



Accountants and business advisors

HOWARD AND PALMER LIMITED

REGISTERED NUMBER 2452113

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002



HOWARD AND PALMER LIMITED

COMPANY INFORMATION

Directors	C S Racey K M Jay J R Tucker P D Lewis C J Colebrook J R Everett A Roberts
Secretary	C J Colebrook
Company Number	2452113
Registered Office	Castell Close Swansea Enterprise Park Llansamlet Swansea SA7 9FH
Auditors	PKF 19/21 Surrey Street Lowestoft Suffolk NR32 1LP
Solicitors	Mears Hobbs & Durrant 92 High Street Gorleston Great Yarmouth Norfolk
Bankers	National Westminster Bank plc 67 High Street Sevenoaks Kent TN13 1LA

HOWARD AND PALMER LIMITED

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HOWARD AND PALMER LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2002

The directors submit their report and the consolidated financial statements for the year ended 31 December 2002.

Results and dividends

The profit for the year, after taxation, amounted to £242,766 (2001 - £62,681).

Principal activity and review of the business

The company's principal activity during the year was the operation of pharmacies.

Swansea Laser Clinics Limited principle activity continued to be that of tattoo removal services.

One of the company's subsidiaries, A Maidment (Chemists) Limited, was dissolved and struck off the Register of Companies during the year. Two other subsidiaries, Percy G Gaen Limited and Hopkins & Williams Limited, were both dormant throughout the year, and were dissolved and struck off the Register of Companies in March 2003. All of these subsidiaries are excluded from the consolidated accounts for the year. The Castle Pharmacy Limited is the only other remaining subsidiary, and that company was dormant throughout the year.

Future developments

The directors plan to develop the activities of the group and company taking account of the general economic conditions likely to prevail in the forthcoming year.

Directors

The directors who served during the year were:

C S Racey
R A Racey (deceased 20 October 2002)
K M Jay
J R Tucker
P D Lewis
C J Colebrook
J R Everett
A Roberts

No director or their families held any interest in the company nor of its subsidiary undertakings nor its parent company Stephar (UK) Limited, during the year. Information in respect of the directors' shareholdings in the ultimate parent company is not available.

Employee involvement and employment of disabled persons

The directors pursue a policy of promoting equality of opportunities to all employees and of fostering and developing *their involvement and interest in the company.*

Where possible disabled persons are given the same consideration for employment opportunities as other applicants and training and promotion prospects are identical.

The group recognises the high standards required to ensure health, safety and welfare of its employees at work, its customers and general public. The policies in this record are regularly reviewed with the objective of ensuring that these standards are maintained.

HOWARD AND PALMER LIMITED

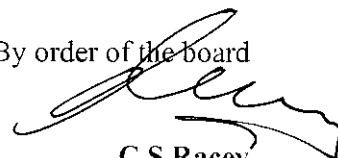
DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2002

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board



C S Racey
Director

16 October 2003

PKF

HOWARD AND PALMER 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 group 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;
- 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 the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom

PKF

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HOWARD AND PALMER LIMITED**

We have audited the financial statements of Howard and Palmer Limited for the year ended 31 December 2002 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditor's 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and group'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 (continued)

Qualified opinion arising from the disagreement over accounting treatment

As explained in the accounting policies on page 9, no provision has been made in the financial statements for the elimination of goodwill by amortisation over its useful economic life, as required by Financial Reporting Standard 10 and Schedule 4 of the Companies Act 1985. If the goodwill had been amortised over for example an expected useful economic life of ten years, the profit for the year for the company and group would have been reduced by £315,280 and the retained reserves of the company would be reduced by £3,953,135 and the group by £5,139,077.

Except for the treatment of goodwill, in our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 31 December 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lowestoft, UK
30 October 2003

PKF
PKF
Registered Auditors

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HOWARD AND PALMER LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
TURNOVER	2	24,162,569	22,065,385
Cost of sales		(17,109,839)	(15,251,780)
GROSS PROFIT		7,052,730	6,813,605
Administrative expenses		(6,498,389)	(6,303,043)
Other operating income		104,346	108,583
OPERATING PROFIT	3	658,687	619,145
Interest receivable and similar income	6	-	6,906
Interest payable and similar charges	7	(302,726)	(521,023)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		355,961	105,028
TAXATION	8	(113,195)	(42,347)
PROFIT FOR THE FINANCIAL YEAR		242,766	62,681

