation for year	-	(646)	(646)
	32,692	(646)	32,046
Leasehold Property			
As at 31 March 1995	192,064	( 90,371)	101,693
Additions in year	-	-	-
	192,064	( 90,371)	101,693
Depreciation for year	-	( 26,841)	( 26,841)
	192,064	(117,212)	74,852
Fittings and Equipment			
As at 31 March 1995	281,502	(217,873)	63,629
Additions in year	7,076	-	7,076
	288,578	(217,873)	70,705
Depreciation for year	-	( 17,537)	(17,537)
	288,578	(235,410)	53,168
Motor Vehicles			
As at 31 March 1995	197,245	( 96,791)	100,454
Additions in year	21,450	-	21,450
	218,695	( 96,791)	121,904
Disposals in year	( 19,621)	12,842	( 6,779)
	199,074	( 83,949)	115,125
Depreciation for year	-	( 28,785)	( 28,785)
	199,074	(112,734)	86,340

## DONALD MUNRO LIMITED

## SCHEDULE OF TANGIBLE FIXED ASSETS (continued)

	COST PRICE £	AGGREGATE DEPRECIATION £	WRITTEN DOWN VALUE £
Computer Equipment			
As at March 1995	19,906	(17,392)	2,514
Additions in year	10,192	-	10,192
	30,098	(17,392)	12,706
Disposals in year	(14,183)	13,397	(786)
	15,915	( 3,995)	11,920
Depreciation for year	-	( 2,502)	(2,502)
	15,915	( 6,497)	9,418
TOTAL FIXED ASSETS			
As at 31 March 1996	728,323	(472,499)	255,824
As at 31 March 1995	690,717	(422,427)	268,290