BOOKER GROUP PLC

(formerly Blueheath Holdings plc)

Report and Financial Statements

3 March 2007

Company Registration No. 05145685

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
Richard Rose *(Chairman)*
Charles Wilson
Jonathan Prentis
Kevin Lyon
Hans Kristian Hustad
Jim McMahon

SECRETARY
Mark Chilton

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Chartered Accountants
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CHAIRMAN'S STATEMENT

Turnover for the 52 weeks ended 3 March 2007 increased by 5.8 per cent. to £139.9 million (2006 – £132.3 million – 53 weeks) and adjusted operating loss before goodwill amortisation and exceptional items was £4.6 million (2006: £4.9 million).

Gross margins increased to 6.0 per cent. (2006 – 5.7 per cent.). Exceptional costs of £1.9 million (2006 – £0.4 million) were incurred in respect of a restructuring exercise. The retained loss after exceptional items increased to £7.1 million (2005 – £5.3 million) reflecting the higher exceptional costs and interest charge.

Whilst the year's performance reflected a continuation of losses announced in prior periods, the latter part of the year saw the beginnings of a real change in fortunes with losses significantly reducing as the benefits of the re-structuring began to bear fruit.

The Board announced on 9 May 2007 a proposed reverse takeover of Giant Topco Limited ("Booker"), which for the 52 weeks ended 30 March 2007 was the ultimate holding company of Booker Limited. This was approved by shareholders on 1 June 2007 and the shares re-admitted on 4 June 2007. The enlarged group will be one of the UK's leading food wholesalers and will be unique in providing both national delivery and local "top up" services in the UK, serving both single site and multi-site customers. The enlarged group will be able to enhance customer service through an increased choice of both product and delivery format.

Outlook

The Board believe that the merger of Blueheath and Booker will form the UK's leading food wholesaler and combine Booker's scale, customer base, catering expertise, coverage and brands with Blueheath's technology and delivery expertise.

The Board believe that this combination will allow the enlarged group to enhance customer service through a larger choice of products and delivery methods, whilst improving efficiency.

Richard Rose
Chairman

BOARD OF DIRECTORS

Richard Rose, *Non-Executive Chairman* (Age: 51)

Richard joined as deputy chairman in May 2006 and was appointed Executive Chairman in September 2006. Richard was formerly Chief Executive of Whittard of Chelsea plc, a multi site retailer of tea and coffee which was sold to Baugur in 2006. Previously he was a Director of Hagemeyer (UK) Ltd, a distributor of professional products and services, with a UK turnover approaching £1 billion through 360 outlets. Prior to that he had been CEO of WF Electrical plc, a fully listed electrical distributor, where he created a substantial improvement in shareholder value. Hagemeyer purchased WF Electrical plc in 2000. He was also non-executive Chairman of AC Electrical Wholesale where he led a very successful growth strategy resulting in a very substantial increase in shareholder value. The business was sold to Wolseley in 2006. He is Chairman of Kiotech International plc, non-executive Chairman of Nanoscience Inc. and non executive Chairman of Felix Group plc.

Charles Wilson, *Chief Executive* (Age: 41)

Charles started his career in 1986 with Procter and Gamble. Previously, he was a consultant with OC&C Strategy Consultants and a Director of Abberton Associates. In 1998 he became Executive Director of Booker Plc which merged with Iceland plc in 2000. In 2001 he became Executive Director of Arcadia Group plc and in 2004 he became Executive Director at Marks and Spencer Plc. In 2005 he was appointed as Chief Executive Officer of Giant Topco Limited.

Jonathan Prentis, *Chief Financial Officer* (Age: 45)

Jonathan qualified as a chartered accountant in 1987 with Deloitte & Touche. Previously, he was finance director of Woodward Foodservice Limited and then of Group Logistics within The Big Food Group plc and, prior to that was with TDG plc. Jonathan was appointed as finance director of Giant Topco Limited in 2005 after the acquisition of The Big Food Group by Baugur and its investment partners.

