

Primelight Limited
GROUP FINANCIAL STATEMENTS
for the year ended
31 August 2001



Primelight Limited

DIRECTORS AND OFFICERS

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

The directors submit their report and the group financial statements of Primelight Limited for the year ended 31 August 2001.

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 £1,879,379. 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 2001 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 2000:-

A I Patel
Y I Patel

Primelight Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

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

	<i>Deferred ordinary shares of £1 each</i>	
	31.8.01	31.8.00
A I Patel	1	1
Y I Patel	1	1
	<i>US Dollar shares of \$1 each</i>	
	31.8.01	31.8.00
A I Patel	1	1
Y I Patel	1	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.

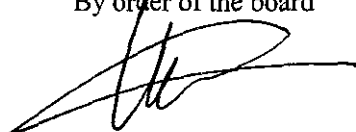
EMPLOYEE INVOLVEMENT

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

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



Y I Patel
Director

15 MAY 2002

Primelight Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and 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. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- d. 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 6 to 29.

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.

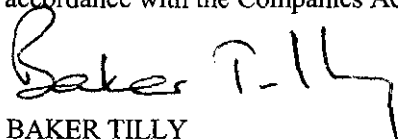
Basis of opinion

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 2001 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

15 May 2002

Primelight Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 August 2001

	Notes	2001 £	2001 £	2000 £	2000 £
TURNOVER	1				
Continuing operations		39,113,987		29,825,443	
Acquisitions		3,177,978		2,323,244	
			42,291,965		32,148,687
 Cost of sales	2		31,533,310		24,386,731
 GROSS PROFIT			10,758,655		7,761,956
Other operating expenses (net)	2		6,951,177		4,763,286
 OPERATING PROFIT					
Continuing operations		3,731,270		2,801,671	
Acquisitions		76,208		196,999	
			3,807,478		2,998,670
 Profit on disposal of assets	5		157,448		-
 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			3,964,926		2,998,670
 Other interest receivable and similar charges	3		79,840		53,279
Interest payable	4		(1,364,773)		(1,188,021)
 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		2,679,993		1,863,928
Taxation	7		800,616		557,340
 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			1,879,377		1,306,588
 Dividends received			2		-
 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			1,879,379		1,306,588

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 2001

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2001 £	2000 £
Profit on ordinary activities before taxation	2,679,993	1,863,928
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.	13,030	13,131
Historical cost profit on ordinary activities before taxation	<u>2,693,023</u>	<u>1,877,059</u>
Historical cost profit for the year retained after taxation and dividends	<u>1,892,409</u>	<u>1,319,719</u>

Primelight Limited

CONSOLIDATED BALANCE SHEET

31 August 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Intangible fixed assets	9	20,254,831	16,173,359
Tangible assets	10	4,350,191	4,206,523
		<u>24,605,022</u>	<u>20,379,882</u>
CURRENT ASSETS			
Stocks	12	3,646,508	2,636,115
Debtors	13	8,794,396	5,880,279
Cash at bank and in hand		1,345,062	1,768,764
		<u>13,785,966</u>	<u>10,285,158</u>
CREDITORS: Amounts falling due within one year	14	12,733,312	6,656,252
NET CURRENT ASSETS		<u>1,052,654</u>	<u>3,628,906</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,657,676</u>	<u>24,008,788</u>
CREDITORS: Amounts falling due after more than one year	15	18,506,262	18,733,381
PROVISIONS FOR LIABILITIES AND CHARGES	16	16,868	20,240
		<u>7,134,546</u>	<u>5,255,167</u>
CAPITAL AND RESERVES			
Called up share capital	17	3	3
Other reserves	18	382	382
Revaluation reserve	18	527,235	527,235
Profit and loss account	18	6,606,926	4,727,547
		<u>7,134,546</u>	<u>5,255,167</u>

