

DONALD MUNRO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1997

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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 1997

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 significant increase in turnover and overheads in the year was mainly attributable to the acquisition of additional retail outlets. An operating loss is disclosed but after crediting other income a profit before tax was achieved. An increase in turnover is expected in the current year. 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 £56,062 be deducted from reserves.

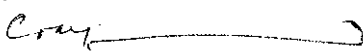
DIRECTORS AND DIRECTORS' INTERESTS

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	
	1997	1996
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
22 January 1998

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 1997 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

22 January 1998

DONALD MUNRO LIMITED

Profit and Loss Account for the year ended 31 March 1997

1996			£
	£		
7,825,377	Turnover - continuing operations	10,665,198	
(5,868,766)	Cost of sales	(8,024,471)	
1,956,611	Gross profit	2,640,727	
(1,022,559)	Distribution costs	(1,525,602)	
(934,116)	Administrative expenses	(1,180,654)	
(64)	Operating loss: continuing operations (Note 2)	(65,529)	
75,500	Income from other fixed asset investments	106,788	
44,500	Income from shares in related companies	46,000	
(6,098)	Interest payable (Note 6)	(5,189)	
113,838	Profit on ordinary activities before taxation	82,070	
(50,639)	Tax on ordinary activities (Note 7)	(57,972)	
63,199	Profit for financial year	24,098	
(80,160)	Dividends paid	(80,160)	
(16,961)	Retained (loss) for financial year (Note 18)	(56,062)	

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 1997

1996			
£		£	£
	FIXED ASSETS		
444,107	Intangible assets (Note 8)		2,096,652
255,824	Tangible assets (Note 9)		362,182
19,623	Investments (Note 10)		100,023
<u>719,554</u>			<u>2,558,857</u>
	CURRENT ASSETS		
784,510	Stocks (Note 11)	1,027,518	
749,090	Debtors (Note 12)	991,952	
261,704	Cash in bank and on hand	275,395	
<u>1,795,304</u>		<u>2,294,865</u>	
(1,444,256)	CREDITORS DUE WITHIN ONE YEAR (Note 13)	(3,808,080)	
<u>351,048</u>	NET CURRENT (LIABILITIES)/ASSETS		<u>(1,513,215)</u>
1,070,602	TOTAL ASSETS LESS CURRENT LIABILITIES		1,045,642
(15,036)	CREDITORS DUE AFTER MORE THAN ONE YEAR (Note 14)		(50,138)
(4,000)	PROVISIONS FOR LIABILITIES AND CHARGES (Note 15)		-
<u>1,051,566</u>	NET ASSETS		<u>995,504</u>
	CAPITAL AND RESERVES		
1,000	Called up share capital (Note 16)		1,000
1,050,566	Profit and Loss Account (Note 17)		994,504

These financial statements were approved by the board of directors on 22 January 1998 and were signed on its behalf by:

Donald H Munro Director

1,051,566

995,504

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 (1996 £ Nil).

DONALD 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.

	1997	1996
	£	£
2. OPERATING LOSS		
Operating loss is stated after charging:		
Auditors' remuneration	8,820	7,570
Depreciation on intangible fixed assets	117,455	43,011
Depreciation on tangible fixed assets:		
Owned	65,984	27,809
Leased	25,730	48,500
Operating lease payments:		
Land and buildings	194,368	155,158
Pension costs	27,448	27,294
Gain on disposal of assets	(10,037)	(860)
3. REMUNERATION OF DIRECTORS		
Directors' emoluments		
Remuneration as executives	221,028	200,766

The emoluments, excluding pension contributions, of the chairman were £Nil (1996 £Nil) and those of the highest paid director were £63,836 (1996 £56,064).

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
£40,001 - £45,000	1	1
£50,001 - £55,000	2	-
£55,001 - £60,000	-	2
£60,001 - £65,000	1	-

DONALD MUNRO LIMITED

NOTES (continued)

4.	STAFF NUMBERS AND COSTS	1997	1996
The average number of persons employed by the company during the year, analysed by category, was as follows:			
Sales and distribution		107	82
Administration		8	8
		<u>115</u>	<u>90</u>
The aggregate payroll costs of these persons were as follows:			
		£	£
Wages and salaries		1,159,047	838,999
Social security costs		99,080	73,663
Other pension costs		27,448	27,294
		<u>1,285,575</u>	<u>939,956</u>
5.	INCOME FROM FIXED ASSET INVESTMENTS		
Unlisted		<u>152,788</u>	<u>120,000</u>
6.	INTEREST PAYABLE		
Finance lease charges		<u>5,189</u>	<u>6,098</u>
7.	TAXATION		
U K corporation tax at 30% (1995 31%) on the profit for the year on ordinary activities		52,772	42,839
Deferred taxation		(4,000)	(1,100)
Tax credit on dividends received		9,200	8,900
		<u>57,972</u>	<u>50,639</u>
8.	INTANGIBLE FIXED ASSETS		
		Aggregate	Written
	Cost	Depreciation	Down
			Value
At beginning of year	609,286	(165,179)	444,107
Purchased in year	1,770,000	-	1,770,000
Depreciation for year	-	(117,455)	(117,455)
At end of year	<u>2,379,286</u>	<u>(282,634)</u>	<u>2,096,652</u>

