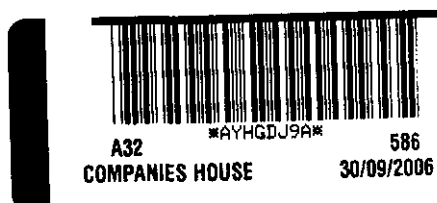


MAWDSLEY-BROOKS & COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Company Registration Number 44701



Tenon Limited
Sumner House
St. Thomas's Road
Chorley
Lancashire
Pr7 1HP

MAWDSLEY-BROOKS & COMPANY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

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MAWDSLEY-BROOKS & COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 MARCH 2006

The board of directors

Mrs C P Currimjee
Mrs G Sanderson-Watts
Dr J Mawdsley
Mrs S P Westall
Mr G Kennedy
Mr I C Brownlee
Mr J Davies
Mrs J Ellison
Mr D L Taylor (Chairman)
Mr D Belcher
Mr P McAllister
Mrs K Birchall

Company secretary

Mrs J Ellison

Registered office

3 South Langworthy Road
PO Box 18
Salford
M50 2PW

Auditors

Tenon Audit Limited
Registered Auditor
Sumner House
St Thomas's Road
Chorley
Lancashire
PR7 1HP

Bankers

The Royal Bank of Scotland plc
38 Mosley Street
Manchester
M2 2FB

MAWDSLEY-BROOKS & COMPANY LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31 MARCH 2006

I am delighted to report another record year for the Group.

As I forecast in my report last year, trading during this year was adversely affected by the effects of the reduction in pharmaceutical prices of 7% under the PPRS scheme and by the changes to the reimbursement for Pharmacies for generic products. However, the increasing range of services provided by the Group to the healthcare sector enabled turnover to increase to £280 million, 10% up over the previous year, and pre-tax profit to increase to £2,861,000, 21% up over the previous year.

This is now the fourth successive year in which the Group has increased profits. This is all the more commendable when set against the competitive nature of the 3 major businesses in which we operate and vindicates the decision to expand the business outside its core full-line wholesaling activities.

Pharmaceutical wholesaling continues to make progress despite the continued erosion of the Independent Pharmacy sector. During the year the Group has supported efforts to give Independent Pharmacy a stronger voice in national decisions that affect its future. I am much encouraged by the quality of young Pharmacists entering retailing and I can see a sound future for them and us, working with the tools provided by the new Pharmacy contract.

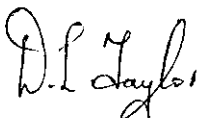
Doncaster Pharmaceuticals, a short-line wholesaler trading in parallel imports and generics, continues to increase its profits, despite problems in obtaining supplies and the competitive nature of this business. The consolidation of this sector will provide further opportunities and under the strong management team currently in place should enable Doncaster Pharmaceuticals to further increase its profits this year.

Positive Solutions has developed a range of new products to meet the demand throughout the United Kingdom for the Electronic Transfer of Prescriptions and other initiatives from the healthcare sector. Its products are now fully compliant with the requirements of the Connecting for Health, the extensive development of IT within the National Health Service, and should provide a sound base for an improved performance in the coming year.

The opportunity has been taken to strengthen our management team with the appointment of three new directors Darren Belcher, Paul McAllister and Karen Birchall. This will enable us to provide further focus and concentration on developing the Group business.

I remain confident we will continue to see further growth and current trading confirms this view.

As always the continued success of the Group is possible only through the support and commitment of all our staff. My thanks are due to them for their hard work.

X 

David Taylor
Chairman

Date: X 11/9/06

MAWDSLEY-BROOKS & COMPANY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

The directors present their report together with financial statements for the year ended 31 March 2006.

Principal activities and business review

The principal activity of the group and company continued to be pharmaceutical wholesaling.

A review of the business is given in the Chairman's Statement on page 2, which should be read as part of this report.

The directors plan to continue with the management policies which have led to the satisfactory result achieved in the year.

Results and dividends

The profit on ordinary activities of the group after taxation and share of minority interests amounted to £1,920,000 (2005: £1,711,000). A dividend of £235,000 was paid on 9 September 2005 (2005: £186,000). The directors do not recommend the payment of a final dividend.