Approved by the board on

A I Patel Director

Y I Patel Director

15 MAY 2002

Primelight Limited
COMPANY BALANCE SHEET
31 August 2001

	<i>Notes</i>	2001 £	2000 £
FIXED ASSETS			
Investments	11	341,259	341,259
CURRENT ASSETS			
Debtors	13	76,603	74,401
CREDITORS: Amounts falling due within one year	14	52,812	52,477
NET CURRENT ASSETS		23,791	21,924
TOTAL ASSETS LESS CURRENT LIABILITIES		365,050	363,183
CREDITORS: Amounts falling due after more than one year	15	128,560	152,304
		236,490	210,879
CAPITAL AND RESERVES			
Called up share capital	17	3	3
Profit and loss account	18	236,487	210,876
		236,490	210,879

Approved by the board on 15 MAY 2002

A I Patel Director

Y I Patel Director

Primelight Limited

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 August 2001

	Notes	2001 £	2000 £
NET CASH FLOW FROM OPERATING ACTIVITIES	20	2,756,727	2,881,380
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		79,840	53,280
Interest paid		(1,361,985)	(1,173,755)
Interest element of finance lease rental payments		(2,788)	(14,266)
Net cash outflow from returns on investments and servicing of finance		(1,284,933)	(1,134,741)
TAXATION			
UK corporation tax paid		(720,179)	(511,035)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(259,450)	(241,760)
Proceeds on sale of fixed assets		431,981	81,270
Net cash inflow / (outflow) from capital expenditure and financial investment		172,531	(160,490)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings and unincorporated businesses		(4,636,703)	(1,963,901)
Net cash acquired with subsidiary		97,141	103,722
Net cash (outflow) before financing		(3,615,416)	(785,065)
FINANCING			
Loans taken out		4,511,475	17,407,634
Repayment of loan capital		(971,439)	(16,187,209)
Capital element of finance lease rental payments		(12,850)	(25,612)
Net cash inflow/(outflow) from financing		3,527,186	1,194,813
INCREASE/(DECREASE) IN CASH	20	(88,230)	409,748

Primelight Limited

ACCOUNTING POLICIES

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 2001.

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

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 ("finance 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 operating 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 2001

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.

	2001 £	2000 £
By activity:		
Chemist retail	42,291,965	32,148,687

2 COST OF SALES AND OTHER OPERATING EXPENSES (NET)

	2001			2000		
	Continuing	Acquisitions	Total	Continuing	Acquisitions	Total
	£	£	£	£	£	£
Cost of sales	29,206,025	2,327,285	31,533,310	22,612,880	1,773,851	24,386,731
Distribution costs	69,260	6,170	75,430	45,856	6,497	52,353
Administration expenses	6,410,042	771,182	7,181,224	4,644,530	346,557	4,991,087
Other operating income	(302,610)	(2,867)	(305,477)	(279,494)	(660)	(280,154)
	6,176,692	774,485	6,951,177	4,410,892	352,394	4,763,286

3 INVESTMENT INCOME

	2001 £	2000 £
Other interest receivable	79,840	53,279

4 INTEREST PAYABLE

	2001 £	2000 £
On bank loans and overdrafts	1,183,464	1,152,264
Finance leases and hire purchase contracts	2,788	14,266
Other loan interest	177,666	20,914
Interest on overdue Corporation Tax	855	577
	1,364,773	1,188,021

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2001 £	2000 £
	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	187,131	115,024
	leased assets	5,196	21,266
	Loss on disposal of fixed assets	-	1,943
	Operating lease rentals:		
	Equipment	4,408	4,247
	Land and buildings	279,430	89,675
	Auditor's remuneration	14,450	19,496
		<u> </u>	<u> </u>
	EXCEPTIONAL ITEMS	2001 £	2000 £
	Profit on disposal of fixed assets	157,448	-
		<u> </u>	<u> </u>
6	EMPLOYEES	2001 No.	2000 No.
	The average weekly number of persons (excluding directors) employed by the group during the year was:		
	Office and management	38	38
	Warehouse, distribution and selling	384	294
		<u>422</u>	<u>332</u>
		<u> </u>	<u> </u>
		2001 £	2000 £
	Staff costs for the above persons:		
	Wages and salaries	3,926,949	2,804,523
	Social security costs	249,417	178,392
	Other pension costs	2,644	7,138
		<u>4,179,010</u>	<u>2,990,053</u>
		<u> </u>	<u> </u>
		2001 £	2000 £
	DIRECTORS' REMUNERATION		
	Aggregate emoluments (including pension contributions and benefits in kind)	27,287	108,000
		<u> </u>	<u> </u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2001