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

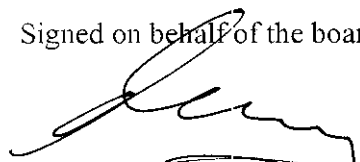
PKF

HOWARD AND PALMER LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Intangible	9	7,109,327	7,058,479
Tangible	10	4,569,367	4,520,723
		<u>11,678,694</u>	<u>11,579,202</u>
CURRENT ASSETS			
Stocks	12	5,237,221	4,598,419
Debtors	13	4,239,802	3,948,609
Cash at bank and in hand		5,793	4,769
		<u>9,482,816</u>	<u>8,551,797</u>
CREDITORS: amounts falling due within one year	14	<u>(9,578,755)</u>	<u>(9,207,760)</u>
NET CURRENT LIABILITIES		<u>(95,939)</u>	<u>(655,963)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,582,755</u>	<u>10,923,239</u>
CREDITORS: amounts falling due after more than one year	15	(8,142,608)	(7,751,858)
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(168,000)</u>	<u>(142,000)</u>
NET ASSETS		<u><u>3,272,147</u></u>	<u><u>3,029,381</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	100,000	100,000
Profit and loss account	20	3,172,147	2,929,381
SHAREHOLDERS' FUNDS	21	<u><u>3,272,147</u></u>	<u><u>3,029,381</u></u>

The financial statements were approved by the board on 16 October 2003

Signed on behalf of the board of directors


C S Racey Director

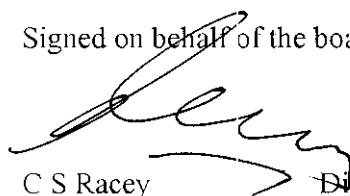
HOWARD AND PALMER LIMITED

BALANCE SHEET 31 DECEMBER 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Intangible	9	5,938,096	5,887,948
Tangible	10	4,406,981	4,345,199
Investments	11	100	800
		<u>10,345,177</u>	<u>10,233,947</u>
CURRENT ASSETS			
Stocks	12	5,237,221	4,598,419
Debtors	13	4,491,472	3,967,664
Cash at bank and in hand		3,789	3,586
		<u>9,732,482</u>	<u>8,569,669</u>
CREDITORS: amounts falling due within one year	14	<u>(9,745,707)</u>	<u>(9,143,889)</u>
NET CURRENT LIABILITIES		<u>(13,225)</u>	<u>(574,220)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,331,952</u>	<u>9,659,727</u>
CREDITORS: amounts falling due after more than one year	15	(8,142,608)	(7,751,858)
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(168,000)</u>	<u>(142,000)</u>
NET ASSETS		<u><u>2,021,344</u></u>	<u><u>1,765,869</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	100,000	100,000
Profit and loss account	20	1,921,344	1,665,869
		<u><u>2,021,344</u></u>	<u><u>1,765,869</u></u>

The financial statements were approved by the board on 16 October 2003

Signed on behalf of the board of directors


C S Racey Director

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 December 2002.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985.

The profit for the financial year of the parent company before taxation was **£374,182** (2001 - £208,516) and after taxation was **£255,475** (2001 - £138,837).

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(c) Intangible fixed assets

Intangible fixed assets comprise of purchased goodwill on the acquisition of individual pharmacies and is valued at cost and goodwill arising on consolidation. Goodwill is not amortised. This is a departure from Financial Reporting Standard 10. The directors believe that the goodwill of the group is an appreciating asset and therefore the lack of amortisation is a more accurate reflection of the value of the goodwill.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short leasehold	Over the period of lease
Motor vehicles	25 % reducing balance
Plant & machinery, fixtures & fittings	15 % reducing balance to 33 1/3 % straight line

Freehold land is not depreciated.

Assets held under finance leases are depreciated over the life of the lease.

It is the group's policy to maintain its freehold and long leasehold property 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, which are not materially different from the carrying amount of the asset and accordingly no provision for depreciation is made. Any depreciation charge would not be material either for the year or on a cumulative basis. Where there is a permanent diminution in the value of the freehold property a charge is made to the profit and loss account. Although the non depreciation of buildings is contrary to the Companies Act 1985 the directors believe that this treatment provides a true and fair view of the value of these assets at the year end. The directors complete an impairment review on these assets each year in accordance with Financial Reporting Standard 15.

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES (continued)

(e) Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease on a straight line basis.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(f) Investments

Investments are included at cost, and relate to a long term interest in the control of the subsidiary undertakings.

