

Primelight Limited

GROUP FINANCIAL STATEMENTS

for the year ended

31 August 1998



Company Registration No. 2576058

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 1998.

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 £751,781

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 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 1998 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 1997:-

A I Patel
Y I Patel

Primelight Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

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

	<i>Ordinary shares of £1 each</i>	
	31 August 1998	31 August 1997
A I Patel	1	1
Y I Patel	1	1

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.

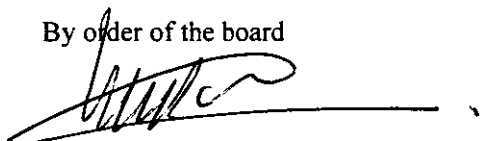
SINGLE EUROPEAN CURRENCY ISSUE

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

23 MARCH 1999

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 25.

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 1998 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

BAKER TILLY

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

23.3.99

Primelight Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 August 1998

	Notes	1998 £	1998 £	1997 £	1997 £
TURNOVER	1				
Continuing operations		24,930,282		17,051,406	
Acquisitions		590,164		3,144,048	
Discontinued operations		102,743		-	
			25,623,189		20,195,454
Cost of sales			19,731,086		15,759,039
GROSS PROFIT			5,892,103		4,436,415
Other operating expenses (net)	2		3,253,611		2,887,278
OPERATING PROFIT					
Continuing operations		2,137,728		1,281,178	
Acquisitions		58,433		267,959	
Discontinued operations		73,065		-	
			2,269,226		1,549,137
Interest receivable	3		1,232		3,380
Interest payable	4		(1,096,980)		(861,772)
Provision for diminution in value	5		(50,000)		-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		1,123,478		690,745
Taxation	7		371,697		159,713
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			751,781		531,032

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 1998

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1998	1997
	£	£
Profit on ordinary activities before taxation	1,123,478	690,745
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.	10,957	305
Historical cost profit on ordinary activities before taxation	<u>1,134,435</u>	<u>691,050</u>
Historical cost profit for the year retained after taxation and dividends	<u>762,738</u>	<u>531,337</u>


Primelight Limited
CONSOLIDATED BALANCE SHEET
31 August 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Intangible fixed assets	9	10,806,820	9,876,922
Tangible assets	10	3,539,458	3,486,365
		<u>14,346,278</u>	<u>13,363,287</u>
CURRENT ASSETS			
Stocks	12	1,793,631	1,616,792
Debtors	13	4,895,751	4,088,800
Cash at bank and in hand		212,028	91,842
		<u>6,901,410</u>	<u>5,797,434</u>
CREDITORS: Amounts falling due within one year	14	6,671,647	5,207,325
		<u>229,763</u>	<u>590,109</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		14,576,041	13,953,396
CREDITORS: Amounts falling due after more than one year	15	11,716,888	11,845,341
PROVISIONS FOR LIABILITIES AND CHARGES	16	16,579	17,262
		<u>2,842,574</u>	<u>2,090,793</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	2,314,955	1,563,174
		<u>2,842,574</u>	<u>2,090,793</u>

Approved by the board on

A I Patel Director

Y I Patel Director

A. Patel 23 MARCH 1999


Primelight Limited
COMPANY BALANCE SHEET
31 August 1998

	<i>Notes</i>	1998 £	1997 £
FIXED ASSETS			
Investments	11	341,259	341,259
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	13	90,231	97,059
CREDITORS: Amounts falling due within one year	14	85,626	96,629
		<hr/>	<hr/>
NET CURRENT ASSETS		4,605	430
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		345,864	341,689
CREDITORS: Amounts falling due after more than one year	15	193,775	210,507
		<hr/>	<hr/>
		152,089	131,182
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	17	2	2
Profit and loss account	18	152,087	131,180
		<hr/>	<hr/>
		152,089	131,182
		<hr/>	<hr/>

