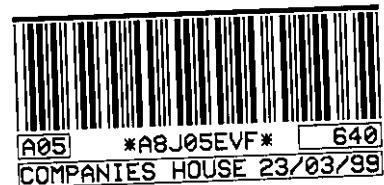


PAUL MURRAY PLC

Report and Accounts

31 December 1998



Registration number 1172728

PAUL MURRAY PLC

Directors' Report

The directors present their report and accounts for the year ended 31 December 1998.

Principal activities

The company's principal activity during the year continued to be the manufacturing, wholesaling and packing of non-pharmaceutical products and surgical goods.

Results and dividends

The profit for the year, after taxation, amounted to £437,028. Ordinary dividends of £96,600 were paid in the year which leaves a profit of £340,428 to be retained.

Business review

Record sales and record profits must be regarded as a very satisfactory achievement, the result of a lot of hard work by everybody involved. The company has learnt to accommodate change within a changing market, and has been able to benefit from the opportunities that have presented themselves.

Future developments

The economic situation changed quite quickly late in 1998, and the down turn has been greater than expected by many. The directors therefore expect a weaker start to the year, followed by a strengthening of markets during the second half of the year. The directors expect to consolidate recent gains and to put in place foundations for the future growth of the company, which will be in new product areas as well as through the organic growth of existing brands.

Directors and directors' interests

The directors at the balance sheet date and their interests in the share capital of the company were as follows:

	£1 Ordinary shares	
	1998	1997
P T Murray	69,000	69,000
Mrs K J Murray	1,000	1,000
Mrs D A Murray	-	-
P Vanstone	-	-
A Allen	-	-
L Davies	-	-

The remaining 30,000 shares are held by a trust, the Paul Travis Murray Settlement, the trustees of which are P T Murray and J A Poulter. Mr Poulter is a partner in Rothman Pantall & Co, the company's auditors.

Political and charitable donations

During the year, the company made various charitable contributions totalling £3,635.

Creditor payment policy

It is the company's policy to pay suppliers at the end of the month following the invoice date, except in the case of some overseas suppliers where the company may pay in advance. At 31 December 1998 the company's creditor days stood at 27 (1997 27 days).

PAUL MURRAY PLC
Directors' Report

Year 2000 issues

The directors have assessed the risks and uncertainties associated with the year 2000 problem and have implemented most of the necessary upgrades, the remainder of which will be implemented shortly. A date change trial run is also scheduled to take place on all systems, to confirm year 2000 compatability. The total costs of these plans are considered to be immaterial.

The proposed introduction of the euro

The directors have considered the risks and uncertainties associated with the proposed introduction of the euro. It is intended that the company should continue to invoice customers in sterling, and therefore the directors are of the opinion that costs relating to the proposed introduction of the euro will not be significant at the present time.

Auditors

A resolution to reappoint Rothman Pantall & Co as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 2 March 1999.

A handwritten signature in black ink, consisting of a large, stylized 'P' and 'M' followed by a long horizontal stroke.

P T Murray
Director

PAUL MURRAY PLC
Statement of Directors' Responsibilities

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 for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 maintaining 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.

PAUL MURRAY PLC
Auditors' Report

**Report of the auditors
to the shareholders of PAUL MURRAY PLC**

We have audited the accounts on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements 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 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Rothman Pantall & Co
Chartered Accountants
Registered Auditors

Southampton

2 March 1999

PAUL MURRAY PLC
Profit and Loss Account
for the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover	2	8,259,953	7,853,569
Cost of sales		(5,245,891)	(5,154,333)
Gross profit		3,014,062	2,699,236
Distribution costs		(1,363,509)	(1,052,280)
Administrative expenses		(901,919)	(977,576)
Operating profit	3	748,634	669,380
Interest receivable		4,892	-
Interest payable	6	(135,728)	(138,207)
Profit on ordinary activities before taxation		617,798	531,173
Taxation on profit on ordinary activities	7	(180,770)	(159,476)
Profit on ordinary activities after taxation		437,028	371,697
Dividends:			
ordinary dividend on equity shares	8	(96,600)	(96,600)
Retained profit for the year	18	340,428	275,097