Kevin Lyon, *Non-Executive Director* (Age: 45)

Kevin qualified as a chartered accountant in 1985. After two years in merchant banking Kevin joined the private equity and venture capital business, 3i plc. While with 3i, Kevin built and developed several successful investment teams across the UK and led many transactions in a wide range of sectors. Kevin also held a number of leadership and management positions including Managing Director, UK Private Equity. Kevin left 3i plc in 2004 to build a portfolio of non-executive interests. Kevin is currently Chairman of a number of UK companies.

Hans Kristian Hustad, *Non-Executive Director* (Age: 58)

Hans Kristian started his career in the Norwegian food and beverage industry in the 1970's. In 1996 he started to work for one of the largest food retailers in Norway, Reitan Group Ltd., and was responsible for the launch of Rema 1000 International Ltd. on the Oslo Stock Exchange through a merger with the listed Narvesen Plc. He became a non-executive director of Baugur Group when the company was launched on the Icelandic Stock Exchange in 1999. When Baugur Group headed the consortium which bought The Big Food Group Plc in February 2005 he became Chairman and CEO of Booker. When Charles Wilson became CEO of Giant Topco Limited from November 2005 he continued as non-executive chairman. He is non-executive director of Hamleys Ltd. and Wyevale Ltd.

Jim McMahon, *Non-Executive Director* (Age: 58)

Jim is a founding partner, with Sir Tom Hunter, of West Coast Capital (West Coast) and has been involved in approximately £5 billion of West Coast led deals since March 2001. Jim sits on a number of retail boards including House of Fraser and Wyevale providing strategic and financial advice. Jim is an ex-Senior Inspector of Taxes. Jim then spent sixteen years with PricewaterhouseCoopers where he was a Tax Partner, a member of the PwC Supervisory Board and, prior to joining West Coast, headed a national team advising some of the UK's leading entrepreneurs and their businesses.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 3 March 2007.

Activities

The principal activities of the Group are operating as a national delivered wholesaler using sophisticated, proprietary technology in the grocery wholesale sector.

Review of Developments and Future Prospects

A review of the Group's operations during the period and its plans for the future is given in the Chairman's report.

Business Review

Key Performance Indicators

The financial key performance indicators for the Group are shown in the Chairman's statement.

The Group's operational performance, in particular at Thurrock suffered over the period due to the logistics re-structuring. However by January, Thurrock's fulfilment performance had recovered to a level of over 97 per cent. and has continued at around this level subsequently.

Stock days at the period-end were 10.7 (2006 - 15.7), which the Directors believe is low compared to Industry averages.

Gross margin improved in the period reflecting the shedding of low margin customers.

Currency Risk

The Group's principal functional currency is pound sterling (GBP). During the period there were no transactions denominated in foreign currencies.

Credit and Interest Rate Risk

The Group's principal financial assets are bank balances, cash and trade and other debtors.

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. A provision is made where there is an identified loss which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group has sterling loans with floating rate interest terms and accordingly is exposed to interest rate movements. Details of these borrowings are contained in note 17.

Commercial risk

The Company faces increased competition from the grocery multiples as they move into the convenience store sector. The Competition Commission is currently reviewing the food wholesale market and it is uncertain what the results will be of the review. The Directors believe that there is also significant direct competition to the Company from other cash and carry, delivered grocery and food service and catering supply companies.

The Company's business is dependent on relations with third party suppliers, warehouses and distributors. In turn, the Group's customers place great importance on produce availability and on the timely delivery of products. If there is any interruption to the products or services provided by third parties the Company's business and results of operations may be adversely affected.

The Company relies to a significant degree on the efficient and uninterrupted operation of its computer and communications systems and those of third parties including the internet. Any failure of current or new systems could impair the value of orders, the processing and storage of data and the day to day management of the business.