Financial risk management objectives and policies

The company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank borrowings.

The management's objectives are to:

- Retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds; and
- Minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and
- Match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

Where appropriate, funds are invested in bank deposit accounts and borrowings are all obtained from standard bank loan accounts. As such, there is little price risk exposure.

Directors

The directors who served during the year and their interests in the share capital of the company were as follows:

	Ordinary shares of £1 each	
	31 March 2006	1 April 2005
Mrs C P Currimjee	769,080	769,080
Mrs G Sanderson-Watts	122,400	122,400
Dr J Mawdsley	769,080	769,080
Mrs S P Westall	256,428	256,428
Mr G Kennedy	40,800	40,800
Mr I C Brownlee	20,400	20,400
Mr J Davies	61,200	61,200
Mrs J Ellison	-	-
Mr D L Taylor	-	-

The directors have no interests in the shares of any other group company.

Mr D Belcher, Mr P McAllister and Mrs K Birchall were appointed as directors on 1 April 2006.

MAWDSLEY-BROOKS & COMPANY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

Post balance sheet events

Share options

On 20 July 2006 the following directors exercised their share options. The options were exercised at £1 each, being the par value of the shares:

Mr G Kennedy	20,400 'B' Ordinary shares of £1 each
Mr I C Brownlee	40,800 'B' Ordinary shares of £1 each
Mrs J Ellison	61,200 'B' Ordinary shares of £1 each
Mr D L Taylor	20,000 'B' Ordinary shares of £1 each

Share restructure

On 24 May 2006 the company restructured its authorised share capital as follows:

2,429,640 Ordinary shares of £1 each were reclassified as 'A' Ordinary shares of £1 each.

264,800 Ordinary shares of £1 each were reclassified as 'B' Ordinary shares.

5,000 Ordinary shares of £1 each were reclassified and subdivided into 500,000 'C' Ordinary shares of 1p each.

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 group 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; and
- 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, for safeguarding the assets of the group and the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

MAWDSLEY-BROOKS & COMPANY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

Employees

The group recognises its responsibilities towards disabled persons and gives full and fair consideration to applicants in positions suited to their own particular abilities where appropriate openings exist. Where employees become disabled in the course of their employment, every effort is made to provide them with continued employment.

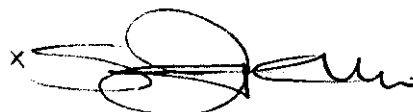
During the period management has had a policy of providing employees with information about the group. *Regular meetings are held between management and employees to allow a free flow of information and ideas.*

The company aims to achieve a shared commitment from employees to the success of the business of which they are employees.

Auditors

A resolution to re-appoint Tenon Audit Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors



(date)

Mrs J Ellison
Company Secretary

Approved by the directors on x 11 September 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MAWDSLEY-BROOKS & COMPANY LIMITED**

YEAR ENDED 31 MARCH 2006

We have audited the financial statements of Mawdsley-Brooks & Company Limited for the year ended 31 March 2006 on pages 8 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As described in the statement of directors' responsibilities on page 4 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the directors' report is 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 other transactions are not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group and 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MAWDSLEY-BROOKS & COMPANY LIMITED**

YEAR ENDED 31 MARCH 2006

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and company as at 31 March 2006 and of the group's profit for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor

Sumner House
St Thomas's Road
Chorley
Lancashire
PR7 1HP

Date: *11 September 2006*

MAWDSLEY-BROOKS & COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2006

	Note	2006 £'000	2005 £'000
Turnover	2	280,070	255,544
Cost of sales		<u>(256,856)</u>	<u>(233,700)</u>
Gross profit		23,214	21,844
Distribution and selling costs		<u>(14,697)</u>	<u>(13,836)</u>
Administrative expenses		<u>(4,708)</u>	<u>(4,482)</u>
Operating profit	3	3,809	3,526
Net interest	4	<u>(948)</u>	<u>(1,165)</u>
Profit on ordinary activities before tax		2,861	2,361
Taxation	6	<u>(941)</u>	<u>(665)</u>
Profit on ordinary activities after tax		1,920	1,696
Minority interest – equity		<u>-</u>	<u>15</u>
Profit for the financial year	17	<u>1,920</u>	<u>1,711</u>

There were no recognised gains or losses other than the result for the financial year.

