

Reg

Primelight Limited
GROUP FINANCIAL STATEMENTS
for the year ended
31 August 2002



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 2002.

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 £2,063,823. 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 continue to 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 pharmacy.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of properties at 31 August 2002 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 2001:-

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>	
	31.8.02	31.8.01
A I Patel	1	1
Y I Patel	1	1

	<i>US Dollar shares of \$1 each</i>	
	31.8.02	31.8.01
A I Patel	1	1
Y I Patel	1	1

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil 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.

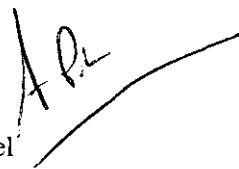
EMPLOYEE INVOLVEMENT

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


A I Patel
Director

10th February 2003

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIMELIGHT LIMITED

We have audited the financial statements on pages 6 to 27.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors.

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

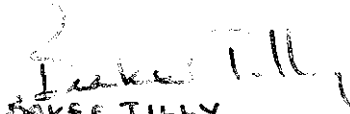
Basis of opinion

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 2002 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


MIKE TILLY
Registered Auditor
Chartered Accountants
Brazenose House
Lincoln Square
Manchester
M2 5BL

12 February 2003

Primelight Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 August 2002

	Notes	2002 £	2002 £	2001 £	2001 £
TURNOVER	1				
Continuing operations		50,158,506		39,113,987	
Acquisitions		2,197,188		3,177,978	
			52,355,694		42,291,965
Cost of sales	2		39,191,566		31,533,310
GROSS PROFIT			13,164,128		10,758,655
Other operating expenses (net)	2		8,845,133		6,951,177
OPERATING PROFIT					
Continuing operations		4,509,650		3,731,270	
Acquisitions		(190,655)		76,208	
			4,318,995		3,807,478
Profit on disposal of assets	5		-		157,448
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			4,318,995		3,964,926
Other interest receivable and similar charges	3		46,244		79,840
Interest payable	4		(1,297,226)		(1,364,773)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		3,068,013		2,679,993
Taxation	7		1,004,190		800,616
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			2,063,823		1,879,377
Dividends received			-		2
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			2,063,823		1,879,379

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 2002

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2002 £	2001 £
Profit on ordinary activities before taxation	3,068,013	2,679,993
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.	13,832	13,030
Historical cost profit on ordinary activities before taxation	<u>3,081,845</u>	<u>2,693,023</u>
Historical cost profit for the year retained after taxation and dividends	<u><u>2,077,655</u></u>	<u><u>1,892,409</u></u>

Primelight Limited

CONSOLIDATED BALANCE SHEET



31 August 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Intangible fixed assets	9	22,109,311	20,254,831
Tangible assets	10	4,806,641	4,350,191
		<u>26,915,952</u>	<u>24,605,022</u>
CURRENT ASSETS			
Stocks	12	3,722,641	3,646,508
Debtors	13	10,696,862	8,794,396
Cash at bank and in hand		898	1,345,062
		<u>14,420,401</u>	<u>13,785,966</u>
CREDITORS: Amounts falling due within one year	14	11,038,532	12,733,312
NET CURRENT ASSETS		<u>3,381,869</u>	<u>1,052,654</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		30,297,821	25,657,676
CREDITORS: Amounts falling due after more than one year	15	21,099,473	18,506,262
PROVISIONS FOR LIABILITIES AND CHARGES		-	16,868
		<u>9,198,348</u>	<u>7,134,546</u>
CAPITAL AND RESERVES			
Called up share capital	16	3	3
Other reserves	17	382	382
Revaluation reserve	17	527,235	527,235
Profit and loss account	17	8,670,728	6,606,926
		<u>9,198,348</u>	<u>7,134,546</u>

Approved by the board on

A I Patel Director

Y I Patel Director

19/2/03
A.P.



Primelight Limited

COMPANY BALANCE SHEET

31 August 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Investments	11	341,259	341,259
CURRENT ASSETS			
Debtors	13	107,063	76,603
CREDITORS: Amounts falling due within one year	14	80,391	52,812
NET CURRENT ASSETS		26,672	23,791
TOTAL ASSETS LESS CURRENT LIABILITIES		367,931	365,050
CREDITORS: Amounts falling due after more than one year	15	103,634	128,560
		264,297	236,490
CAPITAL AND RESERVES			
Called up share capital	16	3	3
Profit and loss account	17	264,294	236,487
		264,297	236,490

