



Primelight Limited
GROUP FINANCIAL STATEMENTS
for the year ended
31 August 1999

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 1999.

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 £1,103,550. 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 two pharmacies.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of properties at 31 August 1999 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 1998:-

A I Patel
Y I Patel

DIRECTORS' INTERESTS IN SHARES

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

	<i>Ordinary shares of £1 each</i>	
	31 August 1999	31 August 1998
A I Patel	1	1
Y I Patel	1	1

Primelight Limited

DIRECTORS' REPORT

YEAR 2000 ISSUES

The directors are aware of the risks associated with the year 2000 problem, and have taken steps to ensure the computer systems are compatible. This has not resulted in any material additional expenditure. The directors are aware that there are inherent risks when dealing with customers and suppliers and there is no guarantee that they will be year 2000 compliant.

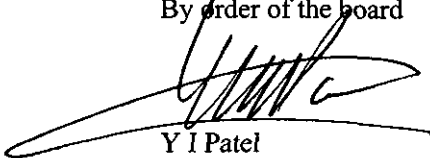
SINGLE EUROPEAN CURRENCY ISSUE

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.

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

29th June 2000

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. 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 24.

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 1999 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
Brazenose House
Lincoln Square
Manchester
M2 5BL

29 June 2000

Primelight Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 August 1999

	Notes	1999 £	1999 £	1998 £	1998 £
TURNOVER	1				
Continuing operations		27,794,918		24,930,282	
Acquisitions		771,957		590,164	
Discontinued operations		-		102,743	
			28,566,875		25,623,189
Cost of sales			21,944,654		19,731,086
GROSS PROFIT			6,622,221		5,892,103
Other operating expenses (net)	2		3,944,875		3,618,877
OPERATING PROFIT					
Continuing operations		2,646,013		2,200,851	
Acquisitions		31,333		58,433	
Discontinued operations		-		13,942	
			2,677,346		2,273,226
Interest receivable	3		7,871		1,232
Interest payable	4		(1,043,134)		(1,096,980)
Provision for diminution in value	5		-		(50,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		1,642,083		1,127,478
Taxation	7		538,533		373,243
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			1,103,550		754,235

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 1999

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1999	1998
	£	£
Profit on ordinary activities before taxation	1,642,083	1,127,478
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.	10,734	10,957
Historical cost profit on ordinary activities before taxation	<u>1,652,817</u>	<u>1,138,435</u>
Historical cost profit for the year retained after taxation and dividends	<u>1,114,284</u>	<u>765,192</u>

Primelight Limited

CONSOLIDATED BALANCE SHEET

31 August 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Intangible fixed assets	9	11,389,588	10,806,820
Tangible assets	10	3,799,150	3,539,458
		<u>15,188,738</u>	<u>14,346,278</u>
CURRENT ASSETS			
Stocks	12	1,982,722	1,793,631
Debtors	13	5,005,493	4,895,751
Cash at bank and in hand		1,147,351	212,028
		<u>8,135,566</u>	<u>6,901,410</u>
CREDITORS: Amounts falling due within one year	14	6,088,232	6,669,193
NET CURRENT ASSETS		<u>2,047,334</u>	<u>232,217</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,236,072	14,578,495
CREDITORS: Amounts falling due after more than one year	15	13,270,914	11,716,888
PROVISIONS FOR LIABILITIES AND CHARGES	16	16,579	16,579
		<u>3,948,579</u>	<u>2,845,028</u>
CAPITAL AND RESERVES			
Called up share capital	17	2	2
Other reserves	18	382	382
Revaluation reserve	18	527,235	527,235
Profit and loss account	18	3,420,960	2,317,409
		<u>3,948,579</u>	<u>2,845,028</u>