Continuing operations

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

PAUL MURRAY PLC
Statement of total recognised gains and losses
for the year ended 31 December 1998

	Notes	1998 £	1997 £
Profit on ordinary activities after taxation		437,028	371,697
Unrealised deficit on revaluation of properties	9	(163,564)	-
Total recognised gains and losses related to the year		<u>273,464</u>	<u>371,697</u>

PAUL MURRAY PLC
Balance Sheet
as at 31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	9	1,507,398	1,778,256
Current assets			
Stocks	10	2,676,107	2,200,398
Debtors	11	1,351,270	1,216,154
Cash at bank and in hand		600	641
		<u>4,027,977</u>	<u>3,417,193</u>
Creditors: amounts falling due within one year	12	(1,870,499)	(1,613,200)
Net current assets		<u>2,157,478</u>	<u>1,803,993</u>
Total assets less current liabilities		<u>3,664,876</u>	<u>3,582,249</u>
Creditors: amounts falling due after more than one year	13	(471,060)	(565,297)
		<u>3,193,816</u>	<u>3,016,952</u>
Capital and reserves			
Called up share capital	16	100,000	100,000
Revaluation reserve	17	755,965	919,529
Profit and loss account	18	2,337,851	1,997,423
Shareholders' funds	19	<u>3,193,816</u>	<u>3,016,952</u>


P T Murray
Director

Approved by the board on 2 March 1999

PAUL MURRAY PLC
Cash Flow Statement
for the year ended 31 December 1998

	Notes	1998 £	1997 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		748,634	669,380
Depreciation		87,913	140,384
Loss on disposal of fixed assets		9,722	6,120
Increase in stocks		(475,709)	(20,123)
Increase in debtors		(135,116)	(163,093)
(Decrease)/increase in creditors		(1,437)	18,705
Net cash inflow from operating activities		<u>234,007</u>	<u>651,373</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		234,007	651,373
Returns on investments and servicing of finance	20	(130,836)	(138,207)
Taxation		(172,172)	(46,196)
Capital expenditure	20	<u>9,659</u> <u>(59,342)</u>	<u>17,849</u> <u>484,819</u>
Equity dividends paid		<u>(96,600)</u> <u>(155,942)</u>	<u>(96,600)</u> <u>388,219</u>
Financing	20	(127,403)	(174,943)
(Decrease)/increase in cash		<u>(283,345)</u>	<u>213,276</u>

Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the period		(283,345)	213,276
Decrease in debt and lease financing		127,403	174,943
Change in net debt	21	<u>(155,942)</u>	<u>388,219</u>
Net debt at 1 January 1998		<u>(1,337,605)</u>	<u>(1,725,824)</u>
Net debt at 31 December 1998		<u>(1,493,547)</u>	<u>(1,337,605)</u>

Notes to the Accounts at 31 December 1998

1 Accounting policies

Accounting convention

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

Depreciation

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

Freehold buildings	over 50 years
Motor vehicles	25% reducing balance
Computers	25% straight line
Other fixtures and fittings	25% reducing balance

Stocks

Stock is valued at the lower of cost and net realisable value.

Deferred taxation

No deferred taxation has been provided because the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is improbable that any such liability will crystallise.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates two defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**Notes to the Accounts
at 31 December 1998**

2 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

	1998	1997
Turnover attributable to geographical markets outside the UK	2.4%	2.0%

3 Operating profit

1998	1997
£	£

This is stated after charging:

Depreciation of owned fixed assets	81,873	82,508
Depreciation of assets held under finance leases and hire purchase contracts	6,040	57,876
Finance charges on hire purchase contracts	4,506	21,746
Operating lease rentals - land and buildings	26,325	26,325
Auditors' remuneration	11,000	10,500

4 Directors' emoluments

1998	1997
£	£

Emoluments	455,954	465,148
Company contributions to money purchase pension schemes	38,815	38,029
	<u>494,769</u>	<u>503,177</u>

Highest paid director:

Emoluments	167,833	194,995
Company contributions to money purchase pension schemes	34,300	34,000
	<u>202,133</u>	<u>228,995</u>