The sale of cigarettes, which accounted for approximately 54 per cent. of Blueheath's turnover in the period is subject to extensive regulation. Further modification to existing legislation and/or regulation or the introduction of new legislative or regulatory initiatives (including the smoking ban which was introduced in Wales on 2 April 2007 and which is being introduced in England from 1 July 2007) is a relative unknown, but could have a significant adverse affect on markets and demand for such products.

Directors and their Interests

The directors of the company who served during the period and their interest in the shares of the company, including beneficial interests are as follows:

Share capital	*No of shares of 1p on 3 March 2007*	*No of shares of 1p on 4 March 2006 (or date of appointment)*
Simon Mindham (resigned 4 June 2007)	—	—
John Hewett (resigned 4 June 2007)	—	—
Richard Rose (appointed 30 May 2006)	—	—
Mark Naughton-Rumbo (appointed 7 July 2006 and resigned 4 June 2007)	—	—
Mark Aylwin (appointed 1 September 2006 and resigned 4 June 2007)	—	—

On 4 June 2007, Charles Wilson, Jonathan Prentis, Kevin Lyon, Hans Kristian Hustad and Jim McMahon were appointed directors.

The following options have been granted to directors over ordinary shares in Booker Group plc:

	Number of shares of 1p each at 5 March 2006	*Granted in period*	*Lapsed in period*	*Forfeited*	*Number of shares of 1p each at 3 March 2007*	*Option price £*	*Date of award*	*Dates that options become exercisable*	*Expiry date*
S Mindham	80,000	—	—	(80,000)	—	0.80	06/08/04	30/10/02 to 30/10/05	31/10/2012
S Mindham	120,000	—	—	(120,000)	—	0.80	06/08/04	31/05/04 to 30/04/05	31/05/2014
S Mindham	70,247		—	(70,247)	—	0.00	31/03/05	20/07/07	31/03/2015
S Mindham	—	1,000,000	—	—	1,000,000	0.05	07/02/07	07/02/09 to 07/02/10	07/02/2017
M Alywin	—	2,800,000	—	—	2,800,000	0.05	07/02/07	07/02/09 to 07/02/10	07/02/2017
R Rose	—	1,800,000	—	—	1,800,000	0.05	07/02/07	07/02/09 to 07/02/10	07/02/2017
	270,247	5,600,000	—	(270,247)	5,600,000				

No options were exercised in the period by the directors. The option price of £0.00 noted above is actually £1 in aggregate for the total options granted to each director in the period.

Dividends

The directors do not recommend the payment of a dividend (2006: £nil).

Substantial Shareholdings

The directors are aware of the following who are interested, directly or indirectly, in 3 per cent or more of the company's shares held at 12 June 2007:

	Ordinary shares of 1p each	
Organisation	*Number held*	*% held*
Milton ehf	523,509,780	35.17
The Governor and Company of the Bank of Scotland	178,881,132	12.02
Kaupthing Bank hf	121,957,877	8.19
Charles Wilson	121,041,986	8.13
TBH Trading Ltd	110,600,659	7.43
Kevin Stanford	73,733,771	4.95

Political and Charitable Contributions

There were no political or charitable contributions in the period.

Supplier Payment Policy

It is the policy of the group to settle the terms of payment with all suppliers when agreeing the terms for the transaction as a whole and to abide by such terms.

The group's outstanding creditor days at the end of the period were 14.9 days (2006 – 20.5 days).

Employment of Disabled Persons

It is the group's policy to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and to assist disabled staff where possible by training. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee Consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interest.

Auditors

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to appoint KPMG Audit plc as the company's auditors and to authorise the directors to determine the auditors' remuneration will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

MARK CHILTON

Secretary

13 June 2007

CORPORATE GOVERNANCE REPORT

Corporate Governance

In June 2003, the Financial Reporting Council published The Combined Code on Corporate Governance, which was subsequently revised (subject to consultation) in June 2006 (the Combined Code).

Since Admission to the Alternative Investment Market, the company has applied principles of corporate governance commensurate with its size, notwithstanding that the rules of the Stock Exchange do not require companies that have securities traded on the Alternative Investment Market to formally comply with the Combined Code.