All figures in the profit and loss account relate to continuing operations.

The notes on pages 12 to 26 form part of these financial statements

MAWDSLEY-BROOKS & COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

31 MARCH 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	8	5,131	5,178
Tangible assets	9	6,742	7,292
		<u>11,873</u>	<u>12,470</u>
Current assets			
Stocks	11	17,746	16,804
Debtors	12	39,549	37,508
Cash at bank and in hand		459	393
		<u>57,754</u>	<u>54,705</u>
Creditors: amounts falling due within one year	13	<u>(52,761)</u>	<u>(51,277)</u>
Net current assets		<u>4,993</u>	<u>3,428</u>
Total assets less current liabilities		<u>16,866</u>	<u>15,898</u>
Creditors: amounts falling due after more than one year	14	(2,265)	(3,207)
Provisions for liabilities and charges			
Deferred taxation	15	(283)	(173)
Deferred income		<u>(470)</u>	<u>(355)</u>
		<u>13,848</u>	<u>12,163</u>
Capital and reserves			
Called-up share capital	16	2,995	2,995
Share premium account	17	42	42
Capital redemption reserve	17	4	4
Profit and loss account	17	10,825	9,140
Equity shareholders' funds	18	<u>13,866</u>	<u>12,181</u>
Equity minority interests		<u>(18)</u>	<u>(18)</u>
		<u>13,848</u>	<u>12,163</u>

(Note)

These financial statements were approved by the directors on X
signed on their behalf by:

and are

x *S. Westall*

x *I. C. Brownlee*

Mrs S P Westall
Director

Mr I C Brownlee
Director

The notes on pages 12 to 27 form part of these financial statements.

MAWDSLEY-BROOKS & COMPANY LIMITED

COMPANY BALANCE SHEET

31 MARCH 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	8	31	31
Tangible assets	9	6,166	6,676
Investments	10	2,098	2,098
		<u>8,295</u>	<u>8,805</u>
Current assets			
Stocks	11	12,561	13,191
Debtors	12	38,220	40,139
Cash at bank and in hand		5,095	75
		<u>55,876</u>	<u>53,405</u>
Creditors: amounts falling due within one year	13	<u>(48,487)</u>	<u>(47,212)</u>
Net current assets		<u>7,389</u>	<u>6,193</u>
Total assets less current liabilities		<u>15,685</u>	<u>14,998</u>
Creditors: amounts falling due after more than one year	14	(2,242)	(3,207)
Provisions for liabilities and charges			
Deferred taxation	15	(320)	(353)
		<u>13,122</u>	<u>11,438</u>
Capital and reserves			
Called-up share capital	16	2,995	2,995
Share premium account	17	42	42
Capital redemption reserve	17	4	4
Profit and loss account	17	10,081	8,397
Equity shareholders' funds		<u>13,122</u>	<u>11,438</u>

These financial statements were approved by the directors on X
their behalf by:

and are signed on

x *S. Marshall*

Mrs S P Westall
Director

x *Ian C Brownlee*

Mr I C Brownlee
Director

The notes on pages 12 to 27 form part of these financial statements.

MAWDSLEY-BROOKS & COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

31 MARCH 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	19	3,712	13,461
Returns on investments and servicing of finance			
Interest received		-	2
Interest paid		(905)	(1,109)
Interest element of payments under finance leases and hire purchase agreements		(43)	(58)
Net cash outflow from returns on investments and servicing of finance		(948)	(1,165)
Taxation		(547)	(605)
Capital expenditure			
Purchase of tangible fixed assets		(478)	(1,125)
Purchase of intangible fixed assets		(381)	(293)
Proceeds from the sale of tangible fixed assets		294	181
Proceeds from sale of intangible fixed assets		-	436
Net cash outflow from capital expenditure		(565)	(801)
Equity dividends paid		(235)	(186)
Net cash inflow before financing		1,417	10,704
Financing			
Debt due within one year		(815)	(814)
Capital element of payments under finance leases and hire purchase agreements		(536)	(329)
Net cash outflow from financing		(1,351)	(1,143)
Increase in cash	20	66	9,561

The notes on pages 12 to 27 form part of these financial statements.

