

C B S GENIOS LIMITED

Report and Financial Statements

29 September 2001

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A R Deacon FCA	Chairman
A J W Campbell MA	Non Executive

COMPANY SECRETARY

M J Hayward

BANKERS

Bank of Scotland
London Chief Office
PO Box 267
38 Threadneedle Street
London
EC2P 2EH

REGISTERED OFFICE

Garman Road
Tottenham
London
N17 OQN

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

CHAIRMAN'S STATEMENT

Profit before taxation for the financial year ended 30 September 2001 increased by 14% to £737,396 (2000 - £649,347). Turnover was £32,539,920 with a gross margin of 11%. Net assets rose 7% to £1,923,419 and net current assets were £1,169,544.

2001 was yet another year of profits growth for the company, which has seen profit before taxation increase by 175% over the past 3 years. Turnover decreased in comparison with the prior year due to certain large special low margin sales which accrued in the preceding financial year, the effect of which is not seen in the current year. As a result, turnover resumed its trend increase on 1999.

The business environment remains relatively unchanged with the company increasingly seeing the non-pharmacy retailer of health and beauty products as the growth market for its delivered service. Whilst local pharmacists in the South East of England remain a significant proportion of delivered turnover that proportion continues to fall as drugstores and other high street discount retailers assert themselves in the market-place. These retailers sell at prices that are not matched by either pharmacists or supermarkets and they have been making an increasing impact on the market in recent years.

Our high tech showroom cash and carry grew by a more sedate 10% during the year. The slowdown in its growth was inevitable after the strong growth experienced following its refurbishment 3 years ago, but we must now redouble our efforts to keep this profitable business moving ahead.

Profits are currently ahead of a budget that calls for a further rise in the current year and we are confident that this will be achieved. My thanks are due once again to our winning team.



A R Deacon FCA
Chairman

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 29 September 2001.

ACTIVITIES

The principal activity of the company is trading as a wholesaler of toiletries, chemists' sundries and household products.

REVIEW OF DEVELOPMENTS

A review of developments is included in the Chairman's statement.

FUTURE PROSPECTS

The Board have taken steps during the period under review which it expects will result in profits growth with resultant benefit to the company's future performance.

DONATIONS

During the year the company made charitable donations totalling £6,100 (2000 – £3,000).

DIRECTORS AND THEIR INTERESTS

The directors of the company throughout the period were:

A R Deacon
A J W Campbell

The directors' interests, as defined by the Companies Act 1985, in the ordinary shares of the company at 29 September 2001 and 30 September 2000 were:

	29 September 2001	30 September 2000
A R Deacon	917,001	983,000

AR Deacon held a non-beneficial interest in 327,000 ordinary shares of the company (2000: £327,000).

A J W Campbell held no interests in the shares of the company.

DIVIDENDS

The directors declared a dividend of £200,000 in respect of the 52 weeks ended 29 September 2001 (2000 - £180,000).

CAPITAL

During the year, in accordance with the Articles of Association and upon the authority of Special Resolutions, the Company purchased 392,999 of its ordinary shares, representing 30% of the issued share capital, for a cash consideration of £170,000. The nominal value of these shares amounted to £392,999.

These shares were purchased for the benefit of the Company's trade, by ensuring that there was no dilution of the existing members' shareholdings and thereby avoiding potential unwelcome influences upon the Company's future strategic planning and development.

DIRECTORS' REPORT (continued)

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M J Hayward
Company secretary

18TH APRIL 2002

STATEMENT OF DIRECTORS' REPSONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company, for the system of internal control, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

C B S GENIOS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C B S GENIOS LIMITED

We have audited the financial statements of C B S Genios Limited for the 52 week period ended 29 September 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement and its related notes A to C, and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 chairman's statement for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

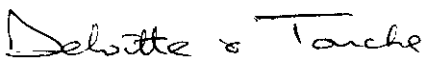
Basis of audit opinion

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 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 29 September 2001 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants and
Registered Auditors

