

**R A RACEY (GT YARMOUTH)
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997

Company no 1207510

R A RACEY (GT YARMOUTH) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

Company registration number:	1207510
Registered office:	Belton Lodge Belton Gt Yarmouth Norfolk
Directors:	Mr R A Racey Mrs M R Racey Mr C S Racey
Secretary:	Mrs M R Racey
Bankers:	National Westminster Bank plc 67 High Street Seven Oaks Kent TN13 1LA
Solicitors:	Mears, Hobbs and Durrant 92 High Street Gorleston Great Yarmouth Norfolk NR31 6RH
Auditors:	Grant Thornton Registered auditors Chartered accountants 11/13 Penhill Road Cardiff CF1 9UP

R A RACEY (GT YARMOUTH) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

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R A RACEY (GT YARMOUTH) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1997.

Principal activities

The company is principally engaged in the wholesaling of pharmaceutical goods.

Business review

There was a profit for the year after taxation amounting to £162,941 (1996:£289,389). The directors recommend payment of dividends of £53,040 (1996:£53,040), leaving £109,901 being transferred to reserves.

Directors

The present membership of the Board is set out below.

The interests of the directors and their families in the shares of the company as at 31 December 1997 and 1 January 1997, or the date of their appointment to the Board if later, were as follows:

	Ordinary shares		Preference shares	
	31 December 1997	1 January 1997	31 December 1997	1 January 1997
Mr R A Racey	135	135	348,800	348,800
Mrs M R Racey	135	135	161,200	161,200
Mr C S Racey	330	330	-	-

Directors' responsibilities for the financial statements

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 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
- 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

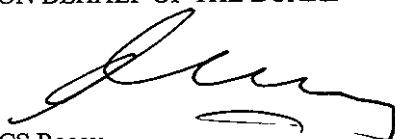
R A RACEY (GT YARMOUTH) LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'CS Racey', with a horizontal line underneath.

CS Racey
Director

23 September 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF
R A RACEY (GT YARMOUTH) LIMITED**

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 4 to 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the 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.

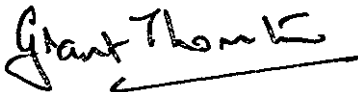
Basis of opinion

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 judgements 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 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

CARDIFF
23 September 1998

R A RACEY (GT YARMOUTH) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

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

DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold and long leasehold properties over their expected useful lives. The rates generally applicable are:

Leasehold property	Over the period of the lease
Assets held under Finance lease agreements	Over the primary period of the lease
Motor vehicles	25% reducing balance
Fixtures and fittings	15% reducing balance to 33 1/3% straight line

It is the group's policy to maintain its freehold and long leasehold properties in a state of good repair. Because of this, such properties maintain residual disposal values, based on prices prevailing at the date of purchase or subsequent valuation, at least equal to their book values, and accordingly no provision for depreciation made. Where there is a permanent diminution in the value of a freehold or long leasehold property or other tangible asset, a charge is made to the profit and loss account.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The group operates a defined contribution scheme providing benefits for employees additional to those from the state. The pension cost charge represents contributions payable by that company to the fund in respect of the year where relevant.

R A RACEY (GT YARMOUTH) LIMITED

PRINCIPAL ACCOUNTING POLICIES

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.

R A RACEY (GT YARMOUTH) LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	1	29,943,994	33,178,553
Cost of sales		<u>(29,380,871)</u>	<u>(32,514,998)</u>
Gross profit		563,123	663,555
Administrative expenses		(327,305)	(308,064)
Other operating income		<u>154,039</u>	<u>105,316</u>
Operating profit		389,857	460,807
Interest payable and similar charges	2	<u>(99,416)</u>	<u>(37,008)</u>
Profit on ordinary activities before taxation	1	290,441	423,799
Tax on profit on ordinary activities	3	<u>(127,500)</u>	<u>(134,410)</u>
Profit for the financial year	13	162,941	289,389
Dividends			
Non-equity		<u>(53,040)</u>	<u>(53,040)</u>
Profit transferred to reserves	12	<u>109,901</u>	<u>236,349</u>

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

The accompanying accounting policies and notes form an integral part of these financial statements.

R A RACEY (GT YARMOUTH) LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	5	108,749	124,400
		<u>108,749</u>	<u>124,400</u>
Current assets			
Stocks	7	732,098	713,457
Debtors	8	6,187,518	5,402,427
Cash at bank and in hand		199,185	964
		<u>7,118,801</u>	<u>6,116,848</u>
Creditors: amounts falling due within one year	9	<u>(4,402,632)</u>	<u>(3,603,354)</u>
Net current assets		<u>2,716,169</u>	<u>2,513,494</u>
Total assets less current liabilities		<u>2,824,918</u>	<u>2,637,894</u>
Creditors: amounts falling due after more than one year	10	<u>(764,563)</u>	<u>(687,440)</u>
		<u>2,060,355</u>	<u>1,950,454</u>
Capital and reserves			
Called up share capital	11	510,600	510,600
Profit and loss account	12	1,549,755	1,439,854
Shareholders' funds	13	<u>2,060,355</u>	<u>1,950,454</u>
Equity shareholders' funds		1,497,315	1,387,414
Non-equity shareholders' funds		563,040	563,040
		<u>2,060,355</u>	<u>1,950,454</u>

The financial statements were approved by the Board of Directors on 23 September 1998

R A Racey

C S Racey

Directors

The accompanying accounting policies and notes form an integral part of these financial statements.