Directors

The company supports the concept of an effective board leading and controlling the company. The details of the Current Directors and the Directors who served during the year are shown on Page 1. At the balance sheet date, the Board comprised the Executive Chairman, Richard Rose, the Chief Executive Officer, Mark Aylwin, and the Chief Finance Officer, Simon Mindham, and two further Non-Executive Directors, Mark Naughton-Rumbo and John Hewett. Mark Naugton-Rumbo acted as the Senior Non-Executive Director.

On completion of the reverse takeover of Giant Topco Limited by the company, all the Directors resigned apart from Richard Rose who is now Non-Executive Chairman. The current board comprises Charles Wilson as Chief Executive Officer, Jonathan Prentis as Chief Financial Officer, together with four Non-Executive Directors, Kevin Lyon, Hans Kristian Hustad, Jim McMahon, and Richard Rose.

At each Annual General Meeting ("AGM") one-third of the directors for the time being will retire from office by rotation. The articles of association require each director to submit himself for re-election at least every three years. No directors are required to offer themselves for re-election at this year's AGM.

Independence of Non-executive directors

The Board considers that Richard Rose is independent for the purposes of the Combined Code. Although as a result of the reconstitution of the Board following completion of the reverse takeover of Giant Topco Limited the company does not comply with the Combined Code requirements regarding the number of independent directors and committee composition, it is the intention of the Board to appoint two independent non-executive directors to join the Board in due course. The composition of the sub-committees of the Board will be reviewed following such appointments.

Board Meetings

The Board holds monthly formal Board meetings (meeting 12 times in the financial period to 3 March 2007) supplemented from time to time with ad hoc face to face or telephone Board meetings to consider specific or urgent issues. Prior to each Board meeting, every member of the Board is supplied with a detailed information package including minutes of previous meetings, a full set of management accounts, a detailed report on the trading and operational performance, and background on any contract or capital expenditure approvals. The Board papers also include other documents which relate to matters included in the agenda, as appropriate, in order to ensure that members of the Board are given the fullest opportunity for consideration of matters to be discussed at meetings.

The Board has the following subcommittees

Sub-Committees of the Board have been established with Charters which detail their composition, activities and duties. They also define the extent of the authority delegated to each Sub-Committee.

Audit Committee – the Committee operates in accordance with a Charter that determines its terms of reference. The Committee consisted at the balance sheet date of Mark Naughton – Rumbo as Chairman, Richard Rose and John Hewett. There are a minimum of two meetings per annum (although this has been increased to three with effect from the current financial year) and the Committee is authorised by the Board to investigate any activity within its terms of reference. The Audit Committee is responsible for reviewing, on behalf of the Board, the Group's accounting and financial policies and disclosure practices, its internal controls and the recommendations and services of the external auditors. The current audit committee consists of Richard Rose and Kevin Lyon.

Remuneration Committee – this Committee also operates in accordance with a Charter that defines its terms of reference and is responsible for the review of remuneration policies for the executive directors, key senior managers and for reviewing management development matters within the Group.

At the balance sheet date the Committee comprised John Hewett as Chairman, Richard Rose and Mark Naughton-Rumbo. The Chief Executive is invited to attend the Committee meetings on all matters except those relating to his own remuneration. The current committee comprises Richard Rose and Kevin Lyon.

The Committee takes external advice when required. The Committee meets at least once in each financial year (although this has been increased to two with effect from the current financial year).

Nomination Committee – this Committee's Charter also defines its terms of reference. The Committee is responsible for reviewing the structure, size and composition of the Board as well as considering and recommending the nomination of candidates for appointment as executive or non-executive directors to the Board. Members of the Committee are not involved in matters affecting their own positions. At the balance sheet date the Committee comprised Richard Rose as Chairman, John Hewett and Mark Naughton-Rumbo. The current committee comprises Richard Rose and Kevin Lyon and will meet at least twice a year.