18 April 2002

PROFIT AND LOSS ACCOUNT
Period ended 29 September 2001

	Note	52 weeks ended 29 September 2001 £	53 weeks ended 30 September 2000 £
TURNOVER	1,2	32,539,920	40,750,211
Cost of sales		(28,936,468)	(37,146,104)
Gross profit		3,603,452	3,604,107
Distribution costs		(2,092,102)	(2,139,153)
Administrative expenses		(738,978)	(830,792)
Other operating income		172,333	192,250
OPERATING PROFIT		944,705	826,412
Interest payable and similar charges	4	(207,309)	(177,065)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	737,396	649,347
Tax on profit on ordinary activities	6	(240,890)	(202,376)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		496,506	446,971
Dividend paid	7	(200,000)	(180,000)
RETAINED PROFIT FOR THE PERIOD	17	296,506	266,971

The above results all derive from continuing operations.

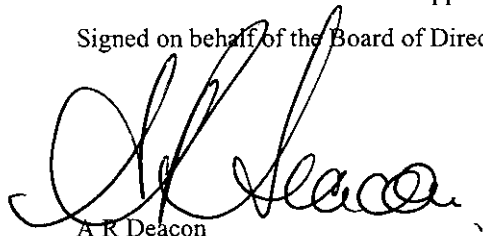
There are no recognised gains or losses for the period and the preceding financial period other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.

BALANCE SHEET
29 September 2001

	Note	29 September 2001	30 September 2000
		£	£
FIXED ASSETS			
Tangible assets	8	846,306	837,104
Investments	9	50,001	50,000
		<u>896,307</u>	<u>887,104</u>
CURRENT ASSETS			
Stocks	10	3,707,662	3,205,329
Debtors	11	3,897,231	3,883,899
Cash at bank and in hand		119,089	52,239
		<u>7,723,982</u>	<u>7,141,467</u>
CREDITORS: amounts falling due within one year	12	<u>(6,554,438)</u>	<u>(5,983,997)</u>
NET CURRENT ASSETS		<u>1,169,544</u>	<u>1,157,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,065,851</u>	<u>2,044,574</u>
CREDITORS: amounts falling due after more than one year	13	(142,432)	(193,423)
PROVISIONS FOR LIABILITIES AND CHARGES	15	-	(54,238)
		<u>1,923,419</u>	<u>1,796,913</u>
CAPITAL AND RESERVES			
Called up share capital	16	917,001	1,310,000
Share premium account	17	378	378
Capital redemption reserve	17	392,999	-
Profit and loss account	17	613,041	486,535
EQUITY SHAREHOLDERS' FUNDS		<u>1,923,419</u>	<u>1,796,913</u>

These financial statements were approved by the Board of Directors on 18th APRIL 2002.

Signed on behalf of the Board of Directors



A R Deacon

Director

CASH FLOW STATEMENT
Period ended 29 September 2001

	Note	52 weeks ended 29 September 2001 £	53 weeks ended 30 September 2000 £
Net cash inflow from operating activities	A	452,738	94,595
Returns on investments and servicing of finance			
Interest paid		(207,309)	(177,065)
Taxation			
Taxation paid		(193,636)	(59,449)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(137,950)	(263,156)	
Payment to acquire investment	(1)	(50,000)	
Receipts from sales of fixed assets	37,200	-	
Net cash outflow from capital expenditure		(100,751)	(313,156)
Equity dividends paid		(200,000)	(180,000)
Cash outflow before financing		(248,958)	(635,075)
Financing			
Capital element of finance lease contracts		(144,808)	(78,037)
Repurchase – own shares		(170,000)	-
Decrease in cash in the period	C	<u>(563,766)</u>	<u>(713,112)</u>

NOTES TO THE CASH FLOW STATEMENT

52 weeks ended 29 September 2001

A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks ended 29 September 2001 £	53 weeks ended 30 September 2000 £
Operating profit	944,705	826,412
Depreciation	221,930	180,076
(Increase)/decrease in stocks	(502,333)	18,240
(Increase)/decrease in debtors	(13,332)	445,564
Decrease in creditors	(193,149)	(1,375,697)
Profit on sale of fixed assets	(5,083)	-
Net cash inflow from operating activities	<u>452,738</u>	<u>94,595</u>