Approved by the board on 23 MARCH 1999

A I Patel Director

Y I Patel Director

Primelight Limited

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 August 1998

	Notes	1998 £	1997 £
NET CASH FLOW FROM OPERATING ACTIVITIES	20	2,112,527	1,260,498
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,232	3,380
Interest paid		(1,094,112)	(856,248)
Interest element of finance lease rental payments		(2,868)	(5,524)
Net cash outflow from returns on investments and servicing of finance		(1,095,748)	(858,392)
TAXATION			
UK corporation tax paid		(213,648)	(32,465)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(207,896)	(1,350,752)
Proceeds on sale of fixed assets		24,088	4,465
Net cash outflow from capital expenditure and financial investment		(183,808)	(1,346,287)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings		(930,111)	(3,916,236)
Net cash (outflow) before financing		(310,788)	(4,892,882)
FINANCING			
Loans taken out		1,077,650	5,605,152
Repayment of loan capital		(1,049,953)	(857,684)
Capital element of finance lease rental payments		(39,294)	(22,694)
Net cash (outflow)/inflow from financing		(11,597)	4,724,774
(DECREASE) IN CASH	20	(322,385)	(168,115)

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 1998.

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 1998

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.

	1998	1997
	£	£
By activity:		
Chemist retail	25,520,446	19,927,453
Confectionery manufacturing	102,743	268,001
	<u>25,623,189</u>	<u>20,195,454</u>

2 OTHER OPERATING EXPENSES (NET)

	1998	1997
	£	£
Distribution costs	35,618	29,301
Administration expenses	3,469,850	3,111,777
Other income	(251,857)	(253,800)
	<u>3,253,611</u>	<u>2,887,278</u>

3 INVESTMENT INCOME

	1998	1997
	£	£
Other interest receivable	1,232	3,380
	<u>1,232</u>	<u>3,380</u>

4 INTEREST PAYABLE

	1998	1997
	£	£
On bank loans and overdrafts	7,748	7,827
On loans repayable after 5 years	1,085,788	841,132
Finance leases and hire purchase contracts	2,868	5,524
Other interest	-	7,289
Interest on overdue Corporation Tax	576	-
	<u>1,096,980</u>	<u>861,772</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

	1998	1997
	£	£
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	102,622	158,248
leased assets	25,217	20,709
Loss on disposal of fixed assets	2,876	1,483
Provision for diminution in value	50,000	-
Hire of plant and machinery	3,642	5,504
Auditors' remuneration	15,900	13,392
	<u> </u>	<u> </u>
6 EMPLOYEES	1998	1997
	No.	No.
The average weekly number of persons (excluding directors) employed by the group during the year was:		
Office and management	23	20
Warehouse, distribution and selling	216	217
	<u> </u>	<u> </u>
	239	237
	<u> </u>	<u> </u>
	£	£
Staff costs for the above persons:		
Wages and salaries	2,093,639	1,891,494
Social security costs	147,471	138,603
Other pension costs	1,838	-
	<u> </u>	<u> </u>
	2,242,948	2,030,098
	<u> </u>	<u> </u>
	1998	1997
	£	£
DIRECTORS' REMUNERATION		
Aggregate emoluments (including pension contributions and benefits in kind)	<u>85,250</u>	<u>3,400</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

7

TAXATION

1998

1997

£

£

Based on the profit for the year:

UK corporation tax at rates between 21% and 31% (1997: 23% and 33%)

381,624

164,981

Over provided in earlier years

(9,927)

-

Deferred taxation

-

(5,268)

371,697

159,713

8

PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

1998

1997

£

£

Dealt with in the financial statements of the parent company

20,907

24,291

Retained by subsidiary undertakings

730,874

506,741

751,781

531,032

9

INTANGIBLE FIXED ASSETS

GROUP

Lease Premium

Purchased Goodwill

Goodwill on consolidation

Total

£

£

£

£

Cost

1 September 1997

-

7,916,141

2,032,684

9,948,825

Additions

25,500

904,611

-

930,111

31 August 1998

25,500

8,820,752

2,032,684

10,878,936

Amortisation

1 September 1997

-

71,903

-

71,903

Charged in the year

213

-

-

213

31 August 1998

213

71,903

-

72,116

Net book value

31 August 1998

25,287

8,748,849

2,032,684

10,806,820

31 August 1997

-

7,844,238

2,032,684

9,876,922

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

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 1997	2,050,301	1,077,627	759,986	51,247	3,939,161
	Additions	141,867	-	37,400	28,629	207,896
	Disposals	-	-	(153,697)	(14,104)	(167,801)
	31 August 1998	2,192,168	1,077,627	643,689	65,772	3,979,256
	Depreciation					
	1 September 1997	66,040	-	364,266	22,490	452,796
	Charged in the year	40,381	-	76,350	11,108	127,839
	Written off on disposals	-	-	(128,697)	(12,140)	(140,837)
	31 August 1998	106,421	-	311,919	21,458	439,798
	Net book value					
	31 August 1998	2,085,747	1,077,627	331,770	44,314	3,539,458
	31 August 1997	1,984,261	1,077,627	395,720	28,757	3,486,365