(g) Stocks and work in progress

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

(h) 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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(i) Pensions

The company operates two separate defined contribution pension schemes, a group personal pension scheme and an executive pension scheme. The pension charge in the profit and loss account represents the amounts payable by the company to the funds in respect of the year.

(j) Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 December 2002. Profits or losses on intra-group transactions are eliminated in full. Goodwill arising on consolidation, representing the excess of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and shown in note 9.

2 TURNOVER

Turnover is attributable to one class of business.

All turnover arose within the United Kingdom.

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

3 OPERATING PROFIT

The operating profit is stated after charging:

	2002 £	2001 £
Depreciation of tangible fixed assets:		
- owned by the company	244,854	241,850
- held under finance lease or hire purchase contracts	135,110	169,404
Audit fees	13,000	12,500
Auditors' remuneration - non-audit services	7,127	10,311
Operating lease rentals:		
- plant & machinery	21,767	25,956
- land & buildings	526,640	528,053
Pension cost	98,780	83,893
	<u> </u>	<u> </u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2002 £	2001 £
Directors' emoluments	273,623	314,781
Contributions to money purchase pension schemes	44,890	44,628
	<u> </u>	<u> </u>

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	6	6
	<u> </u>	<u> </u>

The highest paid director received emoluments and benefits as follows:

	2002 £	2001 £
Emoluments and benefits under long term incentive schemes	59,081	57,484
Contributions to money purchase pension schemes	5,069	5,070
	<u> </u>	<u> </u>

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HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2002	2001
	£	£
Wages and salaries	4,051,259	3,826,794
Social security costs	315,467	301,551
Other pension costs	98,780	83,893
	<u>4,465,506</u>	<u>4,212,238</u>

The average monthly number of employees, including executive directors, during the year was:

	No	No
Administration	286	283
Management	9	9
	<u>295</u>	<u>292</u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£	£
Other interest receivable	<u>-</u>	<u>6,906</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank loans and overdrafts	271,041	417,902
Other loans	747	45,055
Finance charges under finance lease and hire purchase contracts	30,938	58,066
	<u>302,726</u>	<u>521,023</u>

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HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

8 TAXATION

(a) Analysis of charge in year	2002 £	2001 £
UK corporation tax		
Current tax on income for the year	88,000	34,668
Adjustments in respect of prior periods	(805)	975
Total UK taxation	<u>87,195</u>	<u>35,643</u>
Deferred tax		
Changes in deferred tax balances arising from:		
Origination or reversal of timing differences	26,000	6,704
Tax on profit on ordinary activities	<u>113,195</u>	<u>42,347</u>

The tax assessed for the year is lower than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>355,961</u>	<u>105,028</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2001: 30%)	106,788	31,508
Effects of:		
Adjustments re prior periods	(805)	975
Excess of capital allowances over depreciation	(20,111)	4,878
Expenses not deductible for tax purposes	1,880	203,579
Income not taxable	-	(208,427)
Marginal rate relief	(148)	(2,209)
Other adjustments	(409)	5,339
Current tax charge for the year	<u>87,195</u>	<u>35,643</u>

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HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

9 INTANGIBLE FIXED ASSETS

Group

	Goodwill £
Cost	
At 1 January 2002	7,058,479
Additions	50,848
At 31 December 2002	<u>7,109,327</u>
Net book amount	
At 31 December 2002	<u>7,109,327</u>
At 31 December 2001	<u>7,058,479</u>

Company

	Goodwill £
Cost	
At 1 January 2002	5,887,948
Additions	50,148
At 31 December 2002	<u>5,938,096</u>
Amortisation	
At 1 January 2002 and 31 December 2002	<u>-</u>
Net book amount	
At 31 December 2002	<u>5,938,096</u>
At 31 December 2001	<u>5,887,948</u>

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HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

10 TANGIBLE FIXED ASSETS

Group

	Land & buildings £	Plant & machinery, fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2002	2,939,248	3,649,323	739,870	7,328,441
Additions	146,428	369,399	287,531	803,358
Disposals	(278,245)	(124,040)	(295,096)	(697,381)
At 31 December 2002	<u>2,807,431</u>	<u>3,894,682</u>	<u>732,305</u>	<u>7,434,418</u>
Depreciation				
At 1 January 2002	92,072	2,300,719	414,927	2,807,718
Charge for year	5,252	286,217	88,495	379,964
On disposals	-	(124,040)	(198,591)	(322,631)
At 31 December 2002	<u>97,324</u>	<u>2,462,896</u>	<u>304,831</u>	<u>2,865,051</u>
Net book amount				
At 31 December 2002	<u>2,710,107</u>	<u>1,431,786</u>	<u>427,474</u>	<u>4,569,367</u>
At 31 December 2001	<u>2,847,176</u>	<u>1,348,604</u>	<u>324,943</u>	<u>4,520,723</u>