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

1. Principal accounting policies

Accounting convention

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

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-FRS 21 - 'Events after the Balance Sheet date (IAS 10)'; and

-the presentation requirements of FRS 25 - 'Financial Instruments: Disclosure and Presentation (IAS 32)'.

FRS 21 - 'Events after the Balance Sheet date (IAS 10)'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

The adoption of FRS 21 - 'Events after the balance sheet date' has had no effect on the retained profits or net assets previously reported.

FRS 25 - 'Financial Instruments: Disclosure and Presentation (IAS 32)'

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

The adoption of FRS 25 'Financial instruments: disclosure and presentation' has had no effect on the retained profits or net assets previously reported of this group.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings. Results of subsidiaries acquired during the year are consolidated from their date of acquisition using the acquisition method of accounting, assets and liabilities being recorded at fair value. Goodwill arising on consolidation is written off over its expected useful economic life. Profits arising on trading between the group companies are eliminated on consolidation.

The company is exempt from the requirement to present its own profit and loss account under the provisions of Section 230 of the Companies Act 1985. The profit for the year with in the company's own accounts is shown in note 17.

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

1. Principal accounting policies (*continued*)

Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided excluding VAT, trade discounts and agency sales.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is provided so as to write off the cost of the assets over their expected useful economic lives. The principal annual rates used under the straight line method are:

Computer development costs	12.5%
Licences	over the period of the licence
Goodwill	5%

Depreciation

Depreciation is provided on tangible fixed assets, at annual rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Building improvements	4% straight line
Freehold and long leasehold buildings	2% straight line
Computer equipment	20% straight line
Fixtures and fittings	15% reducing balance
Motor vehicles	25% reducing balance
Plant and machinery	15% reducing balance

Computer equipment hired to customers is written off over the period of hire.

Fixed asset investments

Fixed asset investments are stated at cost, less amounts written off.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure in respect of the purchase of stock items.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

1. Principal accounting policies (*continued*)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Contributions to pension funds

Defined benefit scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension costs represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average service lives of current employees in the scheme.

Group personal pension plan

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

2. Turnover

The turnover is attributable to the principal activity of the group and all arises in the United Kingdom.

3. Operating profit

The profit on ordinary activities before taxation is stated after charging/(crediting):

	Group 2006 £'000	Group 2005 £'000
Depreciation		
- owned assets	691	742
- assets held under financing arrangements	297	323
Amortisation of licences	121	69
Amortisation of goodwill	294	291
Profit/(loss) on sale of tangible fixed assets	(63)	84
Loss/(profit) on sale of intangible fixed asset	13	(92)
Auditors' remuneration	23	22
Operating lease rentals		
- land and buildings	678	674
- plant and machinery	667	685

4. Net interest

	Group 2006 £'000	Group 2005 £'000
Interest receivable	-	(2)
Interest payable on bank borrowing	905	1,109
Hire purchase interest	43	58
	<u>948</u>	<u>1,165</u>

5. Directors and employees

Staff costs during the year were as follows:

	Group 2006 £'000	Group 2005 £'000
Wages and salaries	10,233	8,940
Social security costs	962	850
Pension costs	317	189
	<u>11,512</u>	<u>9,979</u>

The average number of employees during the year was:

	2006 Number	2005 Number
Office and management	45	51
Sales and distribution	491	454
	<u>536</u>	<u>505</u>

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

5. Directors and employees (continued)

Remuneration in respect of directors was as follows:

	2006	2005
	£'000	£'000
Emoluments	937	1,220
Payments to defined contribution pension schemes	190	71
	<u>1,127</u>	<u>1,291</u>

Remuneration in respect of the highest paid director was as follows:

	2006	2005
	£'000	£'000
Emoluments	278	296
Payments to defined contribution pension schemes	82	22
	<u>360</u>	<u>318</u>

The number of directors accruing retirement benefits was as follows:

	2006	2005
	Number	Number
Defined contribution pension schemes	5	5
Defined benefit pension scheme	1	1
	<u>6</u>	<u>6</u>

6. Tax on profit on ordinary activities

Based on the profit for the year:

	2006	2005
	£'000	£'000
UK corporation tax at 30% (2005: 30%)		
- Current year	831	660
- Adjustments in respect of prior years	-	26
	<u>831</u>	<u>686</u>
Deferred taxation		
- Current year	110	-
- Adjustments in respect of prior years	-	(21)
	<u>941</u>	<u>665</u>

MAWDSLEY-BROOKS & COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2006****6. Tax on profit on ordinary activities (continued)****Factors affecting the tax charge for the year**

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom of 30% (2005: 30%). The differences are explained as follows:

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	<u>2,861</u>	<u>2,361</u>
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2005: 30%)	858	708
Effect of:		
Expenses not deductible for tax purposes	115	170
Capital allowances for the period in excess of depreciation	(25)	(63)
Trade losses brought forward utilised	(145)	(155)
Adjustments in respect of prior years	-	26
Capital gains	28	-
	<u>831</u>	<u>686</u>

Factors affecting future tax charge

The group has tax losses available of £84,000 to carry forward.

7. Dividends

	2006 £'000	2005 £'000
Interim dividend paid – September 2005 7.88p per share (2005: 6.20p per share)	<u>235</u>	<u>186</u>

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

8. Intangible fixed assets

Group	Computer development costs £'000	Patents and trade marks £'000	Licences £'000	Goodwill £'000	Total £'000
Cost					
At 1 April 2005	152	1	871	5,830	6,854
Additions	-	-	140	241	381
Disposals	-	-	(20)	-	(20)
At 31 March 2006	<u>152</u>	<u>1</u>	<u>991</u>	<u>6,071</u>	<u>7,215</u>
Amortisation					
At 1 April 2005	122	-	207	1,347	1,676
Provided in the year	-	-	121	294	415
Disposals	-	-	(7)	-	(7)
At 31 March 2006	<u>122</u>	<u>-</u>	<u>321</u>	<u>1,641</u>	<u>2,084</u>
Net book amount					
At 31 March 2006	<u>30</u>	<u>1</u>	<u>670</u>	<u>4,430</u>	<u>5,131</u>
Net book amount					
At 31 March 2005	<u>30</u>	<u>1</u>	<u>664</u>	<u>4,483</u>	<u>5,178</u>
Company			Computer development costs £'000	Patents and trade marks £'000	Total £'000
Cost					
At 1 April 2005 and at 31 March 2006			<u>152</u>	<u>1</u>	<u>153</u>
Depreciation					
At 1 April 2005 and at 31 March 2006			<u>122</u>	<u>-</u>	<u>122</u>
Net book amount					
At 31 March 2006 and at 31 March 2005			<u>30</u>	<u>1</u>	<u>31</u>

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

9. Tangible fixed assets

Group	Building improve- ments £'000	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost								
At 1 April 2005	1,543	176	2,728	1,756	2,853	1,950	816	11,822
Additions	17	-	-	62	267	71	252	669
Disposals	-	(176)	-	(2)	(82)	-	(203)	(463)
At 31 March 2006	<u>1,560</u>	<u>-</u>	<u>2,728</u>	<u>1,816</u>	<u>3,038</u>	<u>2,021</u>	<u>865</u>	<u>12,028</u>
Depreciation								
At 1 April 2005	227	18	244	688	1,971	1,142	240	4,530
Charge for the year	75	-	43	165	399	132	174	988
Eliminated on disposal	-	(18)	-	-	(82)	-	(132)	(232)
At 31 March 2006	<u>302</u>	<u>-</u>	<u>287</u>	<u>853</u>	<u>2,288</u>	<u>1,274</u>	<u>282</u>	<u>5,286</u>
Net book amount								
At 31 March 2006	<u>1,258</u>	<u>-</u>	<u>2,441</u>	<u>963</u>	<u>750</u>	<u>747</u>	<u>583</u>	<u>6,742</u>
Net book amount								
At 31 March 2005	<u>1,316</u>	<u>158</u>	<u>2,484</u>	<u>1,068</u>	<u>882</u>	<u>808</u>	<u>576</u>	<u>7,292</u>

The net book value of tangible fixed assets includes an amount of £1,938,000 (2005: £1,793,000) in respect of assets held under financing arrangements. The depreciation charged on these assets during the year was £297,000 (2005: £323,000).