Directors' Remuneration

The company believes, and seeks to ensure, that the remuneration packages it offers its executive directors are fair, and has sought professional advice in the past on this matter. Further details of the company's remuneration policy as at the balance sheet date are contained in the Remuneration Report.

Relations with Shareholders

The Executive Directors are always available to meet key institutional shareholders. In addition, the company uses the Annual General Meeting to provide private investors with an update on the company's progress and strategy.

Accountability and Audit

The Board seeks to ensure that its Annual Report and Accounts and other public financial statements provide a balanced and understandable assessment of the company's position.

Internal Controls

The Board is responsible for reviewing the effectiveness of the system of internal control. The Board has delegated to executive management the implementation of the systems of internal control.

Such a system is designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Senior managers in each of the key operational areas have been fully involved in the process of identifying potential risks and developing plans to manage these risks and mitigate their potential effects. The Board has formally acknowledged its responsibility for evaluating and overseeing these systems of internal control.

Internal Financial Controls

The Board is responsible for the company's systems of internal financial control. Although no system of internal controls can provide absolute assurance of meeting internal control objectives, the company's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The key procedures that have been established and are designed to provide effective internal control are:

- *Financial information*: detailed annual budgets prepared in advance of each financial year. These are reviewed and approved by the Board with subsequent actual monthly performance reported against these budgets, updated forecasts and prior year comparatives. In addition, separate reviews of the profitability of individual customer accounts are prepared by management and reviewed by the Board at each monthly meeting.

- *Investment appraisal*: all contracts over a given value or length and all capital expenditure over agreed limits require the formal approval of the Board.

- *Quality and integrity of personnel*: all members of management responsible for staff recruitment are made aware of the levels of experience and expertise required. All staff appointments require the approval of two executive directors. Certain senior appointments require the formal approval of the Board.

- *Computer systems*: the company has established controls and procedures over the security of data and robustness and reliability of all key computer systems. These arrangements are regularly reviewed and tested by the company's management.

Going Concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

REMUNERATION REPORT

Remuneration Policy

The company wishes to attract and retain senior management of the highest quality. Accordingly, its policy, in a competitive market, is to design remuneration packages which, through an appropriate combination of basic salary and share options, reward senior managers fairly and responsibly for their individual contributions.

The committee's overall policy is to provide competitive and potentially rewarding remuneration packages which place particular emphasis on long term incentive pay.

Basic Salary

The executives' current salaries are set at an appropriate level compared to similar businesses.

Annual Bonus

The committee sets robust and challenging performance targets at the beginning of each financial year taking into account the business plan for that year and general market conditions. At the end of the financial year the committee assesses the degree to which they have been satisfied, any exceptional circumstances that affected the annual bonus plan, if applicable, and the basis of any payments made to the Executives.

Benefits

In the financial year the company did not offer benefits such as a company car allowance, personal medical insurance or life assurance cover.

Pension

In the financial year, the company did not pay contributions into pension arrangements for the Executive Directors.

Long Term Share Incentives

In the financial year options were awarded to certain Directors, that included a vesting period and the satisfaction of performance conditions relating to profitability. These options vested on the reverse takeover.

Non-executive Directors' Remuneration

Fees payable to non-executives are determined by the Board of Directors, within the limits set by the Articles of Association.

Directors' Remuneration

	Salary/Fees for 52 weeks ended 3 March 2007 £	*Salary/Fees for 53 weeks ended 4 March 2006* £
Colin Smith	20,000	40,000
Douglas Gurr	77,500	153,333
Simon Mindham	91,064	87,000
Lynne Watts	120,833	107,667
Ian Fraser	10,000	20,000
David Morrison	7,500	15,000
Mark Summerhayes	—	3,750
John Hewitt	15,000	11,250
Richard Rose	34,019	—
Mark Naughton-Rumbo	9,769	—
Mark Aylwin	106,923	—
	492,608	438,000

No bonuses were paid to any director in the current period.