B. ANALYSIS OF CHANGES IN NET DEBT

	At 30 September 2000 £	Cash flows £	Other non cash changes £	At 29 September 2001 £
Cash in hand and at bank	52,239	66,850	-	119,089
Overdrafts	(1,097,706)	359,443	-	(738,263)
Invoice discounting	(1,325,736)	(990,059)	-	(2,315,795)
Finance leases	(2,371,203)	(563,766)	-	(2,934,969)
	(298,132)	144,808	(125,303)	(278,627)
	<u>(2,669,335)</u>	<u>(418,958)</u>	<u>(125,303)</u>	<u>(3,213,596)</u>

C. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £	2000 £
Decrease in cash in the period	(563,766)	(713,112)
Cash outflow from decrease in debt and lease financing	<u>144,808</u>	<u>78,037</u>
Change in net debt resulting from cash flows	(418,958)	(635,075)
New finance leases	<u>(125,303)</u>	<u>(73,092)</u>
Movement in net debt in period	(544,261)	(708,167)
Net debt at 30 September 2000/26 September 1999	<u>(2,669,335)</u>	<u>(1,961,168)</u>
Net debt at 29 September 2001/30 September 2000	<u>(3,213,596)</u>	<u>(2,669,335)</u>

NOTES TO THE ACCOUNTS
52 weeks ended 29 September 2001**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the invoiced amounts of goods sold and services provided during the year, net of VAT.

Tangible assets

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	Over the life of the lease
Plant, fixtures and fittings	10% - 50% per annum
Motor vehicles	25% per annum

Stocks

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

Deferred taxation

Deferred taxation is provided at the anticipated rates of tax on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pension costs

Retirement benefits to certain employees of the company are provided by defined contribution schemes which are funded by contributions from the company and the employees. Payments are charged against the profit and loss account in the year in which they become payable.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal quarterly amounts over the periods of the leases.

NOTES TO THE ACCOUNTS

52 weeks ended 29 September 2001

2. TURNOVER

The directors are of the opinion that the markets served by the company do not differ substantially from each other and that a geographical analysis of turnover would be seriously prejudicial to the commercial interests of the company.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	52 weeks ended 29 September 2001 £	53 weeks ended 30 September 2000 £
Directors' emoluments		
Fees	121,500	176,000

In 2000 and 2001 pension contributions made in respect of directors were £nil.

	2001 £	2000 £
Staff costs during the period (including directors)		
Wages and salaries	993,367	1,140,429
Social security costs	73,626	80,687
Pension costs	8,363	8,769
	<u>1,075,356</u>	<u>1,229,885</u>
	No.	No.
Average number of persons employed		
Sales and distribution	48	54
Administration	8	12
	<u>56</u>	<u>66</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank loans, overdrafts and other loans	176,683	147,862
Finance leases and hire purchase contracts	30,626	29,203
	<u>207,309</u>	<u>177,065</u>

NOTES TO THE ACCOUNTS

52 weeks ended 29 September 2001

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks ended 29 September 2001 £	53 weeks ended 30 September 2000 £
Profit on ordinary activities before taxation is after charging/(crediting):		
Depreciation of tangible fixed assets:		
Owned	145,125	110,078
Held under hire purchase	76,805	69,998
Auditors' remuneration:		
For audit	20,000	20,000
For other services	6,375	3,500
Rents under operating leases – land and buildings	482,500	557,500
Profit on sale of fixed assets	(5,083)	-

6. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
United Kingdom corporation tax charge at 30% (2000 – 29%) based on the profit for the period	279,810	178,318
Deferred taxation	(54,238)	26,319
	225,572	204,637
Adjustment in respect of prior years	15,318	(2,261)
	240,890	202,376

7. DIVIDENDS

	2001 £	2000 £
Dividend paid – 21.8p per ordinary share (2000 – 13.7p)	200,000	180,000
Ordinary dividends on equity shares	200,000	180,000

NOTES TO THE ACCOUNTS

52 weeks ended 29 September 2001

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 October 2000	390,010	1,143,286	84,833	1,618,129
Additions	-	124,208	139,041	263,249
Disposals	-	(346,583)	(67,715)	(414,298)
At 29 September 2001	390,010	920,911	156,159	1,467,080
Accumulated depreciation				
At 1 October 2000	127,341	622,441	31,243	781,025
Charge for the period	32,690	156,786	32,454	221,930
Disposals	-	(346,583)	(35,598)	(382,181)
At 29 September 2001	160,031	432,644	28,099	620,774
Net book value				
At 29 September 2001	229,979	488,267	128,060	846,306
At 30 September 2000	262,669	520,845	53,590	837,104

Fixed assets include items of plant, fixtures and fittings and motor vehicles with a net book value of £414,182 (2000 – £388,415) after accumulated depreciation of £153,676 (2000 – £108,113) which are held under hire purchase or finance leases.