R A RACEY (GT YARMOUTH) LIMITED**CASH FLOW STATEMENT**

For the year ended 31 December 1997

	Note	1997 £	1996 £
Net cash inflow from operating activities	14	393,447	144,040
Returns on investments and servicing of finance			
Interest paid		(28,603)	(35,538)
Finance lease interest paid		(1,692)	(1,470)
Net cash outflow from returns on investments and servicing of finance		(30,295)	(37,008)
Taxation		(271,200)	128,954
Capital expenditure			
Sale of tangible fixed assets		9,171	5,353
Net cash inflow from capital expenditure and financial investment		9,171	5,353
Financing			
Receipts from borrowings		221,500	-
Repayment of borrowings		(45,951)	(247,410)
Capital element of finance lease rentals		(11,334)	(9,304)
Net cash inflow from financing		164,215	(256,714)
Increase in cash	15	265,338	(15,375)

The accompanying accounting policies and notes form an integral part of these financial statements.

R A RACEY (GT YARMOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:

	1997	1996
	£	£
Auditors' remuneration	13,000	6,000
Depreciation:		
Tangible fixed assets, owned	1,060	2,657
Tangible fixed assets, held under finance leases and hire purchase contracts	5,420	6,772
Other operating income includes:		
Management charge: Stephar UK Limited.	130,000	80,000

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£	£
On bank loans and overdrafts	87,649	35,538
Finance charges in respect of finance leases	1,692	1,470
Other interest payable and similar charges	10,075	-
	99,416	37,008

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	1997	1996
	£	£
UK Corporation tax at 31% (1996: 33%)	100,500	134,410
Adjustments in respect of prior periods:		
Corporation tax	27,000	-
	127,500	134,410

R A RACEY (GT YARMOUTH) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1997 £	1996 £
Wages and salaries	246,216	247,688
Social security costs	24,620	24,769
Other pension costs	25,000	-
	<u>295,836</u>	<u>272,457</u>

The average number of employees of the company during the year was 3 (1996: 3).

Remuneration in respect of directors was as follows:

	1997 £	1996 £
Emoluments	246,216	270,024
Pension contributions to money purchase pension schemes	25,000	-

During the year 1 director (1996: nil) participated in a money purchase pension scheme.

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 1997	87,081	11,001	33,860	28,748	160,690
Disposals	-	(11,001)	-	(28,748)	(39,749)
At 31 December 1997	<u>87,081</u>	<u>-</u>	<u>33,860</u>	<u>-</u>	<u>120,941</u>
Depreciation					
At 1 January 1997	-	5,061	6,772	24,457	36,290
Provided in the year	-	594	5,420	466	6,480
Eliminated on disposals	-	5,655	12,192	24,923	42,770
	-	(5,655)	-	(24,923)	(30,578)
At 31 December 1997	<u>-</u>	<u>-</u>	<u>12,192</u>	<u>-</u>	<u>12,192</u>
Net book amount at 31 December 1997	<u>87,081</u>	<u>-</u>	<u>21,668</u>	<u>-</u>	<u>108,749</u>
Net book amount at 31 December 1996	<u>87,081</u>	<u>5,940</u>	<u>27,088</u>	<u>4,291</u>	<u>124,400</u>

R A RACEY (GT YARMOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Motor vehicles £
Net book amount at 31 December 1997	21,666
Net book amount at 31 December 1996	27,088
Depreciation provided during year	5,420

6 FIXED ASSETS INVESTMENTS

The company owns 100% of the issued share capital of RA Racey Limited. This company ceased trading in 1996, when the assets and trade were hived up into RA Racey (Great Yarmouth) Limited. RA Racey Limited remained dormant throughout 1997.

7 STOCKS

	1997 £	1996 £
Finished goods and goods for resale	732,098	713,457

8 DEBTORS

	1997 £	1996 £
Trade debtors	545,245	1,868,743
Amounts owed by related undertakings	5,586,138	3,380,891
Taxation recoverable	56,135	152,793
	6,187,518	5,402,427

R A RACEY (GT YARMOUTH) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank overdrafts	28,260	95,377
Trade creditors	3,260,884	2,530,367
Corporation tax	134,085	374,443
Social security and other taxes	659,798	507,154
Proposed dividends	106,080	53,040
Other creditors	19,555	10,846
Loans from directors	169,465	9,469
Accruals and deferred income	13,172	7,542
Amounts due under finance leases	11,333	15,116
	<u>4,402,632</u>	<u>3,603,354</u>

The bank overdrafts are secured by a fixed and floating charge over all of the company's assets.