Approved by the board on

A I Patel

Director

Y I Patel

Director

Primelight Limited

COMPANY BALANCE SHEET

31 August 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Investments	11	341,259	341,259
CURRENT ASSETS			
Debtors	13	73,078	90,231
CREDITORS: Amounts falling due within one year	14	61,534	83,172
NET CURRENT ASSETS		11,544	7,059
TOTAL ASSETS LESS CURRENT LIABILITIES		352,803	348,318
CREDITORS: Amounts falling due after more than one year	15	174,729	193,775
		178,074	154,543
CAPITAL AND RESERVES			
Called up share capital	17	2	2
Profit and loss account	18	178,072	154,541
		178,074	154,543

Approved by the board on 29th June 2000

A I Patel Director

Y I Patel Director

Primelight Limited

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 August 1999

	Notes	1999 £	1998 £
NET CASH FLOW FROM OPERATING ACTIVITIES	20	2,487,327	2,112,527
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		7,871	1,232
Interest paid		(1,037,114)	(1,094,112)
Interest element of finance lease rental payments		(6,020)	(2,868)
Net cash outflow from returns on investments and servicing of finance		(1,035,263)	(1,095,748)
TAXATION			
UK corporation tax paid		(509,909)	(213,648)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(399,190)	(207,896)
Proceeds on sale of fixed assets		10,614	24,088
Net cash outflow from capital expenditure and financial investment		(388,576)	(183,808)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings		(586,852)	(930,111)
Net cash (outflow) before financing		(33,273)	(310,788)
FINANCING			
Loans taken out		3,023,372	1,077,650
Repayment of loan capital		(1,040,128)	(1,049,953)
Capital element of finance lease rental payments		(26,227)	(39,294)
Net cash inflow/(outflow) from financing		1,957,017	(11,597)
INCREASE/(DECREASE) IN CASH	20	1,923,744	(322,385)

Primelight Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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 1999.

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.

TANGIBLE FIXED ASSETS

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 AND WORK IN PROGRESS

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.

Primelight Limited

ACCOUNTING POLICIES

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 1999

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.

	1999 £	1998 £
By activity:		
Chemist retail	28,566,875	25,520,446
Confectionery manufacturing	-	102,743
	<u>28,566,875</u>	<u>25,623,189</u>

2 OTHER OPERATING EXPENSES (NET)

	1999 £	1998 £
Distribution costs	38,048	35,618
Administration expenses	4,137,651	3,835,116
Other income	(230,824)	(251,857)
	<u>3,944,875</u>	<u>3,618,877</u>

3 INVESTMENT INCOME

	1999 £	1998 £
Other interest receivable	7,871	1,232
	<u>7,871</u>	<u>1,232</u>

4 INTEREST PAYABLE

	1999 £	1998 £
On bank loans and overdrafts	1,035,205	1,093,536
Finance leases and hire purchase contracts	6,020	2,868
Other interest	716	-
Interest on overdue Corporation Tax	1,193	576
	<u>1,043,134</u>	<u>1,096,980</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1999

	1999	1998
	£	£
5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
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	108,367	102,622
leased assets	20,389	25,217
Loss on disposal of fixed assets	127	2,876
Provision for diminution in value	-	50,000
Hire of plant and machinery	6,503	3,642
Auditors' remuneration	15,102	15,900
	<u> </u>	<u> </u>
6 EMPLOYEES	1999	1998
	No.	No.
The average weekly number of persons (excluding directors) employed by the group during the year was:		
Office and management	25	23
Warehouse, distribution and selling	254	216
	<u> </u>	<u> </u>
	279	239
	<u> </u>	<u> </u>
	£	£
Staff costs for the above persons:		
Wages and salaries	2,277,208	2,093,639
Social security costs	155,059	147,471
Other pension costs	5,005	1,838
	<u> </u>	<u> </u>
	2,437,272	2,242,948
	<u> </u>	<u> </u>
	1999	1998
	£	£
DIRECTORS' REMUNERATION		
Aggregate emoluments (including pension contributions and benefits in kind)	31,259	81,250
	<u> </u>	<u> </u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1999