Shares Granted to Directors under Share Option Schemes

Shares granted to Directors during the period are shown in the directors' report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOKER GROUP PLC (FORMERLY BLUEHEATH HOLDINGS PLC)

We have audited the group and individual company financial statements (the "financial statements") of Booker Group plc (formerly Blueheath Holdings plc) for the 52 weeks ended 3 March 2007 which comprise the consolidated profit and loss account, the statement of movements in reserves and reconciliation of movements in shareholders' funds, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information in the Annual Report, as described in the content's section and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 3 March 2007 and of the group's loss for the 52 weeks then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

13 June 2007

Consolidated Profit and loss Account
52 weeks ended 3 March 2007

	Note	52 weeks ended 3 March 2007 Before operating exceptional items £'000	Operating exceptional items (see note 4) £'000	Total £'000	53 weeks ended 4 March 2006 Before operating exceptional items £'000	Operating exceptional items (see note 4) £'000	Total £'000
TURNOVER	2	139,932	—	139,932	132,255	—	132,255
Cost of sales		(131,570)	—	(131,570)	(124,688)	—	(124,688)
Gross profit		8,362	—	8,362	7,567	—	7,567
Distribution costs		(7,986)		(7,986)	(7,450)	—	(7,450)
Administrative expenses							
Goodwill amortisation		(240)	—	(240)	(140)	—	(140)
Share option credit/(charges)		32	—	32	(79)	—	(79)
Other		(5,007)	(1,871)	(6,879)	(4,962)	(382)	(5,344)
		(5,215)	(1,871)	(7,086)	(5,181)	(382)	(5,563)
OPERATING LOSS	4	(4,839)	(1,871)	(6,710)	(5,064)	(382)	(5,446)
Interest receivable and similar income		141	—	141	398	—	398
Interest payable and similar charges	5	(557)	—	(557)	(233)	—	(233)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,255)	(1,871)	(7,126)	(4,899)	(382)	(5,281)
Tax on loss on ordinary activities	6	—	—	—	—	—	—
LOSS FOR THE FINANCIAL PERIOD		(5,255)	(1,871)	(7,126)	(4,899)	(382)	(5,281)
LOSS PER ORDINARY SHARE	7						
Basic and diluted (pence)				(10.8)			(11.7)

All activities derive from continuing activities.

There are no recognised gains or losses for the current financial period and preceding financial period other than as stated in the profit and loss account.

Statement of Movements in Reserves and Reconciliation of Movements in Shareholders' Funds
52 weeks ended 3 March 2007

Group	*Called up share capital £'000*	*Share premium account £'000*	*Share option reserve £'000*	*Profit and loss account £'000*	*Merger reserve £'000*	*Total 52 weeks ended 3 March 2007 £'000*	*Total 53 weeks ended 4 March 2006 £'000*
At 5 March 2006	457	23,152	159	(29,143)	17,874	12,499	11,580
Loss for the financial period	—	—	—	(7,126)	—	(7,126)	(5,281)
Share option reserve	—	—	(33)	—	—	(33)	79
Issue of shares (note 19)	978	7,848	—	—	—	8,826	6,339
Share issue costs (note 19)	—	(213)	—	—	—	(213)	(218)
At 3 March 2007	1,435	30,787	126	(36,269)	17,874	13,953	12,499

Company	*Called up share capital £'000*	*Share premium account £'000*	*Share option reserve £'000*	*Profit and loss account £'000*	*Total 52 weeks ended 3 March 2007 £'000*	*Total 53 weeks ended 4 March 2006 £'000*
At 5 March 2006	457	23,152	159	538	24,306	17,775
Profit for the financial period	—	—	—	412	412	331
Share option reserve	—	—	(33)	—	(33)	79
Issue of shares (note 19)	978	7,848	—	—	8,826	6,339
Share issue costs (note 19)	—	(213)	—	—	(213)	(218)
At 3 March 2007	1,435	30,787	126	950	33,298	24,306