The net book amount of land and buildings comprises:

	2002 £	2001 £
Freeholds	1,581,253	1,713,070
Long leaseholds	1,080,244	1,080,244
Short leaseholds	48,610	53,862
	<u>2,710,107</u>	<u>2,847,176</u>

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2002 £	2001 £
Plant & machinery	116,286	139,681
Motor vehicles	334,327	184,861
	<u>450,613</u>	<u>324,542</u>

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

10 TANGIBLE FIXED ASSETS (continued)

Company

	Land & buildings £	Plant & machinery, fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2002	2,785,422	3,368,992	739,870	6,894,284
Additions	146,428	351,950	287,531	785,909
Disposals	(278,245)	(124,040)	(295,096)	(697,381)
At 31 December 2002	<u>2,653,605</u>	<u>3,596,902</u>	<u>732,305</u>	<u>6,982,812</u>
Depreciation				
At 1 January 2002	92,072	2,042,086	414,927	2,549,085
Charge for year	5,252	255,630	88,495	349,377
On disposals	-	(124,040)	(198,591)	(322,631)
At 31 December 2002	<u>97,324</u>	<u>2,173,676</u>	<u>304,831</u>	<u>2,575,831</u>
Net book amount				
At 31 December 2002	<u>2,556,281</u>	<u>1,423,226</u>	<u>427,474</u>	<u>4,406,981</u>
At 31 December 2001	<u>2,693,350</u>	<u>1,326,906</u>	<u>324,943</u>	<u>4,345,199</u>

The net book amount of land and buildings comprises:

	2002 £	2001 £
Freeholds	1,427,427	1,559,244
Long leaseholds	1,080,244	1,080,244
Short leaseholds	48,610	53,862
	<u>2,556,281</u>	<u>2,693,350</u>

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2002 £	2001 £
Plant & machinery	116,286	129,306
Motor vehicles	334,327	184,861
	<u>450,613</u>	<u>314,167</u>

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

11 FIXED ASSET INVESTMENTS

Company

	Shares in subsidiary undertakings £
Cost	
At 1 January 2002	1,176,280
Amounts written off	(1,176,180)
At 31 December 2002	<u>100</u>
Provisions	
At 1 January 2002	1,175,480
Amounts written off	(1,175,480)
At 31 December 2002	<u>-</u>
Net book amount	
At 31 December 2002	<u>100</u>
At 31 December 2001	<u>800</u>

The company holds the following investments in subsidiary undertakings:

Name	Activity	Type of share	% of nominal value of shares
Swansea Laser Clinics Limited	Tattoo removal	Ordinary	100
The Castle Pharmacy Limited	Dormant	Ordinary	100
Percy G Gaen Limited	Dormant	Ordinary	100
Hopkins & Williams Limited	Dormant	Ordinary	100

Hopkins & Williams Limited and Percy G Gaen Limited were struck off the Companies House Register in March 2003. The companies had been dormant throughout the year. The investments have been written off in the year as having no value. These companies have been excluded from the consolidation on the grounds of materiality.

The other investments are included at their balance sheet value.

12 STOCKS

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Goods for resale	<u>5,237,221</u>	<u>4,598,419</u>	<u>5,237,221</u>	<u>4,598,419</u>

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

13 DEBTORS

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Due within one year				
Trade debtors	3,960,618	3,489,085	3,924,677	3,440,845
Amounts due from group undertakings	40,054	40,099	328,338	112,514
Other debtors	47,636	86,938	47,337	83,594
Prepayments & accrued income	191,494	332,487	191,120	330,711
	<u>4,239,802</u>	<u>3,948,609</u>	<u>4,491,472</u>	<u>3,967,664</u>

14 CREDITORS

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Amounts falling due within one year				
Bank loans and overdrafts (note 16)	6,073,121	6,008,150	6,073,121	5,956,616
Trade creditors	1,454,407	1,342,230	1,454,407	1,340,577
Amounts owed to group undertakings	1,562,449	1,348,292	1,562,449	1,367,733
Corporation tax	88,000	14,931	88,000	-
Other tax and social security	91,757	83,727	91,757	83,727
Net obligations under finance lease and hire purchase contracts(note 17)	159,808	114,503	159,808	104,128
Other creditors	-	4,320	-	-
Accruals and deferred income	149,213	291,607	316,165	291,108
	<u>9,578,755</u>	<u>9,207,760</u>	<u>9,745,707</u>	<u>9,143,889</u>

Bank loans and overdrafts are secured by a fixed and floating charge over all of the group's assets.