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 1998	76,224	32,535	108,759
31 August 1997	95,280	13,385	108,665

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1998

11 INVESTMENTS

<i>COMPANY</i>	<i>Group companies £</i>	<i>Total £</i>
Cost		
1 September 1997 and 31 August 1998	341,259	341,259

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

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	(19,583)	28,271
E A Draper Limited	5,651	(18,442)
Greenwoods Pharmacy Limited	719,923	263,347
Roy Sandiford Limited	(4,675)	(4,677)
Scholes (Chemists) Limited	2,599,502	526,372
Dormant companies	11,404	-

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

11 INVESTMENTS (cont)

ACQUISITIONS OF UNINCORPORATED BUSINESSES

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

	£
Purchased goodwill	401,788
Fixtures, fittings and equipment	5,000
Cash consideration	<u>406,788</u>

ACQUISITION OF SUBSIDIARY UNDERTAKINGS

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

	£
Book value:	
Tangible fixed assets	5,963
Stocks	38,486
Debtors	539,704
Cash at bank and in hand	3,128
Bank loans and overdrafts	(75,220)
Creditors	<u>(511,882)</u>
Net assets/(liabilities) acquired	179
Goodwill on acquisition	<u>502,823</u>
Cash consideration	<u>503,002</u>

The acquisition date of the company was 10 March 1998.

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

12 STOCKS

	1998	Group 1997
	£	£
Finished goods and goods for resale	1,793,631	1,616,792

13 DEBTORS

	1998	Group 1997	1998	Company 1997
	£	£	£	£
Due within one year:				
Trade debtors	4,090,465	3,654,098	-	-
Amounts owed by subsidiary undertakings	-	-	90,231	97,059
Directors loan account	-	24,478	-	-
Other debtors	679,124	306,830	-	-
Prepayments and accrued income	126,162	103,394	-	-
	<u>4,895,751</u>	<u>4,088,800</u>	<u>90,231</u>	<u>97,059</u>

14 CREDITORS: Amounts falling due within one year

	1998	Group 1997	1998	Company 1997
	£	£	£	£
Bank loans and overdrafts	2,187,790	1,633,260	57,364	63,600
Obligations under finance leases	33,955	29,058	-	-
Trade creditors	3,139,709	2,767,768	-	-
Corporation tax	381,624	222,892	6,992	15,941
Other taxation and social security costs	95,979	99,002	9,000	7,000
Other creditors	246,240	49,555	-	-
Directors' loan accounts	17,673	5,012	7,012	5,012
Accruals and deferred income	568,677	400,778	5,258	5,076
	<u>6,671,647</u>	<u>5,207,325</u>	<u>85,626</u>	<u>96,629</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 1998

15 CREDITORS: Amounts falling due in more than one year

	1998	Group 1997	1998	Company 1997
	£	£	£	£
Bank loans	11,533,839	11,638,451	163,367	181,299
Other loans	150,408	149,208	30,408	29,208
Obligations under finance leases	32,641	57,682	-	-
	<u>11,716,888</u>	<u>11,845,341</u>	<u>193,775</u>	<u>210,507</u>
Loans:				
Repayable in more than five years	6,081,163	6,938,834	30,408	29,208
Repayable within five years	6,678,644	5,812,428	189,303	205,895
Included in current liabilities	(1,075,560)	(963,603)	(25,936)	(24,596)
	<u>11,684,247</u>	<u>11,787,659</u>	<u>193,775</u>	<u>210,507</u>
Repayable by instalments				
Bank loans:				
between one and two years	1,076,900	964,943	27,276	25,936
between two and five years	5,123,630	4,662,008	122,499	114,482
after five years	5,333,309	6,011,500	13,591	40,881
	<u>11,533,839</u>	<u>11,638,451</u>	<u>163,367</u>	<u>181,299</u>
Other loans:				
in the second to fifth year	150,408	149,208	30,408	29,208

Bank loans of £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.