Approved by the board on

A I Patel

Director

Y I Patel

Director

Primelight Limited

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 August 2002

	Notes	2002 £	2001 £
NET CASH FLOW FROM OPERATING ACTIVITIES	19	746,434	2,756,727
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		46,244	79,840
Interest paid		(1,297,247)	(1,361,985)
Interest element of finance lease rental payments		-	(2,788)
Net cash outflow from returns on investments and servicing of finance		(1,251,003)	(1,284,933)
TAXATION			
UK corporation tax paid		(1,035,475)	(720,179)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(720,519)	(259,450)
Proceeds on sale of fixed assets		69,835	431,981
Net cash inflow / (outflow) from capital expenditure and financial investment		(650,684)	172,531
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings and unincorporated businesses		(1,919,320)	(4,636,703)
Net cash acquired with subsidiary		9,544	97,141
Net cash (outflow) before financing		(1,909,776)	(4,539,562)
FINANCING			
Loans taken out		5,402,328	4,511,475
Repayment of loan capital		(5,619,887)	(971,439)
Capital element of finance lease rental payments		(1,911)	(12,850)
Net cash inflow/(outflow) from financing		(219,470)	3,527,186
(DECREASE) IN CASH	19	(4,319,974)	(88,230)

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 2002.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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 2002

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.

	2002 £	2001 £
By activity:		
Chemist retail	52,295,117	42,291,965
Opticians	60,577	-
	<u>52,355,694</u>	<u>42,291,965</u>

2 COST OF SALES AND OTHER OPERATING EXPENSES (NET)

	2002			2001		
	Continuing £	Acquisitions £	Total £	Continuing £	Acquisitions £	Total £
Cost of sales	37,524,983	1,666,583	39,191,566	29,206,025	2,327,285	31,533,310
Distribution costs	79,781	2,786	82,567	69,260	6,170	75,430
Administration expenses	8,505,005	718,770	9,223,775	6,410,042	771,182	7,181,224
Other operating income	(460,913)	(296)	(461,209)	(302,610)	(2,867)	(305,477)
	<u>8,123,873</u>	<u>721,260</u>	<u>8,845,133</u>	<u>6,176,692</u>	<u>774,485</u>	<u>6,951,177</u>

3 INVESTMENT INCOME

	2002 £	2001 £
Other interest receivable	46,244	79,840

4 INTEREST PAYABLE

	2002 £	2001 £
On bank loans and overdrafts	1,193,175	1,183,464
Finance leases and hire purchase contracts	349	2,788
Other loan interest	97,937	177,666
Interest on overdue Corporation Tax	5,765	855
	<u>1,297,226</u>	<u>1,364,773</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2002

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 £	2001 £
	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	208,157	187,131
	leased assets	-	5,196
	Loss on disposal of fixed assets	2,018	-
	Operating lease rentals:		
	Equipment	3,826	4,408
	Land and buildings	355,267	279,430
	Auditor's remuneration	17,096	14,450
		<u> </u>	<u> </u>
	EXCEPTIONAL ITEMS	2002 £	2001 £
	Profit on disposal of fixed assets	-	157,448
		<u> </u>	<u> </u>
6	EMPLOYEES	2002 No.	2001 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	465	384
		<u>503</u>	<u>422</u>
		<u> </u>	<u> </u>
		2002 £	2001 £
	Staff costs for the above persons:		
	Wages and salaries	5,078,600	3,926,949
	Social security costs	336,364	249,417
	Other pension costs	76	2,644
		<u>5,415,040</u>	<u>4,179,010</u>
		<u> </u>	<u> </u>
		2002 £	2001 £
	DIRECTORS' REMUNERATION		
	Aggregate emoluments (including pension contributions and benefits in kind)	7,750	27,287
		<u> </u>	<u> </u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2002

7	TAXATION	2002 £	2001 £
	Based on profit for the year:		
	UK corporation tax rate at 30% (2001:30%)	1,042,897	800,616
	Under/(Over) provision in previous year	3,318	-
	Total current tax	1,046,215	800,616
	Deferred taxation:		
	Deferred tax credit current year	(42,025)	-
		1,004,190	800,616
	Factors affecting tax charge for period:	2002 £	2001 £
	Profit on ordinary activities before taxation	3,068,013	2,679,993
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2001: 30%)	920,404	803,998
	Effects of:		
	Non deductible expenses	67,473	70,402
	Capital allowances in excess of depreciation	9,984	11,215
	Tax losses utilised	0	(23,157)
	Adjustments to previous periods	3,318	(3,640)
	Other tax adjustments	45,036	(58,202)
	Tax charge for period	1,046,215	800,616