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

15 CREDITORS

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Amounts falling due after more than one year				
Bank loans (note 16)	959,306	1,617,556	959,306	1,617,556
Amounts owed to group undertakings	7,000,000	6,000,000	7,000,000	6,000,000
Net obligations under finance lease and hire purchase contracts(note 17)	183,302	134,302	183,302	134,302
	<u>8,142,608</u>	<u>7,751,858</u>	<u>8,142,608</u>	<u>7,751,858</u>

Bank loans and overdrafts are secured by a fixed and floating charge over all the group's assets.

16 LOANS

Loans fall due for payment as follows:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans				
Within one year	686,470	476,007	686,470	476,007
Between one and two years	686,470	417,906	686,470	417,906
Between two and five years	272,836	1,199,650	272,836	1,199,650
	<u>1,645,776</u>	<u>2,093,563</u>	<u>1,645,776</u>	<u>2,093,563</u>

17 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Within one year	159,808	114,503	159,808	104,128
Between one and five years	183,302	134,302	183,302	134,302
	<u>343,110</u>	<u>248,805</u>	<u>343,110</u>	<u>238,430</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

18 PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

	Deferred taxation £
At 1 January 2002	142,000
Charged to profit and loss	26,000
At 31 December 2002	168,000

Deferred tax is analysed as follows:

	2002 £	2001 £
Capital allowances	168,000	142,000

19 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 January 2002 and 31 December 2002			
Ordinary A shares of £1 each	100,000	75,000	75,000
Ordinary B shares of £1 each	400,000	25,000	25,000
	<u>500,000</u>	<u>100,000</u>	<u>100,000</u>

20 RESERVES

	Group £	Company £
Profit and loss account		
At 1 January 2002	2,929,381	1,665,869
Profit for the year	242,766	255,475
At 31 December 2002	3,172,147	1,921,344

21 SHAREHOLDERS' FUNDS

	2002 £	2001 £
Shareholders' funds at 1 January 2002	3,029,381	2,966,700
Profit for the year	242,766	62,681
Shareholders' funds at 31 December 2002	3,272,147	3,029,381

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

22 OTHER COMMITMENTS

Group

At 31 December 2002 the group had annual commitments under operating leases as follows:

	Other	
	2002	2001
	£	£
Expiry date:		
Within one year	15,095	11,000
Between one and five years	58,600	64,060
After more than five years	296,630	401,030
	<u> </u>	<u> </u>

Company

At 31 December 2002 the company had annual commitments under operating leases as follows:

	Other	
	2002	2001
	£	£
Expiry date:		
Within one year	11,000	11,000
Between one and five years	58,600	64,060
After more than five years	296,630	401,030
	<u> </u>	<u> </u>

23 CONTINGENT LIABILITIES

The company has entered into a cross guarantee in respect of bank borrowings of Stephar (UK) Limited and R A Racey (GT Yarmouth) Limited.

24 TRANSACTIONS WITH RELATED PARTIES

Included within debtors is a loan of **£3,500** (2001 - £4,100) to P D Lewis a director. The maximum amount outstanding during the year was **£4,100**.

Included within debtors is a balance of £43,837 (2001 - £63,194) owing from R A Racey (GT Yarmouth) Limited, a company in which the directors have an interest.

During the year, the company was loaned £Nil (2001 - £700,000) from the Racey Group Directors Pension Scheme. No amounts were outstanding at the end of either accounting period.

The directors have taken advantage of the exemption conferred by Financial Reporting Standard 8 which allows for the exclusion from the above details of transactions with members of the same 90% group.

25 PENSION COSTS

The company operates two defined contribution pension schemes, a group personal pension scheme and an executive pension scheme, the assets of which are held separately from those of the group in an independently administered fund. The pension cost charge for the year is shown in note 4.

HOWARD AND PALMER LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

26 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by Stephar (UK) Limited.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Stephar (UK) Limited. Consolidated accounts are available from Companies House, Cardiff, CF4 3UZ.

In the opinion of the directors the ultimate parent company is European Pharmaceutical Holdings BV, a company incorporated in Holland.

The directors do not know the identity of the ultimate controlling party.

PKF