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

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

	1998	Group 1997	1998	Company 1997
	£	£	£	£
Obligations under finance leases and hire purchase contracts:				
Repayable within one year	49,191	34,957	-	-
Repayable between one and five years	29,288	70,197	-	-
	<u>78,479</u>	<u>105,154</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(11,883)	(18,414)	-	-
	<u>66,596</u>	<u>86,740</u>	<u>-</u>	<u>-</u>
Included in current liabilities	(33,955)	(29,058)	-	-
	<u>32,641</u>	<u>57,682</u>	<u>-</u>	<u>-</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation	
Balance at 1 September 1997	17,262
Transfer	(683)
Profit and loss account	-
Balance at 31 August 1998	<u>16,579</u>

17 SHARE CAPITAL

	1998 £	1997 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

18 RESERVES

	<i>Group</i> £	<i>Company</i> £
Revaluation reserve		
1 September 1997 and 31 August 1998	527,235	-
Other reserves		
1 September 1997 and 31 August 1998	382	-
Profit and loss account		
1 September 1997	1,563,174	131,180
Retained profit for the year	751,781	20,907
31 August 1998	2,314,955	152,087

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £	<i>Group</i> 1997 £	1998 £	<i>Company</i> 1997 £
Profit after taxation	751,781	531,032	20,907	24,291
Net addition to shareholders' funds	751,781	531,032	20,907	24,291
Opening shareholders' funds	2,090,793	1,559,761	131,182	106,891
Closing shareholders' funds	2,842,574	2,090,793	152,089	131,182

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

20	CASH FLOWS	1998 £	1997 £
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	2,269,226	1,549,137
	Depreciation	127,839	152,509
	Amortisation	213	-
	Loss on sale of fixed assets	2,876	1,483
	Provision for diminution in value	(50,000)	-
	(Increase) in stocks	(176,839)	(516,186)
	(Increase) in debtors	(806,951)	(1,715,915)
	Increase in creditors	746,163	1,789,470
		<u>2,112,527</u>	<u>1,260,498</u>
		1998 £	1997 £
b	Reconciliation of net cash flow to movement in net debt		
	(Decrease) in cash in the period	(322,385)	(168,115)
	Cash outflow/(inflow) from decrease/(increase) in net debt and lease financing	30,747	(4,620,038)
	New finance leases	(19,150)	(104,729)
		<u>(310,788)</u>	<u>(4,892,882)</u>
	Movement in net debt in the period		
	Net debt at 1 September 1997	(13,415,817)	(8,522,935)
		<u>(13,726,605)</u>	<u>(13,415,817)</u>
	Net debt at 31 August 1998		

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

20	CASH FLOWS (<i>continued</i>)	1 September 1997	Cashflow	Non-cash changes	31 August 1998
c	Analysis of net debt		£	£	£
	Cash at bank and in hand	91,842	120,186	-	212,028
	Overdrafts	(669,657)	(442,571)	-	(1,112,228)
			322,385		
	Debt due after one year	(11,787,659)	(363,412)	260,000	(11,684,247)
	Debt due within one year	(963,603)	(686,541)	798,500	(1,075,562)
	Finance leases	(86,740)	(39,294)	19,150	(66,596)
	Totals	(13,415,817)	1,089,247	(1,077,650)	(13,726,605)

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 £27,043. The group also obtained new bank loans totalling £1,058,500.

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

21 COMMITMENTS UNDER OPERATING LEASES

At 31 August 1998 the group had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Land and buildings		
expiring in the first year	-	6,000
expiring in the second to fifth year	5,250	5,250
expiring after five years	18,500	18,500

22 CONTINGENT LIABILITIES

	1998 £	Group 1997 £	1998 £	Company 1997 £
Guarantee of bank overdraft and loans of subsidiary undertakings	13,721,629	13,271,711	13,500,898	13,026,812

23 CAPITAL COMMITMENTS - GROUP

	1998	1997
Contracted for but not provided in the financial statements	611,000	-

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 £1,838 (1997 - £Nil).

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 £7,175,401 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.