7	TAXATION	1999 £	1998 £
	Based on the profit for the year:		
	UK corporation tax at rates between 20% and 31% (1998: 21% and 31%)	544,594	383,170
	Over provided in earlier years	(6,063)	(9,927)
	Deferred taxation	-	-
		<u>538,533</u>	<u>373,243</u>
8	PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	1999 £	1998 £
	Dealt with in the financial statements of the parent company	23,531	23,361
	Retained by subsidiary undertakings	1,080,019	730,874
		<u>1,103,550</u>	<u>754,235</u>

9 INTANGIBLE FIXED ASSETS

<i>GROUP</i>	Lease Premium £	Purchased Goodwill £	Goodwill on consolidation £	Total £
Cost				
1 September 1998	25,500	8,820,752	2,032,684	10,878,936
Additions	-	479,367	107,485	586,852
31 August 1999	<u>25,500</u>	<u>9,300,119</u>	<u>2,140,169</u>	<u>11,465,788</u>
Amortisation				
1 September 1998	213	71,903	-	72,116
Charged in the year	4,084	-	-	4,084
31 August 1999	<u>4,297</u>	<u>71,903</u>	<u>-</u>	<u>76,200</u>
Net book value				
31 August 1999	<u>21,203</u>	<u>9,228,216</u>	<u>2,140,169</u>	<u>11,389,588</u>
31 August 1998	<u>25,287</u>	<u>8,748,849</u>	<u>2,032,684</u>	<u>10,806,820</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1999

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 1998	2,192,168	1,077,627	643,689	65,772	3,979,256
	Additions	340,764	-	34,281	24,145	399,190
	Disposals	-	-	-	(14,488)	(14,488)
	31 August 1999	2,532,932	-	677,970	75,429	4,363,958
	Depreciation					
	1 September 1998	106,421	-	311,919	21,458	439,798
	Charged in the year	46,974	-	69,061	12,722	128,757
	Written off on disposals	-	-	-	(3,747)	(3,747)
	31 August 1999	153,395	-	370,442	30,433	564,808
	Net book value					
	31 August 1999	2,379,537	1,077,627	296,990	44,996	3,799,150
	31 August 1998	2,085,747	1,077,627	331,770	44,314	3,539,458

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 1999	52,122	25,440	77,562
31 August 1998	76,224	32,535	108,759

11 INVESTMENTS

<i>COMPANY</i>	<i>Group companies</i>	<i>Total</i>
	£	£
Cost		
1 September 1998 and 31 August 1999	341,259	341,259

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1999

11 INVESTMENTS (*continued*)

Holdings of more than 10%

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

	<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
Scholes (Chemists) Limited	England	Ordinary	100%	Chemists
Roocroft (1923) Limited*	England	Ordinary	100%	Confectionery Manufacture
E A Draper Limited*	England	Ordinary	100%	Confectionery 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

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:

	<i>Capital and Reserves £</i>	<i>Profit/(Loss) for the year £</i>
Roocroft (1923) Limited	0	19,583
E A Draper Limited	2	(5,650)
Greenwoods Pharmacy Limited	973,679	253,756
Roy Sandiford Limited	(14,900)	(10,226)
Scholes (Chemists) Limited	3,529,571	930,069
Basil Clarke Limited	3,000	(126,615)
Dormant companies	11,404	-

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1999

11 INVESTMENTS (*continued*)

ACQUISITIONS OF UNINCORPORATED BUSINESSES

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

	£
Purchased goodwill	364,630
Fixtures, fittings and equipment	15,000
Cash consideration	<u>379,630</u>

ACQUISITION OF SUBSIDIARY UNDERTAKINGS

During the year the group acquired 100% of the issued share capital of W Brindle Limited Limited whose assets and liabilities at acquisition were:

	£
Book value:	
Tangible fixed assets	
Stocks	15,640
Debtors	23,412
Cash at bank and in hand	3,665
Bank loans and overdrafts	
Creditors	(40,458)
Net assets/(liabilities) acquired	2,259
Goodwill on acquisition	205,878
Cash consideration	<u>208,137</u>

The acquisition date of the company was 1 October 1998.