Number of directors in company pension schemes:

1998	1997
Number	Number

Money purchase schemes	<u>6</u>	<u>6</u>
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**Notes to the Accounts
at 31 December 1998**

5 Staff costs	1998 £	1997 £
Wages and salaries	1,388,114	1,295,587
Social security costs	121,957	123,065
Other pension costs	39,657	38,834
	<u>1,549,728</u>	<u>1,457,486</u>
 Average number of employees during the year		
Administration	37	34
Manufacturing	43	41
	<u>80</u>	<u>75</u>
 6 Interest payable	 1998 £	 1997 £
Bank loans and overdrafts	131,316	135,195
Other loans	4,412	3,012
	<u>135,728</u>	<u>138,207</u>
 7 Tax on profit on ordinary activities	 1998 £	 1997 £
UK corporation tax at 28%	<u>180,770</u>	<u>159,476</u>
 8 Equity dividends	 1998 £	 1997 £
Equity dividends on ordinary shares - interim paid	48,300	48,300
Equity dividends on ordinary shares - final paid	48,300	48,300
	<u>96,600</u>	<u>96,600</u>

**Notes to the Accounts
at 31 December 1998**

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 January 1998	1,587,658	818,878	2,406,536
Additions	-	44,548	44,548
Revaluation	(242,658)	-	(242,658)
Disposals	-	(128,275)	(128,275)
At 31 December 1998	<u>1,345,000</u>	<u>735,151</u>	<u>2,080,151</u>
Depreciation			
At 1 January 1998	49,341	578,939	628,280
Charge for the year	29,753	58,160	87,913
Revaluation	(79,094)	-	(79,094)
On disposals	-	(64,346)	(64,346)
At 31 December 1998	<u>-</u>	<u>572,753</u>	<u>572,753</u>
Net book value			
At 31 December 1998	<u>1,345,000</u>	<u>162,398</u>	<u>1,507,398</u>
At 31 December 1997	<u>1,538,317</u>	<u>239,939</u>	<u>1,778,256</u>

Freehold land and buildings were revalued at 31 December 1998 based on a valuation carried out by the directors.

Freehold land at valuation included above not depreciated	<u>225,000</u>
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Freehold land and buildings:	1998	1997
	£	£
Historical cost	<u>840,685</u>	<u>840,685</u>
Cumulative depreciation based on historical cost	<u>202,737</u>	<u>186,923</u>

	1998	1997
	£	£
Net book value of plant and machinery included above held under finance leases and hire purchase contracts	<u>18,119</u>	<u>94,038</u>

**Notes to the Accounts
at 31 December 1998**

10 Stocks	1998 £	1997 £
Finished goods and goods for resale	<u>2,676,107</u>	<u>2,200,398</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11 Debtors	1998 £	1997 £
Trade debtors	1,334,963	1,168,519
Other debtors	-	3,853
Prepayments and accrued income	<u>16,307</u>	<u>43,782</u>
	<u>1,351,270</u>	<u>1,216,154</u>

12 Creditors: amounts falling due within one year	1998 £	1997 £
Bank loans and overdrafts	1,012,965	729,661
Obligations under finance lease and hire purchase contracts	10,122	43,288
Trade creditors	364,651	377,624
Corporation tax	155,641	147,043
Other taxes and social security costs	162,131	185,352
Other creditors	81,552	77,076
Accruals and deferred income	<u>83,437</u>	<u>53,156</u>
	<u>1,870,499</u>	<u>1,613,200</u>

Bank loans and overdrafts are secured on the company's freehold land and buildings.

13 Creditors: amounts falling due after one year	1998 £	1997 £
Bank loans and overdrafts	471,060	518,860
Obligations under finance lease and hire purchase contracts	-	46,437
	<u>471,060</u>	<u>565,297</u>

Bank loans and overdrafts are secured on the company's freehold land and buildings.