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Loans from directors	762,674	678,000
Amounts due under finance leases	1,889	9,440
	<u>764,563</u>	<u>687,440</u>

Borrowings are repayable as follows:

	1997 £	1996 £
Within one year		
Bank and other borrowings	197,725	104,846
Finance leases	11,333	15,116
After one and within two years		
Bank and other borrowings	762,674	678,000
Finance leases	1,889	9,440
	<u>973,621</u>	<u>807,402</u>

R A RACEY (GT YARMOUTH) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

11 SHARE CAPITAL

	1997 £	1996 £
Authorised		
25,000 ordinary shares of £1 each	25,000	25,000
510,000 13% non-participating, non-redeemable preference shares of £1 each	510,000	510,000
	<u>535,000</u>	<u>535,000</u>
Allotted, called up and fully paid		
600 ordinary shares of £1 each	600	600
510,000 13% non-participating, non-redeemable preference shares of £1 each	510,000	510,000
	<u>510,600</u>	<u>510,600</u>

Preference shares

Rights attaching to the 510,000 £1 preference shares are as follows:

The shares are denominated 13% cumulative, non-participating, non-redeemable preference shares, conferring upon the holders thereof the following rights, subject to the following restrictions:

- i) The right to cumulative preferential dividend at the rate of 13% gross on the capital paid up thereon.
- ii) The right in a winding up to a return on capital paid up thereon and any arrears of the said cumulative preferential dividend calculated down to the date of payment, but to no further or other rights to share in surplus assets.
- iii) The right to attend and vote at general meetings of the company, only in one of the following events:

-If the said preferential dividend shall be in arrears for more than 6 months, and so that for this purpose only the same shall be deemed to fall due and be payable on 30 April and 31 October in each year: or

-If any resolution or proposal in respect of such preference shares is to be put or discussed and then only on such resolution or proposal.

12 RESERVES

	Profit and loss account £
At 1 January 1997	1,439,854
Retained profit for the year	109,901
At 31 December 1997	<u>1,549,755</u>

R A RACEY (GT YARMOUTH) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	162,941	289,389
Dividends	(53,040)	(53,040)
Dividends received from subsidiary companies upon hive up	-	1,185,563
Net increase in shareholders' funds	109,901	1,421,912
Shareholders' funds at 1 January 1997	1,950,454	528,542
Shareholders' funds at 31 December 1997	2,060,355	1,950,454
Attributable to:		
Equity shareholders	1,497,315	1,387,414
Non-equity shareholders:		
Preference share holders	563,040	563,040
	2,060,355	1,950,454

14 NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit	389,857	460,807
Depreciation	6,480	9,429
Increase in stocks	(18,641)	42,521
Increase in debtors	(881,749)	(505,319)
Increase in creditors	897,500	136,602
Net cash inflow from continuing operating activities	393,447	144,040

R A RACEY (GT YARMOUTH) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £	1996 £
Increase in cash in the year	265,338	(15,375)
Cash inflow from financing in the year	(175,549)	247,410
Cash outflow from finance leases in the year	11,334	9,304
Change in net debt resulting from cashflows	101,123	241,339
Inception of finance leases	-	(33,860)
Other non - cash items	(69,121)	-
Movement in net debt in the year	32,002	207,479
Net debt at 1 January 1997	(806,438)	(1,013,917)
Net debt at 31 December 1997	(774,436)	(806,438)

16 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 1997 £	Cash flow £	Non - cash items £	At 31 December 1997 £
Cash in hand, at bank	964	198,221	-	199,185
Overdrafts	(95,377)	67,117	-	(28,260)
Debt	(687,469)	(175,549)	(69,121)	(932,139)
Finance leases	(24,556)	11,334	-	(13,222)
	(806,438)	101,123	(69,121)	(774,436)

17 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1997 or 31 December 1996.

18 CONTINGENT LIABILITIES

The company has entered a cross guarantee in respect of bank borrowings of Stephar (UK) Limited and Howard and Palmer Limited.

R A RACEY (GT YARMOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

19 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The pension cost charge for the year was £25,000 (1996 £ nil).

20 TRANSACTIONS INVOLVING DIRECTORS

During the year

- i) The company paid interest of £12,945 to Mr C S Racey, and interest of £56,565 to M R and R A Racey in respect of loans made to the company.
- ii) The company made sales of £21,238,210 to Stepfar (UK) Limited, a company in which the directors have an interest.
- iii) The company transferred stock of £7,549,048 from Howard and Palmer Limited , a company in which the directors have an interest.
- iv) Balances outstanding as at the 31 December 1997 are shown below:
Stepfar (UK) Limited owed £5,635,914
These amounts have arisen through normal trading transactions.