Consolidated Balance Sheet
3 March 2007

	Note	*3 March 2007 £'000*	*4 March 2006 £'000*
FIXED ASSETS			
Intangible assets	9	4,743	5,094
Tangible assets	10	774	873
		5,517	5,967
CURRENT ASSETS			
Stocks	12	3,857	5,349
Debtors	13	13,226	14,849
Current asset investments	14	3,000	3,005
Cash at bank and in hand		1,652	900
		21,735	24,103
CREDITORS: amounts falling due within one year	15	(13,031)	(17,191)
NET CURRENT ASSETS		8,704	6,912
TOTAL ASSETS LESS CURRENT LIABILITIES		14,221	12,879
CREDITORS: amounts falling due after more than one year	16	(268)	(380)
NET ASSETS		13,953	12,499
CAPITAL AND RESERVES			
Called up share capital	19	1,435	457
Share premium account		30,787	23,152
Share option reserve		126	159
Profit and loss account		(36,269)	(29,143)
Merger reserve		17,874	17,874
SHAREHOLDERS' FUNDS		13,953	12,499

These financial statements were approved by the Board of Directors on 13 June 2007.
Signed on behalf of the Board of Directors

JONATHAN PRENTIS
Director

CHARLES WILSON
Director

Company Balance Sheet
3 March 2007

	Note	3 March 2007 £'000	4 March 2006 £'000
FIXED ASSETS			
Investments	11	33,388	24,631
CREDITORS: amounts falling due within one year	15	(90)	(325)
NET CURRENT LIABILITIES		(90)	(325)
NET ASSETS		33,298	24,306
CAPITAL AND RESERVES			
Called up share capital	19	1,435	457
Share premium account		30,787	23,152
Share option reserve		126	159
Profit and loss account		950	538
SHAREHOLDERS' FUNDS		33,298	24,306

These financial statements were approved by the Board of Directors on 13 June 2007.
Signed on behalf of the Board of Directors

JONATHAN PRENTIS
Director

CHARLES WILSON
Director

Consolidated Cash Flow Statement
52 weeks ended 3 March 2007

	Note	*52 weeks ended 3 March 2007 £'000*	*53 weeks ended 4 March 2006 £'000*
Net cash outflow from operating activities	20	(3,507)	(9,323)
Returns on investments and servicing of finance			
Interest paid		(557)	(233)
Interest received		141	398
Net cash (outflow) / inflow from returns on investments and servicing of finance		(416)	165
Taxation			
UK corporation tax paid		—	(333)
Net cash outflow from taxation		—	(333)
Capital expenditure and financial investment			
Payments to acquire plant and equipment		(245)	(125)
Receipts from sales of fixed assets		71	—
Net cash outflow from capital expenditure and financial investment		(174)	(125)
Acquisitions			
Purchase of subsidiary undertakings		—	(8,635)
Net cash acquired with subsidiary undertakings		—	1,261
		—	(7,374)
Net cash outflow before management of liquid resources and financing		(4,097)	(16,990)
Management of liquid resources			
Decrease in short term deposits		5	2,095
Financing			
Issue of ordinary share capital		8,613	6,121
Repayment of finance leases		(119)	(570)
Bank loan (repaid) / drawn down		(2,796)	3,368
Net cash inflow from financing		5,698	8,919
Increase/(decrease) in cash in the period	21	1,606	(5,976)

Notes to the financial statements
52 weeks ended 3 March 2007

1. Accounting Policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Other than as noted above, acquisitions are accounted for under the acquisition method.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is estimated by the directors to be twenty years. Provision is made for any impairment.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery	20%–33% per annum
Computing equipment	33% per annum
Leasehold property	Over life of lease
Motor vehicles	20%–25% per annum
Fixtures and fittings	20% per annum

Investments

Fixed asset investments are stated at cost less provision for impairment.