**Notes to the Accounts
at 31 December 1998**

14 Borrowings			1998	1997
			£	£
Analysis of maturity of debt:				
Within one year or on demand			47,800	47,800
Between one and two years			47,800	47,800
Between two and five years			143,400	143,400
After five years			279,860	327,660
			<u>518,860</u>	<u>566,660</u>
Amounts repayable by instalments any of which fall for payment after five years			<u>518,860</u>	<u>566,660</u>
15 Obligations under finance leases and hire purchase contracts			1998	1997
			£	£
Amounts payable:				
Within one year			10,122	43,288
Within two to five years			-	46,437
			<u>10,122</u>	<u>89,725</u>
16 Share capital			1998	1997
			£	£
Authorised:				
Ordinary shares of £1 each			<u>100,000</u>	<u>100,000</u>
	1998	1997	1998	1997
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
17 Revaluation reserve			1998	1997
			£	£
At 1 January 1998			919,529	919,529
Arising on revaluation during the year			(163,564)	-
At 31 December 1998			<u>755,965</u>	<u>919,529</u>

**Notes to the Accounts
at 31 December 1998**

18 Profit and loss account	1998	1997
	£	£
At 1 January 1998	1,997,423	1,722,326
Retained profit	340,428	275,097
	<hr/>	<hr/>
At 31 December 1998	2,337,851	1,997,423
	<hr/>	<hr/>
19 Reconciliation of movements in shareholders' funds	1998	1997
	£	£
At 1 January 1998	3,016,952	2,741,855
Profit for the financial year	437,028	371,697
Dividends	(96,600)	(96,600)
Other recognised gains and losses	(163,564)	-
	<hr/>	<hr/>
At 31 December 1998	3,193,816	3,016,952
	<hr/>	<hr/>
20 Gross cash flows	1998	1997
	£	£
Returns on investments and servicing of finance		
Interest received	4,892	-
Interest paid	(135,728)	(138,207)
	<hr/>	<hr/>
	(130,836)	(138,207)
	<hr/>	<hr/>
Capital expenditure		
Payments to acquire tangible fixed assets	(44,548)	(27,958)
Receipts from sales of tangible fixed assets	54,207	45,807
	<hr/>	<hr/>
	9,659	17,849
	<hr/>	<hr/>
Financing		
Loan repayments	(47,800)	(47,800)
Capital element of finance lease rental payments	(79,603)	(127,143)
	<hr/>	<hr/>
	(127,403)	(174,943)
	<hr/>	<hr/>

**Notes to the Accounts
at 31 December 1998**

21 Analysis of changes in net debt

	At 1 Jan 1998 £	Cash flows £	Non-cash changes £	At 31 Dec 1998 £
Cash at bank and in hand	641	(41)		600
Overdrafts	(681,861)	(283,304)		(965,165)
		(283,345)		
Debt due within 1 year	(47,800)	47,800	(47,800)	(47,800)
Debt due after 1 year	(518,860)	-	47,800	(471,060)
Finance leases	(89,725)	79,603		(10,122)
		127,403		
Total	(1,337,605)	(155,942)	-	(1,493,547)

22 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 1998 £	Land and buildings 1997 £	Other 1998 £	Other 1997 £
Operating leases which expire:				
within one year	-	-	53,265	-
within two to five years	-	-	26,639	44,010
in over five years	26,325	26,325	-	-
	<u>26,325</u>	<u>26,325</u>	<u>79,904</u>	<u>44,010</u>

23 Contingent liabilities

The company had outstanding liabilities under documentary credits of £84,804 at 31 December 1998 (1997 £218,068).

**Notes to the Accounts
at 31 December 1998**

24 Related parties

The company is controlled by P T Murray, a major shareholder and the chairman of the company.

Amounts due to related parties	1998 £	1997 £
The Murray Pension Scheme	20,000	20,000
Directors' current account	34,004	31,747
	<u>54,004</u>	<u>51,747</u>
 Transactions with related parties	 1998 £	 1997 £
Interest payable:		
The Murray Pension Scheme	2,105	1,958
Directors' current account - Mrs D A Murray	2,307	1,054
	<u>4,412</u>	<u>3,012</u>
 Dividends paid:		
P T Murray	95,220	95,220
Mrs K J Murray	1,380	1,380
	<u>96,600</u>	<u>96,600</u>