

# Primelight Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

A I Patel

Y I Patel

### SECRETARY

A I Patel

### COMPANY NUMBER

2576058 (England and Wales)

### REGISTERED OFFICE

109 North Road

Clayton

Manchester

M11 4NE

### AUDITORS

Baker Tilly

Chartered Accountants

Brazennose House

Lincoln Square

Manchester

M2 5BL

# Primelight Limited

## DIRECTORS' REPORT

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The directors submit their report and the group financial statements of Primelight Limited for the year ended 31 August 2000.

### PRINCIPAL ACTIVITIES

The principal activity of the group during the year was that of retail dispensing chemists.

### RESULTS AND DIVIDENDS

The group trading profit for the year, after taxation was £1,306,588. The directors do not recommend payment of an ordinary dividend.

### REVIEW OF THE BUSINESS

A summary of the results of the year's trading is shown on the face of the profit and loss account. The directors consider the results of the group to be satisfactory and expect continued growth in the foreseeable future.

### FUTURE DEVELOPMENTS

The directors will strive to improve turnover and profitability over the coming year through the continued expansion of the business by organic growth and acquisition.

### EVENTS SINCE THE BALANCE SHEET DATE

Since the year end the group has continued its expansion programme with the addition of a further fifteen pharmacies.

### MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of properties at 31 August 2000 would exceed the net book value included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the group's intention to retain ownership of its existing properties for use in its business for the foreseeable future.

### DIRECTORS

The following directors have held office since 1 September 1999:-

A I Patel

Y I Patel

# Primelight Limited

## DIRECTORS' REPORT

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### DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

|           |  |         |
|-----------|--|---------|
|           | <i>Ordinary shares of £1 each</i>          |         |
|           | 31.8.00                                    | 31.8.99 |
| A I Patel | -  | 1       |
| Y I Patel | -  | 1       |
|           | <i>Deferred ordinary shares of £1 each</i> |         |
|           | 31.8.00                                    | 31.8.99 |
| A I Patel | 1  | -       |
| Y I Patel | 1  | -       |
|           | <i>US Dollar shares of £1 each</i>         |         |
|           | 31.8.00                                    | 31.8.99 |
| A I Patel | 1  | -       |
| Y I Patel | 1  | -       |

### SINGLE EUROPEAN CURRENCY ISSUE

The directors have considered the impact that the single European currency will have on the group's operations and have taken the required steps to ensure that the group continues to operate effectively. This has not resulted in any material additional expenditure.

### DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfill the requirements of the job.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled persons wherever appropriate.

### EMPLOYEE INVOLVEMENT

Employees are encouraged to participate in the success of the business by furthering their career through personal development and training.

# Primelight Limited

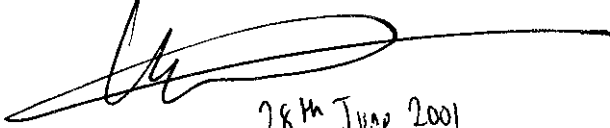
## DIRECTORS' REPORT

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### AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors of the company will be put to the members at the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'Y I Patel', written over a horizontal line.

Y I Patel  
Director

28<sup>th</sup> June 2001

# Primelight Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

## AUDITORS' REPORT TO THE MEMBERS OF PRIMELIGHT LIMITED

We have audited the financial statements on pages 7 to 28.

### **Respective responsibilities of directors and auditors.**

As described on page 4 the company's directors are responsible for the preparation of 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.

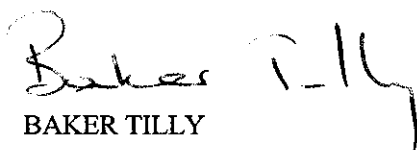
### **Basis of opinion**

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 of 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 affairs of the company and the group at 31 August 2000 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor  
Chartered Accountants  
Brazennose House  
Lincoln Square  
Manchester  
M2 5BL

28 June 2001

# Primelight Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 August 2000

|  | Notes    | 2000<br>£  | 2000<br>£   | 1999<br>£  | 1999<br>£   |
|--|----------|------------|-------------|------------|-------------|
| <b>TURNOVER</b>  | <b>1</b> |            |             |            |             |
| Continuing operations                                    |          | 29,825,443 |             | 27,794,918 |             |
| Acquisitions   |          | 2,323,244  |             | 771,957    |             |
|  |          |            |             |            |             |
| Cost of sales  |          |            | 32,148,687  |            | 28,566,875  |
|  |          |            | 24,386,731  |            | 21,944,654  |
|  |          |            |             |            |             |
| <b>GROSS PROFIT</b>                                      |          |            | 7,761,956   |            | 6,622,221   |
| Other operating expenses (net)                           | 2        |            | 4,763,286   |            | 3,944,875   |
|  |          |            |             |            |             |
| <b>OPERATING PROFIT</b>                                  |          |            |             |            |             |
| Continuing operations                                    |          | 2,801,671  |             | 2,646,012  |             |
| Acquisitions   |          | 196,999    |             | 31,334     |             |
|  |          |            |             |            |             |
|  |          |            | 2,998,670   |            | 2,677,346   |
|  |          |            |             |            |             |
| Investment income  | 3        |            | 53,279      |            | 7,871       |
| Interest payable   | 4        |            | (1,188,021) |            | (1,043,134) |
|  |          |            |             |            |             |
| <b>PROFIT ON ORDINARY<br/>ACTIVITIES BEFORE TAXATION</b> | 5        |            | 1,863,928   |            | 1,642,083   |
| Taxation   | 7        |            | 557,340     |            | 538,533     |
|  |          |            |             |            |             |
| <b>PROFIT ON ORDINARY<br/>ACTIVITIES AFTER TAXATION</b>  |          |            | 1,306,588   |            | 1,103,550   |