The net book value of tangible fixed assets includes an amount of £434,000 (2005: £433,000) which are on hire with customers.

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

9. Tangible fixed assets *(continued)*

Company	Building improve- ments £'000	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost								
At 1 April 2005	1,368	176	2,728	1,703	2,150	1,819	862	10,806
Additions	13	-	-	59	103	41	242	458
Disposals	-	(176)	-	(2)	-	-	(186)	(364)
At 31 March 2006	<u>1,381</u>	<u>-</u>	<u>2,728</u>	<u>1,760</u>	<u>2,253</u>	<u>1,860</u>	<u>918</u>	<u>10,900</u>
Depreciation								
At 1 April 2005	150	18	244	646	1,625	1,083	364	4,130
Charge for the year	56	-	43	161	210	118	156	744
Eliminated on disposal	-	(18)	-	-	-	-	(122)	(140)
At 31 March 2006	<u>206</u>	<u>-</u>	<u>287</u>	<u>807</u>	<u>1,835</u>	<u>1,201</u>	<u>398</u>	<u>4,734</u>
Net book amount								
At 31 March 2006	<u>1,175</u>	<u>-</u>	<u>2,441</u>	<u>953</u>	<u>418</u>	<u>659</u>	<u>520</u>	<u>6,166</u>
Net book amount								
At 31 March 2005	<u>1,218</u>	<u>158</u>	<u>2,484</u>	<u>1,057</u>	<u>525</u>	<u>736</u>	<u>498</u>	<u>6,676</u>

The net book value of tangible fixed assets includes an amount of £1,908,000 (2005: £1,748,000) in respect of assets held under financing arrangements. The depreciation charged on these assets during the year was £288,000 (2005: £311,000).

The net book value of tangible fixed assets includes an amount of £195,000 (2005: £174,000) which are on hire with customers.

10. Investments

	Subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost and net book value			
At 1 April 2005 and at 31 March 2006	<u>2,097</u>	<u>1</u>	<u>2,098</u>

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

10. Investments *(continued)*

The company's significant subsidiary undertakings at 31 March 2006 were:

Name of subsidiary	Nature of business	Proportion and class of share held	
Doncaster Pharmaceuticals Group Limited	Pharmaceutical wholesalers	Ordinary shares	100%
Positive Solutions Limited	Supply of Computer systems	Ordinary shares	100%

All of the subsidiaries were incorporated in the United Kingdom.

The company's voting rights in respect of each subsidiary undertaking are held in the same proportion of the company's share of the ordinary share capital of the subsidiary.

11. Stocks

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Goods for resale	17,564	16,640	12,379	13,027
Consumables	182	164	182	164
	<u>17,746</u>	<u>16,804</u>	<u>12,561</u>	<u>13,191</u>

12. Debtors

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Trade debtors	38,100	35,850	31,056	30,777
Other debtors	654	668	142	255
Prepayments	795	990	625	805
Amounts due from subsidiary undertakings	-	-	6,397	8,302
	<u>39,549</u>	<u>37,508</u>	<u>38,220</u>	<u>40,139</u>

13. Creditors: amounts falling due within one year

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank loans and overdrafts	622	622	622	622
Other loan	5	5	5	5
Obligations under financing arrangements	302	520	277	486
Trade creditors	47,626	45,493	44,810	42,624
Corporation tax	738	454	581	310
Other taxes and social security	2,322	2,668	1,387	2,008
Other creditors	4	18	61	18
Accruals	1,142	1,497	744	1,139
	<u>52,761</u>	<u>51,277</u>	<u>48,487</u>	<u>47,212</u>

The bank loans and overdrafts are secured by a debenture over the assets of each company in the group.