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2002

8	PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		2002 £	2001 £
	Dealt with in the financial statements of the parent company		27,807	25,611
	Retained by subsidiary undertakings		2,036,016	1,853,768
			<u>2,063,823</u>	<u>1,879,379</u>
9	INTANGIBLE FIXED ASSETS			
	<i>GROUP</i>	<i>Lease Premium £</i>	<i>Purchased Goodwill £</i>	<i>Goodwill on con- solidation £</i>
	Cost			<i>Total £</i>
	1 September 2001	55,500	20,304,635	(18,950)
	Additions		1,861,271	
	31 August 2002	<u>55,500</u>	<u>22,165,906</u>	<u>(18,950)</u>
	Amortisation			
	1 September 2001	14,451	71,903	-
	Charged in the year	5,196	1,594	-
	31 August 2002	<u>19,647</u>	<u>73,497</u>	<u>-</u>
	Net book value			
	31 August 2002	<u>35,853</u>	<u>22,092,409</u>	<u>(18,950)</u>
	31 August 2001	<u>41,049</u>	<u>20,232,732</u>	<u>(18,950)</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2002

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 2001	2,946,749	1,077,627	1,125,245	151,531	5,301,152
	Additions	283,942	317,850	48,850	80,061	730,703
	Disposals	(67,000)	-	-	(23,388)	(90,388)
	31 August 2002	3,163,691	1,395,477	1,174,095	208,204	5,941,467
	Depreciation					
	1 September 2001	263,161	-	619,363	68,437	950,961
	Charged in the year	63,887	-	109,338	29,175	202,400
	Written off on disposals	(4,623)	-	-	(13,912)	(18,535)
	31 August 2002	322,425	-	728,701	83,700	1,134,826
	Net book value					
	31 August 2002	2,841,266	1,395,477	445,394	124,504	4,806,641
	31 August 2001	2,683,588	1,077,627	505,882	83,094	4,350,191

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.

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

	£
Cost	
1 September 2001	2,285,794
Additions	283,942
Disposals	(67,000)
31 August 2002	2,502,736
Depreciation based on cost	
1 September 2001	237,000
Charge in the year	50,055
On disposals	(4,623)
31 August 2002	282,432
Net book value	
31 August 2002	2,220,304
31 August 2001	2,048,794

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2002

10 TANGIBLE FIXED ASSETS (*continued*)

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 2002	-	-	-
31 August 2001	11,475	6,156	17,631
			Investment properties £
Cost or valuation 1 September 2001			1,077,627
Additions			317,850
			1,395,477

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 £968,744 (2001 - £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

<i>COMPANY</i>	<i>Group companies £</i>	<i>Total £</i>
Cost 1 September 2001 and 31 August 2002	341,259	341,259

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2002

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
Greenwoods Pharmacy Limited*	England	Ordinary	100%	Dormant
Showchem Limited*	England	Ordinary	100%	Dormant
Uscita Limited*	England	Ordinary	100%	Dormant
Poludel Limited*	England	Ordinary	100%	Dormant
NE Smith (Blackley) Limited*	England	Ordinary	100%	Dormant
Ardwick Apocare Limited*	England	Ordinary	100%	Dormant
Drisell Limited*	England	Ordinary	100%	Dormant
Balmford Pharmacy Limited*	England	Ordinary	100%	Dormant
Deans Pharmacy Limited*	England	Ordinary	100%	Dormant
LG Forbes Limited*	England	Ordinary	100%	Dormant
C S Fletcher*	England	Ordinary	100%	Chemists

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

Scholes (Chemists) Limited	England	Ordinary	100%	Chemists
Roy Sandiford Limited*	England	Ordinary	100%	Chemists
W Brindle (Bolton) Limited*	England	Ordinary	100%	Opticians

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

The trade and assets of C S Fletcher were hived up into Scholes (Chemists) Limited during the year.

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2002

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	9,327,250	2,045,105
Roy Sandiford Limited	(10,208)	(1,630)
W Brindle (Bolton) Limited	(7,460)	(7,460)

ACQUISITIONS OF UNINCORPORATED BUSINESSES

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

	£
Purchased goodwill	1,658,531
Cash consideration	<u>1,658,531</u>

ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS

During the year the group acquired 100% of the issued share capital of C S Fletcher Limited, whose assets and liabilities at acquisition were:

Book value:

	(£)
Tangible fixed assets	10,184
Stocks	21,917
Debtors	93,562
Cash at bank and in hand	9,544
Creditors	(77,156)
Net assets/(liabilities) acquired	<u>58,051</u>
Goodwill on acquisition	202,740
Consideration	<u>260,791</u>
Cash	<u>260,791</u>

The acquisition date of the company was 1 September 2001.