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# Primelight Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 August 2000

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### NOTE OF HISTORICAL COST PROFITS AND LOSSES

|   | 2000<br>£        | 1999<br>£        |
|---|------------------|------------------|
| Profit on ordinary activities before taxation   | 1,863,928        | 1,642,083        |
| Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount. | 13,131           | 10,734           |
| Historical cost profit on ordinary activities before taxation   | <u>1,877,059</u> | <u>1,652,817</u> |
| Historical cost profit for the year retained after taxation and dividends   | <u>1,319,719</u> | <u>1,114,284</u> |



**Primelight Limited**  
**CONSOLIDATED BALANCE SHEET**  
**31 August 2000**

|  | <i>Notes</i> | 2000<br>£         | 1999<br>£         |
|--|--------------|-------------------|-------------------|
| <b>FIXED ASSETS</b>  |              |                   |                   |
| Intangible fixed assets  | 9            | 16,173,359        | 11,389,588        |
| Tangible assets  | 10           | 4,206,523         | 3,799,150         |
|  |              | <u>20,379,882</u> | <u>15,188,738</u> |
| <b>CURRENT ASSETS</b>  |              |                   |                   |
| Stocks   | 12           | 2,636,115         | 1,982,722         |
| Debtors  | 13           | 5,880,279         | 5,005,493         |
| Cash at bank and in hand                                       |              | 1,768,764         | 1,147,351         |
|  |              | <u>10,285,158</u> | <u>8,135,566</u>  |
| <b>CREDITORS: Amounts falling due within one year</b>          | 14           | 6,656,252         | 6,088,232         |
| <b>NET CURRENT ASSETS</b>                                      |              | <u>3,628,906</u>  | <u>2,047,334</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |              | <u>24,008,788</u> | <u>17,236,072</u> |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 15           | 18,733,381        | 13,270,914        |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  | 16           | 20,240            | 16,579            |
|  |              | <u>5,255,167</u>  | <u>3,948,579</u>  |
| <b>CAPITAL AND RESERVES</b>                                    |              |                   |                   |
| Called up share capital  | 17           | 3                 | 2                 |
| Other reserves   | 18           | 382               | 382               |
| Revaluation reserve  | 18           | 527,235           | 527,235           |
| Profit and loss account  | 18           | 4,727,547         | 3,420,960         |
|  |              | <u>5,255,167</u>  | <u>3,948,579</u>  |

Approved by the board on 28th June 2001

A I Patel Director

Y I Patel Director

# Primelight Limited

## COMPANY BALANCE SHEET

31 August 2000

|   | Notes | 2000<br>£      | 1999<br>£      |
|---|-------|----------------|----------------|
| <b>FIXED ASSETS</b>                                     |       |                |                |
| Investments   | 11    | 341,259        | 341,259        |
| <b>CURRENT ASSETS</b>                                   |       |                |                |
| Debtors   | 13    | 74,401         | 73,078         |
| CREDITORS: Amounts falling due within one year          | 14    | 52,477         | 61,534         |
| <b>NET CURRENT ASSETS</b>                               |       | <u>21,924</u>  | <u>11,544</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |       | 363,183        | 352,803        |
| CREDITORS: Amounts falling due after more than one year | 15    | 152,304        | 174,729        |
|   |       | <u>210,879</u> | <u>178,074</u> |
| <b>CAPITAL AND RESERVES</b>                             |       |                |                |
| Called up share capital                                 | 17    | 3              | 2              |
| Profit and loss account                                 | 18    | 210,876        | 178,072        |
|   |       | <u>210,879</u> | <u>178,074</u> |

Approved by the board on 28<sup>th</sup> June 2001

A I Patel Director

Y I Patel Director

# Primelight Limited

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 August 2000

|   | Notes | 2000<br>£    | 1999<br>£   |
|---|-------|--------------|-------------|
| NET CASH FLOW FROM OPERATING ACTIVITIES                               | 20    | 2,881,380    | 2,487,327   |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE                       |       |              |             |
| Interest received   |       | 53,280       | 7,871       |
| Interest paid   |       | (1,173,755)  | (1,037,114) |
| Interest element of finance lease rental payments                     |       | (14,266)     | (6,020)     |
| Net cash outflow from returns on investments and servicing of finance |       | (1,134,741)  | (1,035,263) |
| TAXATION  |       |              |             |
| UK corporation tax paid   |       | (511,035)    | (509,909)   |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT                          |       |              |             |
| Purchase of tangible fixed assets                                     |       | (241,760)    | (399,190)   |
| Proceeds on sale of fixed assets                                      |       | 81,270       | 10,614      |
| Net cash outflow from capital expenditure and financial investment    |       | (160,490)    | (388,576)   |
| ACQUISITIONS AND DISPOSALS  |       |              |             |
| Purchase of subsidiary undertakings and unincorporated businesses     |       | (1,963,901)  | (586,852)   |
| Net cash acquired with subsidiary                                     |       | 103,722      |             |
| Net cash (outflow) before financing                                   |       | (785,065)    | (33,273)    |
| FINANCING   |       |              |             |
| Loans taken out   |       | 17,407,634   | 3,023,372   |
| Repayment of loan capital   |       | (16,187,209) | (1,040,128) |
| Capital element of finance lease rental payments                      |       | (25,612)     | (26,227)    |
| Net cash inflow/(outflow) from financing                              |       | 1,194,813    | 1,957,017   |
| INCREASE/(DECREASE) IN CASH   | 20    | 409,748      | 1,923,744   |

# Primelight Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings in accordance with applicable accounting standards.