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

14. Creditors: amounts falling due after more than one year

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank loan	2,152	2,967	2,152	2,967
Obligations under financing arrangements	113	240	90	240
	<u>2,265</u>	<u>3,207</u>	<u>2,242</u>	<u>3,207</u>

Analysis of borrowings by year of repayment

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Obligations under financing arrangements were repayable as follows:				
Within one year	302	520	277	486
Between one and two years	113	240	90	240
	<u>415</u>	<u>760</u>	<u>367</u>	<u>726</u>

Obligations under financing arrangements are secured over the assets concerned.

Other loans which are unsecured were repayable as follows:

Within one year	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
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The bank loans and overdrafts are secured and are repayable as follows:

Within one year	622	622	622	622
Between one and two years	801	801	801	801
Between two and five years	1,151	1,866	1,151	1,866
Over five years	200	300	200	300
	<u>2,774</u>	<u>3,589</u>	<u>2,774</u>	<u>3,589</u>

The bank loans are secured by a debenture over certain assets of the holding company.

Loans over 5 years are repayable in quarterly instalments until 2014. Interest is charged at 1.5% above base rate.

15. Deferred taxation

Deferred taxation provided for in the financial statements is set out below. The amount provided is calculated using a tax rate of 30% (2005: 30%).

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Amount provided				
Accelerated capital allowances	320	353	320	353
Tax losses	(37)	(180)	-	-
	<u>283</u>	<u>173</u>	<u>320</u>	<u>353</u>

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

15. Deferred taxation *(continued)*

The movement on the provision for deferred taxation was as follows:

	Group £000	Company £000
At 1 April 2005	173	353
Charge to profit and loss account	110	(33)
At 31 March 2006	<u>283</u>	<u>320</u>

16. Share capital

	2006 £000	2005 £000
Authorised		
4,000,000 Ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>
Allotted, called up and full paid		
2,994,720 Ordinary shares of £1 each	<u>2,995</u>	<u>2,995</u>

17. Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
Group			
At 1 April 2005	42	4	9,140
Profit for financial year	-	-	1,920
Dividends (note 7)	-	-	(235)
At 31 March 2006	<u>42</u>	<u>4</u>	<u>10,825</u>

The profit for the financial year is dealt with in the financial statements of:

	2006 £000	2005 £000
The company	1,919	1,302
Subsidiary undertakings	295	514
Goodwill written off	(294)	(291)
	<u>1,920</u>	<u>1,525</u>

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
Company			
At 1 April 2005	42	4	8,397
Profit for financial year	-	-	1,919
Dividends (note 7)	-	-	(235)
At 31 March 2006	<u>42</u>	<u>4</u>	<u>10,081</u>

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

18. Reconciliation of movements in shareholders' funds

	2006 £000	2005 £000
Profit for the financial year	1,920	1,711
Dividends	(235)	(186)
Net increase in shareholders' funds	1,685	1,525
Opening shareholders' funds	12,181	10,656
Closing shareholders' funds	13,866	12,181

19. Reconciliation of operating profit to operating cash flows

	2006 £000	2005 £000
Operating profit	3,809	3,526
Depreciation and amortisation charges	1,403	1,425
(Profit)/loss on disposal of fixed assets	(63)	84
Loss/(profit) on sale of intangible fixed assets	13	(92)
(Increase)/decrease in stocks	(942)	4,432
Increase in debtors	(2,041)	(1,962)
Increase in creditors and deferred income	1,533	6,048
Net cash inflow from operating activities	3,712	13,461

20. Analysis of changes in net debt

	At 1 April 2005 £000	Cashflows £000	Other non cash movements £000	At 31 March 2006 £000
Cash at bank and in hand	393	66	-	459
Debt due within one year	(627)	815	(815)	(627)
Debt due after one year	(2,967)	-	815	(2,152)
Finance leases and hire purchase agreements	(760)	536	(191)	(415)
	(4,354)	1,351	(191)	(3,194)
	(3,961)	1,417	(191)	(2,735)