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2002

12	STOCKS	2002 £	Group 2001 £
	Finished goods and goods for resale	3,722,641	3,646,508
13	DEBTORS	2002 £	Group 2001 £
	Due within one year:		2002 £
	Trade debtors	9,180,501	7,623,338
	Amounts owed by subsidiary undertakings	-	107,063
	Corporation tax	-	4,634
	Other debtors	1,243,732	928,457
	Prepayments and accrued income	247,472	237,967
	Deferred tax asset	25,157	-
		10,696,862	8,794,396
			107,063
			76,603

The debtors above include the following amounts falling due after more than one year:

	2002 £	2001 £
Deferred tax asset	25,157	-

The balance of the deferred taxation account consists of the tax effect of the following timing differences in respect of:

	2002 £	2001 £
Deferred capital allowances	25,157	-

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2002

13 DEBTORS (Continued)

The movement in the deferred taxation account during the year was:

	£
Balance at 1 September 2001	16,868
Profit and Loss account movement during the year	(42,025)
Balance at 31 August 2002	<u>(25,157)</u>

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

	2002 £	Group 2001 £	2002 £	Company 2001 £
Levelcrown Limited	86,219	62,895	-	-
Cityfocus Limited	58,052	53,415	-	-
Makan Investments	48,128	70,000	-	-
Gamecrest Limited	2,109	2,109	-	-
Wardcare Limited	184,557	114,764	-	-
Maxearn Limited	201,416	70,876	-	-
Gorgemead Limited	28,909	28,909	-	-
	<u>609,390</u>	<u>402,968</u>	<u>-</u>	<u>-</u>

14	CREDITORS: Amounts falling due within one year	2002 £	Group 2001 £	2002 £	Company 2001 £
	Bank loans and overdrafts	5,627,877	2,018,258	54,989	32,956
	Other loan	-	3,444,579	-	-
	Obligations under finance leases	-	1,911	-	-
	Trade creditors	3,476,759	5,279,602	-	-
	Corporation tax	515,257	546,542	10,669	10,324
	Other taxation and social security costs	91,704	90,817	-	-
	Other creditors	586,178	463,258	-	-
	Directors' loan accounts	31,926	44,525	5,012	5,012
	Accruals and deferred income	708,831	843,820	9,721	4,520
		<u>11,038,532</u>	<u>12,733,312</u>	<u>80,391</u>	<u>52,812</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2002

14 CREDITORS: amounts falling due within one year (*continued*)

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

Included within trade creditors is £1,302,384 (2001 : £3,040,610) 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:

	2002	Group 2001	2002	Company 2001
	£	£	£	£
Gorgemead Limited	489,114	358,817		-
Prinwest Limited	10,483	17,485		-
	<u>499,597</u>	<u>376,302</u>		<u>-</u>

15 CREDITORS: Amounts falling due in more than one year

	2002	Group 2001	2002	Company 2001
	£	£	£	£
Bank loans	20,007,417	17,403,831	68,426	94,551
Other loans	1,092,056	1,102,431	35,208	34,009
Obligations under finance leases		-		-
	<u>21,099,473</u>	<u>18,506,262</u>	<u>103,634</u>	<u>128,560</u>
Loans:				
Repayable in more than five years	8,250,900	8,281,192	-	-
Repayable within five years	15,500,640	15,683,394	132,779	158,515
Included in current liabilities	(2,652,067)	(5,458,324)	(29,145)	(29,955)
	<u>21,099,473</u>	<u>18,506,262</u>	<u>103,634</u>	<u>128,560</u>
Repayable by instalments				
Loans:				
between one and two years	2,424,206	2,047,754	64,354	63,963
between two and five years	10,418,432	8,177,316	39,280	64,597
after five years	8,256,835	8,281,192	-	-
	<u>21,099,473</u>	<u>18,506,262</u>	<u>103,634</u>	<u>128,560</u>

Included in other loans is £35,208 (2001 - £34,009) 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 2002