Investment properties are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges (unless held on lease), but should be shown at open market value. This is contrary to the Companies Act 1985 which states that, subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting or the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by SSAP 19 is considered appropriate for investment properties.

Details of the current value and historical cost information for investment properties are given in Note 10.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Primelight Limited and all of its subsidiary undertakings for the year. All financial statements are made up to 31 August 2000.

The holding company has not presented its profit and loss account as provided by Section 230(3) of the Companies Act 1985.

### GOODWILL

Goodwill arising on consolidation and purchased goodwill, representing the excess of the purchase price over the fair value of the net assets acquired is capitalised and subject to an annual impairment review by the directors in accordance with FRS 10. The directors consider that the goodwill acquired has an indefinite life. Any deficiency arising from the impairment review is written off to the profit and loss account in the year in which it arises. Any increases in value are not recognised in the financial statements.

This departure from the requirements of the Companies Act 1985 is, in the opinion of the directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards.

Amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot reasonably be separately identified or quantified.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers outside the group during the year.

# Primelight Limited

## ACCOUNTING POLICIES

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### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost or valuation less depreciation.

The directors have followed the transitional provisions of FRS15 and have not updated the last valuation of its freehold land and buildings undertaken in 1990.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

|                                  |                      |
|----------------------------------|----------------------|
| Freehold land and buildings      | 2% straight line     |
| Fixtures, fittings and equipment | 20% reducing balance |
| Plant and machinery              | 25% reducing balance |
| Motor vehicles                   | 25% reducing balance |

### INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

### STOCKS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

### DEFERRED TAXATION

Taxation deferred or accelerated by the effect of timing differences is accounted for on the liability method to the extent that it is probable that a liability will crystallise.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership (Afinance leases≡), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are Aoperating leases≡ and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

### PENSION CONTRIBUTIONS

The group operates defined contribution pension schemes. Contributions payable in the year are charged to the profit and loss account.

# Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 August 2000

## 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The contribution of the various activities of the group to turnover, which are in respect of continuing activities and carried on wholly in the United Kingdom, are set out below.

|                | 2000<br>£  | 1999<br>£  |
|----------------|------------|------------|
| By activity:   |            |            |
| Chemist retail | 32,148,687 | 28,566,875 |

## 2 COST OF SALES AND OTHER OPERATING EXPENSES (NET)

|                         | 2000             |                   |                  | 1999             |                   |                  |
|-------------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|
|                         | Continuing<br>£  | Acquisitions<br>£ | Total<br>£       | Continuing<br>£  | Acquisitions<br>£ | Total<br>£       |
| Cost of sales           | 22,612,880       | 1,773,851         | 24,386,731       | 21,405,316       | 539,338           | 21,944,654       |
| Distribution costs      | 45,856           | 6,497             | 52,353           | 37,817           | 231               | 38,048           |
| Administration expenses | 4,644,530        | 346,557           | 4,991,087        | 3,936,597        | 201,054           | 4,137,651        |
| Other operating income  | (279,494)        | (660)             | (280,154)        | (230,824)        | -                 | (230,824)        |
|                         | <u>4,410,892</u> | <u>352,394</u>    | <u>4,736,286</u> | <u>3,743,590</u> | <u>201,285</u>    | <u>3,944,875</u> |

## 3 INVESTMENT INCOME

|                           | 2000<br>£ | 1999<br>£ |
|---------------------------|-----------|-----------|
| Other interest receivable | 53,279    | 7,871     |

## 4 INTEREST PAYABLE

|  | 2000<br>£        | 1999<br>£        |
|--|------------------|------------------|
| On bank loans and overdrafts               | 1,152,264        | 1,035,205        |
| Finance leases and hire purchase contracts | 14,266           | 6,020            |
| Other interest                             | 20,914           | 716              |
| Interest on overdue Corporation Tax        | 577              | 1,193            |
|  | <u>1,188,021</u> | <u>1,043,134</u> |

# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

|   |   |             |             |
|---|---|-------------|-------------|
| 5 | PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION   | 2000<br>£   | 1999<br>£   |
|   | Profit on ordinary activities before taxation is stated after charging/(crediting):                   |             |             |
|   | Depreciation and amounts written off tangible fixed assets:   |             |             |
|   | Charge for the year:  |             |             |
|   | owned assets  | 115,024     | 108,367     |
|   | leased assets   | 21,266      | 20,389      |
|   | Loss on disposal of fixed assets  | 1,943       | 127         |
|   | Hire of plant and machinery   | 4,247       | 6,503       |
|   | Auditors= remuneration  | 19,496      | 15,102      |
|   |   | <hr/>       | <hr/>       |
| 6 | EMPLOYEES   | 2000<br>No. | 1999<br>No. |
|   | The average weekly number of persons (excluding directors) employed by the group during the year was: |             |             |
|   | Office and management   | 38          | 25          |
|   | Warehouse, distribution and selling   | 294         | 254         |
|   |   | <hr/>       | <hr/>       |
|   |   | 332         | 279         |
|   |   | <hr/>       | <hr/>       |
|   |   | £           | £           |
|   | Staff costs for the above persons:  |             |             |
|   | Wages and salaries  | 2,804,523   | 2,277,208   |
|   | Social security costs   | 178,392     | 155,059     |
|   | Other pension costs   | 7,138       | 5,005       |
|   |   | <hr/>       | <hr/>       |
|   |   | 2,990,053   | 2,437,272   |
|   |   | <hr/>       | <hr/>       |
|   |   | 2000<br>£   | 1999<br>£   |
|   | DIRECTORS= REMUNERATION   |             |             |
|   | Aggregate emoluments (including pension contributions and benefits in kind)                           | 108,000     | 31,259      |
|   |   | <hr/>       | <hr/>       |
| 7 | TAXATION  | 2000<br>£   | 1999<br>£   |
|   | Based on the profit for the year:   |             |             |
|   | UK corporation tax at rates between 20% and 31% (1999: 20% and 31%)                                   | 562,306     | 544,594     |
|   | Over provided in earlier years  | (1,629)     | (6,063)     |
|   | Group relief  | (3,337)     | -           |
|   |   | <hr/>       | <hr/>       |
|   |   | 557,340     | 538,533     |
|   |   | <hr/>       | <hr/>       |

# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

8

| PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY  | 2000<br>£        | 1999<br>£        |
|--|------------------|------------------|
| Dealt with in the financial statements of the parent company | 32,804           | 23,531           |
| Retained by subsidiary undertakings                          | 1,273,784        | 1,080,019        |
|  | <u>1,306,588</u> | <u>1,103,550</u> |

9

| INTANGIBLE FIXED ASSETS     |                       |                            | Goodwill<br>on con-<br>solidation<br>£ | Total<br>£        |
|-----------------------------|-----------------------|----------------------------|--|-------------------|
| GROUP                       | Lease<br>Premium<br>£ | Purchased<br>Goodwill<br>£ |  |                   |
| Cost                        |                       |                            |  |                   |
| 1 September 1999            | 25,500                | 9,300,119                  | 2,140,169                              | 11,465,788        |
| Additions                   | 30,000                | 1,495,422                  | 3,260,457                              | 4,785,879         |
| Acquisition of subsidiaries | -                     | 2,850                      | -                                      | 2,850             |
| 31 August 2000              | <u>55,500</u>         | <u>10,798,391</u>          | <u>5,400,626</u>                       | <u>16,254,517</u> |
| Amortisation                |                       |                            |  |                   |
| 1 September 1999            | 4,297                 | 71,903                     | -                                      | 76,200            |
| Charged in the year         | 4,958                 | -                          | -                                      | 4,958             |
| 31 August 2000              | <u>9,255</u>          | <u>71,903</u>              | <u>-</u>                               | <u>81,158</u>     |
| Net book value              |                       |                            |  |                   |
| 31 August 2000              | <u>46,245</u>         | <u>10,726,488</u>          | <u>5,400,626</u>                       | <u>16,173,359</u> |
| 31 August 1999              | <u>21,203</u>         | <u>9,228,316</u>           | <u>2,140,169</u>                       | <u>11,389,588</u> |



# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

| 10 | TANGIBLE FIXED ASSETS        | <i>Freehold land and buildings</i> | <i>Investment properties</i> | <i>Fixtures, fittings and equipment</i> | <i>Motor vehicles</i> | <i>Total</i> |
|----|------------------------------|------------------------------------|------------------------------|---|-----------------------|--------------|
|    | <i>GROUP</i>                 | £                                  | £                            | £                                       | £                     | £            |
|    | Cost                         |                                    |                              |   |                       |              |
|    | 1 September 1999             | 2,532,932                          | 1,077,627                    | 677,970                                 | 75,429                | 4,363,958    |
|    | Additions                    | 227,047                            | -                            | 77,172                                  | 40,402                | 344,621      |
|    | Acquisition of subsidiaries  | 170,140                            |                              | 164,517                                 | 37,904                | 372,561      |
|    | Disposals                    | (82,551)                           | -                            |   | (23,105)              | (105,656)    |
|    | 31 August 2000               | 2,847,568                          | 1,077,627                    | 919,659                                 | 130,630               | 4,975,484    |
|    | Depreciation                 |                                    |                              |   |                       |              |
|    | 1 September 1999             | 153,395                            | -                            | 380,980                                 | 30,433                | 564,808      |
|    | Charged in the year          | 52,260                             | -                            | 63,961                                  | 15,114                | 131,335      |
|    | Acquisitions of subsidiaries | 8,828                              |                              | 72,274                                  | 14,159                | 95,261       |
|    | Written off on disposals     | (7,980)                            | -                            | -                                       | (14,463)              | (22,443)     |
|    | 31 August 2000               | 206,503                            | -                            | 517,215                                 | 45,243                | 768,961      |
|    | Net book value               |                                    |                              |   |                       |              |
|    | 31 August 2000               | 2,641,065                          | 1,077,627                    | 402,444                                 | 85,387                | 4,206,523    |
|    | 31 August 1999               | 2,379,537                          | 1,077,627                    | 296,990                                 | 44,996                | 3,799,150    |

Freehold properties were re-valued at 3 September 2000 on the basis of an open market valuation for existing use.