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

21. Reconciliation of net cash flow to movement in net debt

	2006 £000	2005 £000
Increase in cash in the year	66	9,561
Cash outflow from financing	1,351	1,143
	<u>1,417</u>	<u>10,704</u>
Other non-cash items	(191)	(7)
	<u>1,226</u>	<u>10,697</u>
Movement in net debt in the year	(3,961)	(14,658)
Net debt at 1 April 2005		
	<u>(2,735)</u>	<u>(3,961)</u>
Net debt at 31 March 2006		

22. Commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year.

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Leases of land and buildings which expire:				
Between one and five years	-	21	-	-
After five years	643	615	600	600
	<u>643</u>	<u>636</u>	<u>600</u>	<u>600</u>
Leases of other assets which expire:				
Within one year	118	5	118	3
Between one and five years	511	583	499	583
	<u>629</u>	<u>588</u>	<u>617</u>	<u>586</u>

23. Commitments

At 31 March 2006 the group was committed to purchase foreign exchange contracts totalling €6.3m (2005: €Nil).

24. Derivatives

The group has no material financial instruments that fall to be disclosed as derivatives.

25. Contingent liabilities

The group has given guarantees to The Royal Bank of Scotland plc, National Westminster plc and Lloyds TSB plc amounting to £23,762,000 (2005: £28,730,000) against the overdrafts and loans of some of its customers.

The company has guaranteed the bank overdraft of its subsidiaries, Mawdsleys (Yorkshire) Limited, Doncaster Pharmaceuticals Group Limited and Positive Solutions Limited, which amounted to £4.6m (2005: £Nil) at the year end.

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

26. Pensions

Defined benefit scheme

The group operates a defined benefit scheme for the benefit of certain employees. The scheme provides a lump sum on retirement based on a proportion of all pensionable earnings whilst employed by the company or a pension also based on a proportion of all pensionable earnings. The assets of the scheme are administered by trustees in a fund independent from those of the group.

Pension costs are assessed in accordance with the advice of a qualified actuary. The most recent valuation was as at 31 March 2005.

The market value of scheme assets as at 31 March 2005 was £881,855. The actuarial value of those assets was sufficient to cover 123% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The group's actuaries have confirmed that the company and its subsidiary undertakings need to make contributions of £3,300 per annum, plus 18% of the pensionable salaries of the active pension benefit members, for 15 years from 31 March 2006.

During March 2005, the company's actuaries estimated that the scheme had a surplus of assets over liabilities.

The directors do not consider the impact of FRS 17 to be material to the group accounts and have not therefore made the FRS 17 disclosures.

Group personal pension plan

The group also makes payments into a group personal pension scheme for all eligible employees and into personal pension schemes for directors.

27. Related party transactions

Mawdsley-Brooks & Company Limited is the parent undertaking of Mawdsley (Yorkshire) Limited, Doncaster Pharmaceuticals Limited, Doncaster Pharmaceuticals Group Limited and Positive Solutions Limited. Under the disclosure requirements of Financial Reporting Standard 8 – Related Party Disclosures, the company is exempt from the requirement to disclose transactions with other members of the group.

MAWDSLEY-BROOKS & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

28. Post balance sheet event

Share options

On 20 July 2006 the following directors exercised their share options. The options were exercised at £1 each, being the par value of the shares:

Mr G Kennedy	20,400 'B' Ordinary shares of £1 each
Mr I C Brownlee	40,800 'B' Ordinary shares of £1 each
Mrs J Ellison	61,200 'B' Ordinary shares of £1 each
Mr D L Taylor	20,000 'B' Ordinary shares of £1 each

Share restructure

On 24 May 2006 the company restructured its authorised share capital as follows:

2,429,640 Ordinary shares of £1 each were reclassified as 'A' Ordinary shares of £1 each.

264,800 Ordinary shares of £1 each were reclassified as 'B' Ordinary shares.

5,000 Ordinary shares of £1 each were reclassified and subdivided into 500,000 'C' Ordinary shares of 1p each.