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

Group bank loans and overdrafts of £31,177,537 (2001: £20,630,027) and company bank loans and overdrafts of £123,415 (2001 : £127,507) 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 £951,848 (2001 - £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>
Obligations under finance leases and hire purchase contracts:	2002	2001	2002	2001
	£	£	£	£
Repayable within one year	-	2,230	-	-
Repayable between one and five years	-	-	-	-
	-	2,230	-	-
Finance charges and interest allocated to future accounting periods	-	(319)	-	-
	-	1,911	-	-
Included in current liabilities	-	(1,911)	-	-
	-	-	-	-

16	SHARE CAPITAL	2002	2001
		£	£
	Authorised:		
	1,000 deferred ordinary shares of £1 each	1,000	1,000
	2 US Dollar ordinary shares of \$1 each	1	1
	Allotted, issued and fully paid:		
	2 deferred ordinary shares of £1 each	2	2
	2 US Dollar ordinary shares of \$1 each	1	1

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.

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2002

17	RESERVES	Group £	Company £
	Revaluation reserve		
	1 September 2001 and 31 August 2002	527,235	-
		<u> </u>	<u> </u>
	Other reserves		
	1 September 2001 and 31 August 2002	382	-
		<u> </u>	<u> </u>
	Profit and loss account		
	1 September 2001	6,606,926	236,487
	Retained profit for the year	2,063,802	27,807
		<u> </u>	<u> </u>
	31 August 2002	8,670,728	264,294
		<u> </u>	<u> </u>

18	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS	2002 £	Group 2001 £	2002 £	Company 2001 £
	Profit after taxation	2,063,802	1,879,379	27,807	25,611
	Net addition to shareholder's funds	<u>2,063,802</u>	<u>1,879,379</u>	<u>27,807</u>	<u>25,611</u>
	Opening shareholder's funds	7,134,546	5,255,167	236,490	210,879
		<u>9,198,348</u>	<u>7,134,546</u>	<u>264,297</u>	<u>236,490</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2002

19

CASH FLOWS		2002	2001		
		£	£		
a	Reconciliation of operating profit to net cash inflow from operating activities				
	Operating profit	4,318,995	3,964,926		
	Depreciation	202,400	184,339		
	Amortisation	6,789	5,196		
	Loss/(Profit) on sale of fixed assets	2,018	(157,448)		
	(Increase) in stocks	(54,216)	(662,052)		
	(Increase) in debtors	(1,783,747)	(2,132,565)		
	(Decrease)/Increase in creditors	(1,945,805)	1,554,331		
		<u>746,434</u>	<u>2,756,727</u>		
		2002	2001		
		£	£		
b	Reconciliation of net cash flow to movement in net debt				
	(Decrease) in cash in the period	(4,319,974)	(88,230)		
	Cash outflow/(inflow) from decrease/(increase) in net debt and lease financing	219,470	(3,527,186)		
	New finance leases		-		
	Loan notes issued		(500,000)		
		<u>(4,100,504)</u>	<u>(4,115,416)</u>		
	Movement in net debt in the period				
	Net debt at 1 September 2001	(22,625,948)	(18,510,532)		
		<u>(26,726,452)</u>	<u>(22,625,948)</u>		
	Net debt at 31 August 2002				
c	Analysis of net debt	1 September 2001	Cashflow	Non-cash changes	31 August 2002
		£	£	£	£
	Cash at bank and in hand	1,345,062	(1,344,164)		898
	Overdrafts	-	(2,975,810)		(2,975,810)
		<u>1,345,062</u>	<u>(4,319,974)</u>		<u>(2,974,912)</u>
	Debt due after one year	(18,506,262)	(2,593,211)		(21,099,473)
	Debt due within one year	(5,462,837)	2,810,770		(2,652,067)
	Finance leases	(1,911)	1,911		-
	Totals	<u>(22,625,948)</u>	<u>(4,100,504)</u>		<u>(26,726,452)</u>

Primelight Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2002

20 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2002 the group had annual commitments under non-cancellable operating leases as follows:

	2002 £	2001 £
Land and buildings		
expiring in the first year	15,475	5,475
expiring in the second to fifth year	69,051	49,821
expiring after five years	535,619	237,169
	<u> </u>	<u> </u>

21 CONTINGENT LIABILITIES

	2002 £	Group 2001 £	2002 £	Company 2001 £
Guarantee of bank overdraft and loans of subsidiary undertakings and related parties	31,300,952	20,757,534	31,300,952	20,757,534
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

22 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 £76 (2001: £2,644).

23 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 £22,685,906 (2001: £16,225,371) were made by the group from these companies during the year and rental income of £146,909 (2001 - £18,772) was received by the group.

All transactions were conducted on arms length commercial terms.

24 COMPANY PROFIT AND LOSS ACCOUNT

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