The directors are of the opinion that there has not been a material change in the value of the freehold properties, hence the valuations have not been updated during the year.

# Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 August 2000

## 10 TANGIBLE FIXED ASSETS (continued)

On an historical cost basis freehold properties would have been included at:

|                                     |           |
|-------------------------------------|-----------|
| Cost                                |           |
| Historical cost at 1 September 1999 | 1,871,977 |
| Additions                           | 227,047   |
| Acquisition of subsidiaries         | 170,140   |
| Disposals                           | (82,551)  |
|                                     | <hr/>     |
| At 31 August 2000                   | 2,186,613 |
|                                     | <hr/>     |
| Depreciation based on cost          |           |
| 1 September 1999                    | 153,395   |
| Charge in the year                  | 39,129    |
| Acquisition of subsidiaries         | 8,828     |
| On disposals                        | (7,980)   |
|                                     | <hr/>     |
| 31 August 2000                      | 193,372   |
|                                     | <hr/>     |
| Net book value                      |           |
| 31 August 2000                      | 1,993,241 |
|                                     | <hr/>     |
|                                     | <hr/>     |
| 31 August 1999                      | 1,718,582 |
|                                     | <hr/>     |
|                                     | <hr/>     |

Fixed assets held under finance leases and hire purchase contracts are as follows:

| <i>GROUP</i>   | <i>Fixtures,<br/>fittings and<br/>equipment</i> | <i>Motor<br/>vehicles</i> | <i>Total</i> |
|----------------|---|---------------------------|--------------|
|                | £   | £                         | £            |
| Net book value |   |                           |              |
| 31 August 2000 | 38,916  | 19,080                    | 57,996       |
|                | <hr/>   | <hr/>                     | <hr/>        |
| 31 August 1999 | 52,122  | 25,440                    | 77,562       |
|                | <hr/>   | <hr/>                     | <hr/>        |

# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

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### 10 TANGIBLE FIXED ASSETS (continued)

*Investment  
properties*  
£

Cost or valuation:

1 September 1999 and 31 August 2000

1,077,627

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The valuations of investment properties were made in 1994 by Messrs Miller Metcalfe Kirkpatrick, Chartered Surveyors, on an open market basis. No depreciation is provided in respect of these properties.

On an historical cost basis these would have been included at an original cost of £650,894 (1999 - £650,894).

The directors do not consider the market value of investment properties to be substantially different from the carrying value in the financial statements.

### 11 INVESTMENTS

*COMPANY*

*Group  
companies*  
£

*Total*  
£

Cost

1 September 1999 and 31 August 2000

341,259

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341,259

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# Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 August 2000

## 11 INVESTMENTS (continued)

Holdings of more than 10%

The group holds more than 10% of the equity of the following undertakings:

|  | <i>Country of<br/>registration/<br/>incorporation</i> | <i>Class of<br/>holding</i> | <i>Shares<br/>held</i> | <i>Nature of<br/>business</i> |
|--|---|-----------------------------|------------------------|-------------------------------|
| Subsidiary undertakings:                   |   |                             |                        |                               |
| M.D. Robinson Limited*                     | England   | Ordinary                    | 100%                   | Dormant                       |
| Norman Youles Dispensing Chemists Limited* | England   | Ordinary                    | 100%                   | Dormant                       |
| Charles Hall Limited*                      | England   | Ordinary                    | 100%                   | Dormant                       |
| Stephen Isaacs (Chemists) Limited*         | England   | Ordinary                    | 100%                   | Dormant                       |
| M A Harris (Chemists) Limited*             | England   | Ordinary                    | 100%                   | Dormant                       |
| Thaneglade Limited*                        | England   | Ordinary                    | 100%                   | Dormant                       |
| Scholes (Chemists) Limited                 | England   | Ordinary                    | 100%                   | Chemists                      |
| Roocroft (1923) Limited*                   | England   | Ordinary                    | 100%                   | Confectionery<br>Manufacture  |
| E A Draper Limited*                        | England   | Ordinary                    | 100%                   | Confectionery<br>manufacture  |
| Greenwoods Pharmacy Limited*               | England   | Ordinary                    | 100%                   | Chemists                      |
| McLoughlin & Nixon Limited*                | England   | Ordinary                    | 100%                   | Dormant                       |
| Roy Sandiford Limited*                     | England   | Ordinary                    | 100%                   | Chemists                      |
| Basil Clarke Limited*                      | England   | Ordinary                    | 100%                   | Chemists                      |
| Showchem Limited*                          | England   | Ordinary                    | 100%                   | Chemists                      |
| Uscita Limited*                            | England   | Ordinary                    | 100%                   | Chemists                      |
| Poludel Limited*                           | England   | Ordinary                    | 100%                   | Chemists                      |
| NE Smith (Blackley) Limited*               | England   | Ordinary                    | 100%                   | Chemists                      |
| W Brindle (Bolton) Limited*                | England   | Ordinary                    | 100%                   | Chemists                      |