7	TAXATION			2001 £	2000 £
	Based on the profit for the year:				
	UK corporation tax at rates between 20% and 30% (1999: 20% and 30%)			800,616	562,306
	Over provided in earlier years			-	(1,629)
	Group relief			-	(3,337)
				<u>800,616</u>	<u>557,340</u>
8	PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY			2001 £	2000 £
	Dealt with in the financial statements of the parent company			25,611	32,804
	Retained by subsidiary undertakings			1,853,768	1,273,784
				<u>1,879,379</u>	<u>1,306,588</u>
9	INTANGIBLE FIXED ASSETS				
	<i>GROUP</i>	<i>Lease Premium £</i>	<i>Purchased Goodwill £</i>	<i>Goodwill on con- solidation £</i>	<i>Total £</i>
	Cost				
	1 September 2000	55,500	10,798,391	5,400,626	16,254,517
	Additions – unincorporated businesses	-	1,693,646	-	1,693,646
	Additions – hived up subsidiaries	-	10,094,607	-	10,094,607
	Adjustment for pre acquisition reserves	-	(2,062,801)	-	(2,062,801)
	Disposals	-	(219,208)	(5,419,576)	(5,638,784)
	31 August 2001	<u>55,500</u>	<u>20,304,635</u>	<u>(18,950)</u>	<u>20,341,185</u>
	Amortisation				
	1 September 2000	9,255	71,903	-	81,158
	Charged in the year	5,196	-	-	5,196
	31 August 2001	<u>14,451</u>	<u>71,903</u>	<u>-</u>	<u>86,354</u>
	Net book value				
	31 August 2001	<u>41,049</u>	<u>20,232,732</u>	<u>(18,950)</u>	<u>20,254,831</u>
	31 August 2000	<u>46,245</u>	<u>10,726,488</u>	<u>5,400,626</u>	<u>16,173,359</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2001

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 2000	2,847,568	1,077,627	919,659	130,630	4,975,484
	Additions	141,681	-	205,586	36,065	383,332
	Disposals	(42,500)	-	-	(15,164)	(57,664)
	31 August 2001	2,946,749	1,077,627	1,125,245	151,531	5,301,152
	Depreciation					
	1 September 2000	206,503	-	517,215	45,243	768,961
	Charged in the year	58,570	-	102,148	23,621	184,339
	Written off on disposals	(1,912)	-	-	(427)	(2,339)
	31 August 2001	263,161	-	619,363	68,437	950,961
	Net book value					
	31 August 2001	2,683,588	1,077,627	505,882	83,094	4,350,191
	31 August 2000	2,641,065	1,077,627	402,444	85,387	4,206,523

Freehold properties were re-valued at 3 September 1990 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 2001

10 TANGIBLE FIXED ASSETS (continued)

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

Cost	
Historical cost at 1 September 2000	2,186,613
Additions	141,681
Disposals	(42,500)
	<hr/>
At 31 August 2001	2,285,794
	<hr/>
Depreciation based on cost	
1 September 2000	193,372
Charge in the year	45,540
On disposals	(1,912)
	<hr/>
31 August 2001	237,000
	<hr/>
Net book value	
31 August 2001	<u>2,048,794</u>
	<hr/>
31 August 2000	<u>1,993,241</u>

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

<i>GROUP</i>	<i>Fixtures, fittings and equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Net book value			
31 August 2001	<u>11,475</u>	<u>6,156</u>	<u>17,631</u>
	<hr/>	<hr/>	<hr/>
31 August 2000	<u>38,916</u>	<u>19,080</u>	<u>57,996</u>
	<hr/>	<hr/>	<hr/>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2001

10 TANGIBLE FIXED ASSETS (continued)

*Investment
properties
£*

Cost or valuation:

1 September 2000 and 31 August 2001

1,077,627

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 (2000 - £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 2000 and 31 August 2001

341,259

341,259

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

11 INVESTMENTS (*continued*)

Holdings of more than 10%

The group holds more than 10% of the equity of the following undertakings, all of which have been dormant throughout the year:

	<i>Country of registration/ incorporation</i>	<i>Class of holding</i>	<i>Shares held</i>	<i>Nature of 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
Roocroft (1923) Limited*	England	Ordinary	100%	Dormant
E A Draper Limited*	England	Ordinary	100%	Dormant
McLoughlin & Nixon Limited*	England	Ordinary	100%	Dormant
Aerobelt Limited*	England	Ordinary	100%	Dormant
Basil Clarke Limited*	England	Ordinary	100%	Dormant

The group also holds more than 10% of the share capital of the following companies:

Scholes (Chemists) Limited	England	Ordinary	100%	Chemists
Greenwoods Pharmacy Limited*	England	Ordinary	100%	Chemists
Roy Sandiford 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
Ardwick Apocare Limited*	England	Ordinary	100%	Chemists
Drisell Limited*	England	Ordinary	100%	Chemists
Balmford Pharmacy Limited*	England	Ordinary	100%	Chemists
Deans Pharmacy Limited*	England	Ordinary	100%	Chemists
LG Forbes Limited*	England	Ordinary	100%	Chemists

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

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

11 INVESTMENTS (*continued*)

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

	Capital and reserves	Profit/(loss) for the year
	£	£
Scholes (Chemists) Limited	7,282,145	2,845,210
Greenwoods Pharmacy Limited	41,734	(1,200,877)
Roy Sandiford Limited	(8,578)	8,640
Showchem Limited	680	(251,057)
Uscita Limited	100	(250,571)
NE Smith (Blackley) Limited	100	(75,947)
Poludel Limited	100	(504,183)
W Brindle (Bolton) Limited	20	(10,117)
Ardwick Apocare Limited	3,675	(26,134)
Drisell Limited	6,000	(243,010)
Balmford Pharmacy Limited	150	(78,406)
Deans Pharmacy Limited	40,000	(111,335)
L G Forbes Limited	100	(316,570)

ACQUISITIONS OF UNINCORPORATED BUSINESSES

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

	£
Purchased goodwill	1,693,646
Fixtures, fittings and equipment	35,000
Land and buildings	35,000
Cash consideration	1,763,646

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

11 INVESTMENTS (*continued*)

ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS

During the year the group acquired 100% of the issued share capital of Ardwick Apocare Limited, Drisell Limited, Balmford Pharmacy Limited, Deans Pharmacy Limited and LG Forbes Limited, whose assets and liabilities at acquisition were:

Book value:	(i)	(ii)	(iii)	(iv)	(v)	Total
	(£)	(£)	(£)	(£)	(£)	(£)
Tangible fixed assets	2,178	12,350	18,288	15,278	5,788	53,882
Stocks	12,773	146,632	64,736	-	124,200	348,341
Debtors	52,716	197,553	120,839	116,323	292,824	780,255
Cash at bank and in hand	48,492	65,598	75	46,146	39,441	199,752
Bank loans and overdrafts	-	(86,076)	(16,686)	-	-	(102,762)
Creditors	(88,389)	(107,369)	(114,856)	(62,444)	(145,583)	(518,641)
Net assets/(liabilities) acquired	27,770	228,688	72,396	115,303	316,670	760,827
Goodwill on acquisition	254,674	529,683	524,662	635,199	703,322	2,647,540
Consideration						
Cash	282,444	758,371	597,058	750,502	519,992	2,908,367
Loan notes	-	-	-	-	500,000	500,000

The acquisition date of the companies were:

(i)	Ardwick Apocare Limited	1 December 2000
(ii)	Drisell Limited	1 December 2000
(iii)	Balmford Pharmacy Limited	1 March 2001
(iv)	Deans Pharmacy Limited	12 April 2001
(v)	L G Forbes Limited	1 June 2001

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

12	STOCKS	2001 £	Group 2000 £
	Finished goods and goods for resale	3,646,508	2,636,115
13	DEBTORS	2001 £	Group 2000 £
	Due within one year:		
	Trade debtors	7,623,338	5,144,147
	Amounts owed by subsidiary undertakings	-	-
	Corporation tax	4,634	3,337
	Other debtors	928,457	563,590
	Prepayments and accrued income	237,967	169,205
		8,794,396	5,880,279
		76,603	74,401