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1999

12	STOCKS	1999 £	Group 1998 £
	Finished goods and goods for resale	1,982,722	1,793,631

13	DEBTORS	1999 £	Group 1998 £	1999 £	Company 1998 £
	Due within one year:				
	Trade debtors	4,481,720	4,090,465	-	-
	Amounts owed by subsidiary undertakings	-	-	73,078	90,231
	Directors loan account	-	-	-	-
	Other debtors	402,254	679,124	-	-
	Prepayments and accrued income	121,519	126,162	-	-
		<u>5,005,493</u>	<u>4,895,751</u>	<u>73,078</u>	<u>90,231</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1999

14	CREDITORS: Amounts falling due within one year	1999	Group 1998	1999	Company 1998
		£	£	£	£
	Bank loans and overdrafts	1,610,707	2,187,790	32,094	57,364
	Obligations under finance leases	25,607	33,955	-	-
	Trade creditors	3,327,184	3,139,709	-	-
	Corporation tax	411,794	383,170	9,871	8,538
	Other taxation and social security costs	103,353	93,979	6,000	7,000
	Other creditors	236,445	246,240	-	-
	Directors' loan accounts	16,816	15,673	5,012	5,012
	Accruals and deferred income	356,326	568,677	8,557	5,258
		<u>6,088,232</u>	<u>6,669,193</u>	<u>61,534</u>	<u>83,172</u>

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

15	CREDITORS: Amounts falling due in more than one year	1999	Group 1998	1999	Company 1998
		£	£	£	£
	Bank loans	13,104,545	11,533,839	143,121	163,367
	Other loans	151,608	150,408	31,608	30,408
	Obligations under finance leases	14,761	32,641	-	-
		<u>13,270,914</u>	<u>11,716,888</u>	<u>174,729</u>	<u>193,775</u>
	Loans:				
	Repayable in more than five years	6,489,341	6,081,163	21,608	30,408
	Repayable within five years	8,253,712	6,678,644	170,396	189,303
	Included in current liabilities	(1,486,900)	(1,075,560)	(27,275)	(25,936)
		<u>13,256,153</u>	<u>11,684,247</u>	<u>174,729</u>	<u>193,775</u>
	Repayable by instalments				
	Bank loans:				
	between one and two years	1,076,900	1,076,900	27,276	27,276
	between two and five years	5,538,304	5,123,630	115,845	122,499
	after five years	6,489,341	5,333,309	-	13,591
		<u>13,104,545</u>	<u>11,533,839</u>	<u>143,121</u>	<u>163,367</u>
	Other loans:				
	in the second to fifth year	151,608	150,408	31,608	30,408

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1999

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

Bank loans of £14,591,445 (1998:£12,420,097) are secured by mortgage debentures in favour of National Westminster Bank Plc, over unscheduled assets of the company. 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.

The bank loans are secured by a floating charge on all the assets of the group.

		<i>Group</i>		<i>Company</i>
	1999	1998	1999	1998
	£	£	£	£
Obligations under finance leases and hire purchase contracts:				
Repayable within one year	29,051	49,191	-	-
Repayable between one and five years	19,153	29,288	-	-
	<u>48,204</u>	<u>78,479</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(7,836)	(11,883)	-	-
	<u>40,368</u>	<u>66,596</u>	<u>-</u>	<u>-</u>
Included in current liabilities	(25,607)	(33,955)	-	-
	<u>14,761</u>	<u>32,641</u>	<u>-</u>	<u>-</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation	
Balance at 1 September 1998	16,579
Transfer	-
Profit and loss account	-
Balance at 31 August 1999	<u>16,579</u>