9. INVESTMENTS HELD AS FIXED ASSETS

	Other investments £
Cost	
At 1 October 2000	50,000
Addition	1
At 29 September 2001	50,001

The investment is unlisted.

10. STOCKS

All stocks held by the company are finished goods for resale.

NOTES TO THE ACCOUNTS
52 weeks ended 29 September 2001

11. DEBTORS

	2001 £	2000 £
Trade debtors	3,365,928	3,112,303
Other debtors	245,043	501,904
Prepayments	286,260	269,692
	<u>3,897,231</u>	<u>3,883,899</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdraft	738,263	1,097,706
Obligations under finance leases and hire purchase contracts (see note 14)	136,195	104,709
Invoice discounting	2,315,795	1,325,736
Trade creditors	2,702,151	3,038,343
Taxation and social security	333,102	217,529
Accruals	328,932	199,974
	<u>6,554,438</u>	<u>5,983,997</u>

The bank overdraft is repayable on demand and is secured by a fixed and floating charge over the assets of the company.

The invoice discounting facility is secured on a proportion of the debtors.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Obligations under finance leases and hire purchase contracts (see note 14)	<u>142,432</u>	<u>193,423</u>

NOTES TO THE ACCOUNTS

52 weeks ended 29 September 2001

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The company is committed to the following minimum payments under finance leases and hire purchase contracts

	2001 £	2000 £
Payable within one year or less	155,943	129,756
Payable more than one year but not more than two years	127,186	211,071
Payable more than two years but not more than five years	19,605	-
	<u>302,734</u>	<u>340,827</u>
Future finance charges included	(24,107)	(42,695)
	<u>278,627</u>	<u>298,132</u>
Creditors due within one year	136,195	104,709
Creditors due after more than one year	142,432	193,423
	<u>278,627</u>	<u>298,132</u>

Finance leases are charged over the assets to which they relate.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 October 2000	54,238
Profit and loss account charge	(54,238)
Balance at 29 September 2001	<u>-</u>

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	Provided 2001 £	Provided 2000 £	Unprovided (asset) 2001 £	Unprovided (asset) 2000 £
Capital allowances in excess of depreciation	43,810	54,524	-	-
Other timing differences	(43,810)	(286)	(12,060)	(5,867)
	<u>-</u>	<u>54,238</u>	<u>(12,060)</u>	<u>(5,867)</u>

NOTES TO THE ACCOUNTS
52 weeks ended 29 September 2001

16. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised, allotted and fully paid		
917,001 ordinary shares of £1 each	917,001	1,310,000

During the year, in accordance with the Articles of Association and upon the authority of Special Resolutions, the Company purchased 392,999 of its ordinary shares, representing 30% of the issued share capital, for a cash consideration of £170,000. The nominal value of these shares amounted to £392,999.

17. COMBINED STATEMENT OF MOVEMENTS ON RESERVES AND SHAREHOLDERS' FUNDS

	Share capital £	Share- premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 October 2000	1,310,000	378	-	486,535	1,796,913
Retained profit for the period	-	-	-	296,506	296,506
Repurchase of 392,999 ordinary £1 shares	-	-	-	(170,000)	(170,000)
Transfer from share capital on purchase of shares	(392,999)	-	392,999	-	-
At 29 September 2001	917,001	378	392,999	613,041	1,923,419

18. OPERATING LEASE COMMITMENTS

As at 29 September 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings £
Operating leases which expire: After more than five years	520,000

19. RELATED PARTY TRANSACTIONS

There are no related party transactions requiring disclosure under the terms of Financial Reporting Standard No 8.

20. CONTROLLING PARTY

The company is controlled by A R Deacon, a director of the company.