Included in other debtors are the following amounts owed by related parties as they are controlled by the directors of the company:

	2001 £	Group 2000 £	2001 £	Company 2000 £
FM Rimmington & Sons Limited	-	21,585	-	-
Levelcrown Limited	62,895	15,155	-	-
Cityfocus Limited	53,415	52,469	-	-
Makan Investments	70,000	-	-	-
Gamecrest Limited	2,109	-	-	-
Wardcare Limited	114,764	-	-	-
Maxearn Limited	70,876	-	-	-
Gorgemead Limited	28,909	-	-	-
	402,968	89,209	-	-

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2001

14	CREDITORS: Amounts falling due within one year	<i>Group</i>		<i>Company</i>	
		2001	2000	2001	2000
		£	£	£	£
	Bank loans and overdrafts	2,018,258	1,533,044	32,956	30,395
	Other loan	3,444,579	-	-	-
	Obligations under finance leases	1,911	12,851	-	-
	Trade creditors	5,279,602	3,821,960	-	-
	Corporation tax	546,542	461,436	10,324	9,769
	Other taxation and social security costs	90,817	113,545	-	-
	Other creditors	463,258	179,755	-	-
	Directors' loan accounts	44,525	82,459	5,012	5,012
	Accruals and deferred income	843,820	451,202	4,520	7,301
		<u>12,733,312</u>	<u>6,656,252</u>	<u>52,812</u>	<u>52,477</u>

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

Included within trade creditors is £3,040,610 (2000 - £2,627,042) owed to Prinwest Limited a related party as it is controlled by common directors.

Included in other creditors are the following amounts owed to related parties as they are controlled by the directors' of the company:

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	£	£	£	£
Gorgemead Limited	358,817	-	-	-
Prinwest Limited	17,485	-	-	-
	<u>376,302</u>	<u>-</u>	<u>-</u>	<u>-</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

15 CREDITORS: Amounts falling due in more than one year

	2001	Group 2000	2001	Company 2000
	£	£	£	£
Bank loans	17,403,831	14,613,096	94,551	119,496
Other loans	1,102,431	4,118,395	34,009	32,808
Obligations under finance leases	-	1,910	-	-
	<u>18,506,262</u>	<u>18,733,381</u>	<u>128,560</u>	<u>152,304</u>
Loans:				
Repayable in more than five years	8,281,192	10,902,724	-	-
Repayable within five years	15,683,394	9,039,170	158,515	180,919
Included in current liabilities	(5,458,324)	(1,210,423)	(29,955)	(28,615)
	<u>18,506,262</u>	<u>18,731,471</u>	<u>128,560</u>	<u>152,304</u>
Repayable by instalments				
Loans:				
between one and two years	2,047,754	5,281,094	63,963	61,423
between two and five years	8,177,316	4,411,209	64,597	90,881
after five years	8,281,192	9,039,168	-	-
	<u>18,506,262</u>	<u>18,731,471</u>	<u>128,560</u>	<u>152,304</u>

Included in other loans is £32,808 owed to Gorgemead Limited, a related party by virtue of common directors.

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

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

Group bank loans and overdrafts of £19,420,577 (2000:£16,146,140) and company bank loans and overdrafts of £127,507 (2000 - £149,881) 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 £4,403,002, 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>
	2001	2000	2001	2000
	£	£	£	£
Obligations under finance leases and hire purchase contracts:				
Repayable within one year	2,230	15,638	-	-
Repayable between one and five years	-	2,229	-	-
	<u>2,230</u>	<u>17,867</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(319)	(3,106)	-	-
	<u>1,911</u>	<u>14,761</u>	<u>-</u>	<u>-</u>
Included in current liabilities	(1,911)	(12,851)	-	-
	<u>-</u>	<u>1,910</u>	<u>-</u>	<u>-</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

Balance at 1 September 2000	20,240
Acquisition of subsidiaries	-
Profit and loss account	(3,372)
Balance at 31 August 2001	<u>16,868</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2001