The companies highlighted by \* above are indirectly held by Primelight Limited through subsidiary companies.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

|                             | Capital and<br>reserves<br>£ | Profit/(loss)<br>for the year<br>£ |
|-----------------------------|------------------------------|------------------------------------|
| Roocroft (1923) Limited     | -                            | -                                  |
| EA Draper Limited           | 2                            | -                                  |
| Greenwoods Pharmacy Limited | 1,285,901                    | 312,223                            |
| Roy Sandiford Limited       | (17,219)                     | (2,319)                            |
| Scholes (Chemists) Limited  | 4,436,935                    | 907,364                            |
| W Brindle (Bolton) Limited  | 19,523                       | 8,363                              |
| Dormant companies:          | 14,454                       | -                                  |
| Showchem Limited            | 251,738                      | 297                                |
| Uscita Limited              | 250,671                      | 1,026                              |
| Poludel Limited             | 504,283                      | 20,348                             |
| NE Smith Limited            | 76,047                       | 26,481                             |

# Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 August 2000

## 11 INVESTMENTS (continued)

### ACQUISITIONS OF UNINCORPORATED BUSINESSES

During the year the group acquired several unincorporated pharmacies, the assets of which were:

|                                  | £                |
|----------------------------------|------------------|
| Purchased goodwill               | 1,434,276        |
| Fixtures, fittings and equipment | 39,003           |
| Land and buildings               | 70,000           |
| Cash consideration               | <u>1,543,279</u> |

### ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS

During the year the group acquired 100% of the issued share capital of Showmans Chemists Group, comprising Showchem Limited, Poludel Limited, Uscita Limited and NE Smith Limited, whose assets and liabilities at acquisition were:

|                                   | £                |
|-----------------------------------|------------------|
| Book value:                       |                  |
| Tangible fixed assets             | 274,008          |
| Stocks                            | 464,068          |
| Debtors                           | 686,611          |
| Cash at bank and in hand          | 180,304          |
| Bank loans and overdrafts         | (76,582)         |
| Creditors                         | (493,821)        |
| Net assets/(liabilities) acquired | 1,034,586        |
| Goodwill on acquisition           | 3,335,613        |
| Consideration                     |                  |
| Cash                              | 404,632          |
| Loan notes                        | <u>3,965,567</u> |

The acquisition date of the group was 27 July 2000.

|                                     | 2000             | Group            |
|-------------------------------------|------------------|------------------|
|                                     | £                | 1999             |
|                                     |                  | £                |
| Finished goods and goods for resale | <u>2,636,115</u> | <u>1,982,722</u> |

# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

| 13 | DEBTORS  | 2000             | Group            | 2000          | Company       |
|----|--|------------------|------------------|---------------|---------------|
|    |  | £                | 1999<br>£        | £             | 1999<br>£     |
|    | Due within one year:                           |                  |                  |               |               |
|    | Trade debtors                                  | 5,144,147        | 4,481,720        | -             | -             |
|    | Amounts owed by subsidiary undertakings        | -                | -                | 71,064        | 73,078        |
|    | Corporation tax                                | 3,337            | -                | 3,337         | -             |
|    | Other debtors                                  | 563,590          | 402,254          | -             | -             |
|    | Prepayments and accrued income                 | 169,205          | 121,519          | -             | -             |
|    |  | <u>5,880,279</u> | <u>5,005,493</u> | <u>74,401</u> | <u>73,078</u> |
|    |  |                  |                  |               |               |
| 14 | CREDITORS: Amounts falling due within one year | 2000             | Group            | 2000          | Company       |
|    |  | £                | 1999<br>£        | £             | 1999<br>£     |
|    | Bank loans and overdrafts                      | 1,533,044        | 1,610,707        | 30,395        | 32,094        |
|    | Obligations under finance leases               | 12,851           | 25,607           | -             | -             |
|    | Trade creditors                                | 3,821,960        | 3,327,184        | -             | -             |
|    | Corporation tax                                | 461,436          | 411,794          | 9,769         | 9,871         |
|    | Other taxation and social security costs       | 113,545          | 103,353          | -             | 6,000         |
|    | Other creditors                                | 179,755          | 236,445          | -             | -             |
|    | Directors' loan accounts                       | 82,459           | 16,816           | 5,012         | 5,012         |
|    | Accruals and deferred income                   | 451,202          | 356,326          | 7,301         | 8,557         |
|    |  | <u>6,656,252</u> | <u>6,088,232</u> | <u>52,477</u> | <u>61,534</u> |

The bank overdraft is secured by a fixed and floating charge over all the assets of the group.

# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

### 15 CREDITORS: Amounts falling due in more than one year

|                                   | 2000              | Group<br>1999     | 2000           | Company<br>1999 |
|-----------------------------------|-------------------|-------------------|----------------|-----------------|
|                                   | £                 | £                 | £              | £               |
| Bank loans                        | 14,613,096        | 13,104,545        | 119,496        | 143,121         |
| Other loans                       | 4,118,395         | 151,608           | 32,808         | 31,608          |
| Obligations under finance leases  | 1,910             | 14,761            | -              | -               |
|                                   | <u>18,733,381</u> | <u>13,270,914</u> | <u>152,304</u> | <u>174,729</u>  |
| Loans:                            |                   |                   |                |                 |
| Repayable in more than five years | 10,902,724        | 6,489,341         | -              | 21,608          |
| Repayable within five years       | 9,039,170         | 8,253,712         | 180,919        | 170,396         |
| Included in current liabilities   | (1,210,423)       | (1,486,900)       | (28,615)       | (27,275)        |
|                                   | <u>18,731,471</u> | <u>13,256,153</u> | <u>152,304</u> | <u>174,729</u>  |
| Repayable by instalments          |                   |                   |                |                 |
| Loans:                            |                   |                   |                |                 |
| between one and two years         | 5,281,094         | 1,076,900         | 61,423         | 27,276          |
| between two and five years        | 4,411,209         | 5,689,912         | 90,881         | 147,453         |
| after five years                  | 9,039,168         | 6,489,341         | -              | -               |
|                                   | <u>18,731,471</u> | <u>13,256,153</u> | <u>152,304</u> | <u>174,729</u>  |

# Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 August 2000

## 15 CREDITORS: Amounts falling due in more than one year (*continued*)

Bank loans and overdrafts of £16,146,140 (1999:£14,591,445) are secured by mortgage debentures in favour of National Westminster Bank Plc, over unscheduled assets of the company, along with fixed and floating charges over the assets of the group. In addition, the group is party to a composite guarantee to the Bank in conjunction with related companies under common control. Interest is charged at a rate tied to bank base rates.

Included in other loans is £3,965,567, guaranteed by the National Westminster Bank Plc.

The finance lease and hire purchase contracts are secured over the assets to which they relate.

|   |               | <i>Group</i>  |          | <i>Company</i> |
|---|---------------|---------------|----------|----------------|
|   | 2000          | 1999          | 2000     | 1999           |
|   | £             | £             | £        | £              |
| Obligations under finance leases and hire purchase contracts:       |               |               |          |                |
| Repayable within one year   | 15,638        | 29,051        | -        | -              |
| Repayable between one and five years                                | 2,229         | 19,153        | -        | -              |
|   | <u>17,867</u> | <u>48,204</u> | <u>-</u> | <u>-</u>       |
| Finance charges and interest allocated to future accounting periods | (3,106)       | (7,836)       | -        | -              |
|   | <u>14,761</u> | <u>40,368</u> | <u>-</u> | <u>-</u>       |
| Included in current liabilities                                     | (12,851)      | (25,607)      | -        | -              |
|   | <u>1,910</u>  | <u>14,761</u> | <u>-</u> | <u>-</u>       |

## 16 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

|                             |        |
|-----------------------------|--------|
| Balance at 1 September 1999 | 16,579 |
| Acquisition of subsidiaries | 3,661  |
| Profit and loss account     | -      |

|                           |               |
|---------------------------|---------------|
| Balance at 31 August 2000 | <u>20,240</u> |
|---------------------------|---------------|



# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

| 17 | SHARE CAPITAL                             | 2000<br>£ | 1999<br>£ |
|----|---|-----------|-----------|
|    | Authorised:                               |           |           |
|    | 1,000 ordinary shares of £1 each          | -         | 1,000     |
|    | 1,000 deferred ordinary shares of £1 each | 1,000     | -         |
|    | 2 US Dollar ordinary shares of \$1 each   | 1         | -         |
|    |   | <hr/>     | <hr/>     |
|    | Allotted, issued and fully paid:          |           |           |
|    | 2 ordinary shares of £1 each              | -         | 2         |
|    | 2 deferred ordinary shares of £1 each     | 2         | -         |
|    | 2 US Dollar ordinary shares of \$1 each   | 1         | -         |
|    |   | <hr/>     | <hr/>     |

On 20 March 2000 the company allotted 2 US Dollar shares to the holders of the ordinary shares pro rata to their holdings of the ordinary shares. The ordinary shares have been converted into deferred ordinary shares.

The holders of the Dollar Shares are entitled to receive all the profits of the Group available for distribution to the entire exclusion of the holders of the Deferred Shares.

On winding up the holders of the deferred shares shall be entitled to receive the amount paid up of their shares, and the holders of the Dollar Shares shall be entitled to receive all of the surplus assets of the Group.

Only the holders of the Dollar Shares are entitled to receive notice of and to attend any general meeting of the Group, and to vote on any resolution proposed at such meeting.

| 18 | RESERVES                            | Group<br>£ | Company<br>£ |
|----|-------------------------------------|------------|--------------|
|    | Revaluation reserve                 |            |              |
|    | 1 September 1999 and 31 August 2000 | 527,235    | -            |
|    |                                     | <hr/>      | <hr/>        |
|    | Other reserves                      |            |              |
|    | 1 September 1999 and 31 August 2000 | 382        | -            |
|    |                                     | <hr/>      | <hr/>        |
|    | Profit and loss account             |            |              |
|    | 1 September 1999                    | 3,420,960  | 178,072      |
|    | Retained profit for the year        | 1,306,588  | 32,805       |
|    | Bonus issue of shares               | (1)        | (1)          |
|    |                                     | <hr/>      | <hr/>        |
|    | 31 August 2000                      | 4,727,547  | 210,876      |
|    |                                     | <hr/>      | <hr/>        |

# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

| 19 | RECONCILIATION OF MOVEMENT<br>IN SHAREHOLDERS' FUNDS | 2000<br>£ | Group<br>1999<br>£ | 2000<br>£ | Company<br>1999<br>£ |
|----|--|-----------|--------------------|-----------|----------------------|
|    | Profit after taxation                                | 1,306,588 | 1,103,550          | 32,805    | 23,531               |
|    | Net addition to shareholders' funds                  | 1,306,588 | 1,103,550          | 32,805    | 23,531               |
|    | Opening shareholders' funds                          | 3,948,579 | 2,845,029          | 178,074   | 154,543              |
|    | Closing shareholders' funds                          | 5,255,167 | 3,948,579          | 210,879   | 178,074              |

| 20 | CASH FLOWS | 2000<br>£ | 1999<br>£ |
|----|------------|-----------|-----------|
|----|------------|-----------|-----------|

|   |   |           |           |
|---|---|-----------|-----------|
| a | Reconciliation of operating profit to net cash inflow from operating activities |           |           |
|   | Operating profit  | 2,998,670 | 2,677,346 |
|   | Depreciation  | 131,334   | 128,757   |
|   | Amortisation  | 4,958     | 4,084     |
|   | Loss on sale of fixed assets  | 1,943     | 127       |
|   | Provision for diminution in value   | -         | -         |
|   | (Increase) in stocks  | (189,325) | (189,091) |
|   | (Increase) in debtors   | (184,838) | (109,742) |
|   | (Decrease)/Increase in creditors  | 118,638   | (24,154)  |
|   |   | 2,881,380 | 2,487,327 |

# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

| 20 | CASH FLOWS ( <i>continued</i> )  | 2000<br>£           | 1999<br>£           |
|----|--|---------------------|---------------------|
| b  | Reconciliation of net cash flow to movement in net debt                        |                     |                     |
|    | Increase/(Decrease) in cash in the period                                      | 409,748             | 1,923,744           |
|    | Cash outflow/(inflow) from decrease/(increase) in net debt and lease financing | (1,193,832)         | (1,944,762)         |
|    | New finance leases   | -                   | (12,255)            |
|    | Loan notes issued  | <u>(3,965,567)</u>  |                     |
|    | Movement in net debt in the period   | (4,749,651)         | (33,273)            |
|    | Net debt at 1 September 1999   | (13,759,878)        | (13,726,605)        |
|    | Net debt at 31 August 2000   | <u>(18,509,529)</u> | <u>(13,759,878)</u> |

| c | Analysis of net debt     | 1 September<br>1999 | Cashflow<br>£    | Non-cash<br>changes<br>£ | 31 August<br>2000<br>£ |
|---|--------------------------|---------------------|------------------|--------------------------|------------------------|
|   | Cash at bank and in hand | 1,147,351           | 621,413          | -                        | 1,768,764              |
|   | Overdrafts               | (123,807)           | (211,665)        | -                        | (335,472)              |
|   |                          | <u>1,023,544</u>    | <u>409,748</u>   | <u>-</u>                 | <u>1,433,292</u>       |
|   | Debt due after one year  | (13,256,153)        | (2,707,343)      | (2,767,995)              | (18,731,491)           |
|   | Debt due within one year | (1,486,900)         | 1,486,900        | (1,197,572)              | (1,197,572)            |
|   | Finance leases           | (40,369)            | 26,611           | -                        | (13,758)               |
|   | Totals                   | <u>(13,759,878)</u> | <u>(784,084)</u> | <u>(3,965,567)</u>       | <u>(18,509,529)</u>    |

### d. Major non-cash transaction

During the year the group issued loan notes with a value of £3,965,567 as part consideration for the acquisition of the subsidiaries as detailed in note 11.

# Primelight Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2000

### 21 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2000 the group had annual commitments under non-cancellable operating leases as follows:

|                                      | 2000<br>£ | 1999<br>£ |
|--------------------------------------|-----------|-----------|
| Land and buildings                   |           |           |
| expiring in the first year           | 875       | -         |
| expiring in the second to fifth year | 74,351    | 5,250     |
| expiring after five years            | 34,744    | 18,500    |

### 22 CONTINGENT LIABILITIES

|  | 2000<br>£  | Group<br>1999<br>£ | 2000<br>£  | Company<br>1999<br>£ |
|--|------------|--------------------|------------|----------------------|
| Guarantee of bank overdraft and loans of subsidiary undertakings and related parties | 18,737,623 | 14,715,252         | 18,587,732 | 14,540,037           |

### 23 CAPITAL COMMITMENTS – GROUP

|   | 2000<br>£ | 1999<br>£ |
|---|-----------|-----------|
| Contracted for but not provided in the financial statements | 61,824    | 1,215,000 |

The above is provided for in the financial statements of Scholes (Chemists) Limited, a group company.

### 24 PENSION COMMITMENTS

The group operates a defined contribution pension scheme whose assets are held separately from those of the group in independently administered funds. The pension cost charges represent contributions payable by the group and amounted to £7,138 (1999:£5,005).

### 25 RELATED PARTY TRANSACTIONS

During the year the group traded with Gorgemead Limited and Prinwest Limited. These companies are classed as related parties due to the common directorships held in it by A Patel and Y Patel. Purchases of £12,677,560 (1999: £7,804,375) were made by the group from these companies during the year. At the year end £2,627,042 was owed by the group to Prinwest Limited.

All transactions were conducted on arms length commercial terms.

### 26 COMPANY PROFIT AND LOSS ACCOUNT

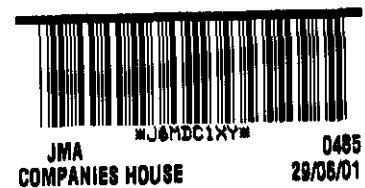
As permitted by s230(3), Companies Act 1985, the company has not presented its own profit and loss account.

# Scholes (Chemists) Limited

## FINANCIAL STATEMENTS

for the year ended

31 August 2000



Company Registration No. 364450