DONALD MUNRO LIMITED

NOTES (continued)

9. TANGIBLE FIXED ASSETS

Details of tangible fixed assets are as set out on pages 13 and 14.

Included in the total net book value of tangible fixed assets is £104,830 (1996 £63,738) in respect of assets held under finance leases.

Depreciation for the year on these assets was £25,730 (1996 £21,250).

10. FIXED ASSET INVESTMENTS	1997 £	1996 £
Shares at cost	100,023	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	25%	12.5%

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

11. STOCKS

Goods for resale	1,027,518	784,510
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12. DEBTORS

Trade debtors	987,165	718,534
Prepayments and accrued income	4,787	30,556
	991,952	749,090

13. CREDITORS: DUE WITHIN ONE YEAR

Obligations under finance leases	43,199	33,320
Trade creditors	79,215	69,358
Corporation tax	56,141	46,209
Accruals and deferred income	55,980	47,391
Due to parent company	3,573,545	1,247,978
	3,808,080	1,444,256

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

DONALD MUNRO LIMITED

NOTES (continued)

14.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1997 £	1996 £
	Obligations under finance leases	<u>50,138</u>	<u>15,036</u>
	These obligations mature within five years.		
15.	PROVISIONS FOR LIABILITIES AND CHARGES		
	DEFERRED TAXATION		
	At beginning of year	4,000	
	Transfer to profit and loss account	<u>4,000</u>	
16.	CALLED UP SHARE CAPITAL		
	Authorised Shares of £1 each	<u>10,000</u>	<u>10,000</u>
	Allotted, called up and fully paid Shares of £1 each	<u>1,000</u>	<u>1,000</u>
17.	RESERVES		
	PROFIT AND LOSS ACCOUNT		
	At beginning of year	1,050,566	1,067,527
	Retained (loss) for year	<u>(56,062)</u>	<u>(16,961)</u>
	At end of year	<u>994,504</u>	<u>1,050,566</u>
18.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
	Profit for the financial year	24,098	63,199
	Dividends	<u>(80,160)</u>	<u>(80,160)</u>
	Net deductions from shareholders' funds	(56,062)	(16,961)
	Opening shareholders' funds	<u>1,051,566</u>	<u>1,068,527</u>
	Closing Shareholders' funds	<u>995,504</u>	<u>1,051,566</u>

DONALD MUNRO LIMITED:

NOTES (continued)

19. 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 1997 these amounted to £8,930,158 (1996 £7,938,766).

20. COMMITMENTS

There were no capital commitments at the year end (1996 £Nil).

21. 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 1996	32,692	(646)	32,046
Additions in year	-	-	-
	32,692	(646)	32,046
Depreciation for Year	-	(654)	(654)
	32,692	(1,300)	31,392
Leasehold Property			
As at 31 March 1996	192,064	(117,212)	74,852
Additions in year	-	-	-
	192,064	(117,212)	74,852
Depreciation for year	-	(27,495)	(27,495)
	192,064	(144,707)	47,357
Fittings and Equipment			
As at 31 March 1996	288,577	(235,409)	53,168
Additions in year	100,144	-	100,144
	388,721	(235,409)	153,312
Depreciation for year	-	(22,093)	(22,093)
	388,721	(257,502)	131,219
Motor Vehicles			
As at 31 March 1996	199,073	(112,733)	86,340
Additions in Year	117,731	(4,424)	113,307
	316,804	(117,157)	199,647
Disposals in Year	(58,449)	39,636	(18,813)
	258,355	(77,521)	180,834
Depreciation for Year	-	(38,301)	(38,301)
	258,355	(115,822)	142,533

DONALD MUNRO LIMITED

SCHEDULE OF TANGIBLE FIXED ASSETS (continued)

	COST PRICE	AGGREGATE DEPRECIATION	WRITTEN DOWN VALUE
	£	£	£
Computer Equipment			
As at 31 March 1996	15,915	(6,497)	9,418
Additions in year	3,435	-	3,435
	19,350	(6,497)	12,853
Depreciation for Year	-	(3,172)	(3,172)
	19,350	(9,669)	9,681
TOTAL FIXED ASSETS			
As at 31 March 1997	886,759	(524,576)	362,182