17	SHARE CAPITAL	2001 £	2000 £
	Authorised:		
	1,000 deferred ordinary shares of £1 each	1,000	1,000
	2 US Dollar ordinary shares of \$1 each	1	1
		<u> </u>	<u> </u>
	Allotted, issued and fully paid:		
	2 deferred ordinary shares of £1 each	2	2
	2 US Dollar ordinary shares of \$1 each	1	1
		<u> </u>	<u> </u>

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 £	Company £
	Revaluation reserve		
	1 September 2000 and 31 August 2001	527,235	-
		<u> </u>	<u> </u>
	Other reserves		
	1 September 2000 and 31 August 2001	382	-
		<u> </u>	<u> </u>
	Profit and loss account		
	1 September 2000	4,727,547	210,876
	Retained profit for the year	1,879,379	25,611
	Bonus issue of shares	-	-
		<u> </u>	<u> </u>
	31 August 2001	6,606,926	236,487
		<u> </u>	<u> </u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2001

19	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS	2001 £	Group 2000 £	2001 £	Company 2000 £
	Profit after taxation	1,879,379	1,306,588	25,611	32,805
	Net addition to shareholders' funds	1,879,379	1,306,588	25,611	32,805
	Opening shareholders' funds	5,255,167	3,958,579	210,879	178,074
	Closing shareholders' funds	7,134,546	5,255,167	236,490	210,879

20	CASH FLOWS	2001 £	2000 £
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	3,964,926	2,998,670
	Depreciation	184,339	131,334
	Amortisation	5,196	4,958
	Profit on sale of fixed assets	(157,448)	1,943
	(Increase) in stocks	(662,052)	(189,325)
	(Increase) in debtors	(2,132,565)	(184,838)
	(Decrease)/Increase in creditors	1,554,331	118,638
		2,756,727	2,881,380

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2001

20	CASH FLOWS (<i>continued</i>)	2001 £	2000 £
b	Reconciliation of net cash flow to movement in net debt		
	Increase/(Decrease) in cash in the period	(88,230)	409,748
	Cash outflow/(inflow) from decrease/(increase) in net debt and lease financing	(3,527,186)	(1,193,832)
	New finance leases	-	-
	Loan notes issued	(500,000)	(3,965,567)
	Movement in net debt in the period	(4,115,416)	(4,749,651)
	Net debt at 1 September 2000	(18,510,532)	(13,759,878)
	Net debt at 31 August 2001	(22,625,948)	(18,509,529)

c	Analysis of net debt	1 September 2000	Cashflow £	Non-cash changes £	31 August 2001 £
	Cash at bank and in hand	1,768,764	(423,702)	-	1,345,062
	Overdrafts	(335,472)	335,472	-	-
		1,433,292	(88,230)	-	1,345,062
	Debt due after one year	(18,731,491)	(4,511,475)	4,736,704	(18,506,262)
	Debt due within one year	(1,197,572)	971,439	(5,236,704)	(5,462,837)
	Finance leases	(14,761)	12,850	-	(1,911)
	Totals	(18,510,532)	(3,615,416)	(500,000)	(22,625,948)

d. Major non-cash transaction

During the year the group issued loan notes with a value of £500,000 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 2001

21 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2001 the group had annual commitments under non-cancellable operating leases as follows:

	2001 £	2000 £
Land and buildings		
expiring in the first year	5,475	875
expiring in the second to fifth year	49,821	74,351
expiring after five years	237,169	34,744
	<u>282,465</u>	<u>109,970</u>

22 CONTINGENT LIABILITIES

	2001 £	Group 2000 £	2001 £	Company 2000 £
Guarantee of bank overdraft and loans of subsidiary undertakings and related parties	20,757,534	18,737,623	20,757,534	18,587,732
	<u>20,757,534</u>	<u>18,737,623</u>	<u>20,757,534</u>	<u>18,587,732</u>

23 CAPITAL COMMITMENTS – GROUP

	2001 £	2000 £
Contracted for but not provided in the financial statements	-	61,824
	<u>-</u>	<u>61,824</u>

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 £2,644 (2000:£7,138).

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 them by A Patel and Y Patel. Purchases of £16,225,371 (2000: £12,677,560) were made by the group from these companies during the year and rental income of £18,772 was received by the group. 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.