17 SHARE CAPITAL

	1999	1998
	£	£
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, issued and fully paid		
2 ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1999

18 RESERVES

	Group £	Company £
Revaluation reserve		
1 September 1998 and 31 August 1999	527,235	-
Other reserves		
1 September 1998 and 31 August 1999	382	-
Profit and loss account		
1 September 1998	2,317,410	154,541
Retained profit for the year	1,103,550	23,531
31 August 1999	3,420,960	178,072

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1999 £	Group 1998 £	1999 £	Company 1998 £
Profit after taxation	1,103,550	754,235	23,531	23,361
Net addition to shareholders' funds	1,103,550	754,235	23,531	23,361
Opening shareholders' funds	2,845,029	2,090,793	154,543	131,182
Closing shareholders' funds	3,948,579	2,845,028	178,074	154,543

20 CASH FLOWS

	1999 £	1998 £
a Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	2,677,346	2,273,226
Depreciation	128,757	127,839
Amortisation	4,084	213
Loss on sale of fixed assets	127	2,876
Provision for diminution in value	-	(50,000)
(Increase) in stocks	(189,091)	(176,839)
(Increase) in debtors	(109,742)	(806,951)
(Decrease)/Increase in creditors	(24,154)	742,163
	2,487,327	2,112,527

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1999

20	CASH FLOWS (<i>continued</i>)	1999 £	1998 £
b	Reconciliation of net cash flow to movement in net debt		
	Increase/(Decrease) in cash in the period	1,923,744	(322,385)
	Cash outflow/(inflow) from decrease/(increase) in net debt and lease financing	(1,944,762)	30,747
	New finance leases	(12,255)	(19,150)
	Movement in net debt in the period	(33,273)	(310,788)
	Net debt at 1 September 1998	(13,726,605)	(13,415,817)
	Net debt at 31 August 1999	(13,759,878)	(13,726,605)

20	CASH FLOWS (<i>continued</i>)	1 September 1998	Cashflow £	Non-cash changes £	31 August 1999 £
c	Analysis of net debt				
	Cash at bank and in hand	212,028	935,323		1,147,351
	Overdrafts	(1,112,228)	988,421		(123,807)
		(900,200)	1,923,744		(1,023,544)
	Debt due after one year	(11,684,247)	(513,766)	2,085,672	(13,256,153)
	Debt due within one year	(1,075,562)	(526,362)	937,700	(1,486,900)
	Finance leases	(66,596)	(38,482)	12,255	(40,369)
	Totals	(13,726,605)	(1,078,610)	3,023,372	(13,759,878)

d. Major non-cash transaction

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £12,255 (1998: £27,043). The group also obtained new bank loans totalling £3,023,372 (1998: £1,058,500).

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1999

21 COMMITMENTS UNDER OPERATING LEASES

At 31 August 1999 the group had annual commitments under non-cancellable operating leases as follows:

	1999 £	1998 £
Land and buildings		
expiring in the first year		-
expiring in the second to fifth year	5,250	5,250
expiring after five years	18,500	18,500
	<u> </u>	<u> </u>

22 CONTINGENT LIABILITIES

	1999 £	Group 1998 £	1999 £	Company 1998 £
Guarantee of bank overdraft and loans of subsidiary undertakings	14,715,252	13,721,629	14,540,037	13,500,898
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

23 CAPITAL COMMITMENTS - GROUP

	1999	1998
Contracted for but not provided in the financial statements	1,215,000	611,000
	<u> </u>	<u> </u>

The capital commitments above relate to the acquisition costs of new shops, purchased shortly after the year end.

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 £5,005 (1998:£1,838).

25 RELATED PARTY TRANSACTIONS

During the year the group traded with Gorgemead Limited. This company is classed as a related party due to the common directorships held in it by A Patel and Y Patel. Purchases of £7,804,375 (1998: £7,175,401) were made by the group during the year.

All transactions were conducted on arm's 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.