Current asset investments are stated at the lower of cost and net realisable value.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at close to their carrying values or traded in an active market. Liquid resources comprise deposits of less than one year.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful economic lives. The finance leases are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Supplier funding

Supplier allowances and credits are recorded as a reduction of cost of sales as they are earned according to the underlying agreement. Allowances consist primarily of promotional allowances, quantity discounts and payments under merchandising agreements. Amounts received under promotional or other merchandising allowance agreements that require specific performance are recognised when the performance is satisfied, the amount is fixed and determinable and the collection is reasonably assured. Lump sum payments received in advance of performance are recorded as deferred income in other liabilities, either current or non-current as appropriate, and recognised over the life of the agreement.

Web site development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Pension costs

The group set up a stakeholder pension scheme that is available to all staff. However, the group made no payment contributions in the year or the prior year.

Share based payments

The group has applied the requirements of FRS 20 “Share-based Payment”. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that was unvested as of 1 January 2005.

The group issues equity-settled share-based payments to certain employees and directors. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group’s estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the group’s ordinary activities after deduction of trade discounts and value added tax. The turnover and pre tax loss, all of which arises in the United Kingdom, are attributable to the group’s principal activity.

Turnover is recognised when goods are dispatched to customers and they have confirmed receipt thereof.

3. Information Regarding Directors and Employees

	52 weeks ended 3 March 2007 £'000	*53 weeks ended 4 March 2006 £'000*
Directors' remuneration		
Salaries and fees	493	438
Amounts paid to third parties for the provision of directors' services	23	26
The amount in respect of the highest paid director is as follows:		
Emoluments	121	153

The company did not make any contributions to pension schemes in respect of the directors (53 weeks ended 4 March 2006 – nil).

	Group	
	52 weeks ended 3 March 2007 No	*53 weeks ended 4 March 2006 No*
Average number of persons employed		
Sales and distribution	137	177
Administration (including directors)	129	73
	266	250
	£'000	*£'000*
Staff costs during the period (including directors)		
Wages and salaries	5,167	3,565
Social security costs	528	378
	5,695	3,943

	Company	
	52 weeks ended 3 March 2007 No	*53 weeks ended 4 March 2006 No*
Average number of persons employed		
Administration (including directors)	7	8
	£'000	*£'000*
Staff costs during the period (including directors)		
Salaries and fees	217	193

There are no other employees other than the directors.

4. Operating Loss

	52 weeks ended 3 March 2007 £'000	53 weeks ended 4 March 2006 £'000
Operating loss is after charging / (crediting):		
Depreciation		
Owned assets	182	279
Leased assets	114	143
Goodwill amortisation	240	140
Operating lease rentals		
Land and buildings	469	232
Other	113	147
Profit on sale of fixed assets	(23)	—
Exceptional items	1,871	382
Audit fees		
Fees payable to the group's auditors for the audit of the group's annual accounts	97	95
Fees payable to the company's auditors for the audit of the company's annual accounts	70	3
Non audit fees for restructuring advice	—	83

Operating exceptional items in the period relate to one off restructuring costs relating to the closure of the Tamworth warehouse and £250,000 of bad debt provision to write down the book value of debtors to their recoverable amount. In the comparative period, exceptional items related to one-off integration costs associated with the company's acquisitions and ongoing restructuring.

5. Interest Payable and Similar Charges

	52 weeks ended 3 March 2007 £'000	53 weeks ended 4 March 2006 £'000
Bank interest and charges	527	205
Finance lease interest	30	28
	557	233

6. Tax On Loss on Ordinary Activities

i. Analysis of tax charge on ordinary activities

	52 weeks ended 3 March 2007 £'000	53 weeks ended 4 March 2006 £'000
United Kingdom corporation tax at 30% (53 weeks ended 4 March 2006 – 30%) based on the loss for the period	—	—

ii. Factors affecting current tax charge for the period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK 30 per cent. (53 weeks ended 4 March 2006 – 30 per cent.). The differences are explained below:

	52 weeks ended 3 March 2007 %	*53 weeks ended 4 March 2006 %*
Standard tax rate for period as a percentage of losses	30	30
Effects of:		
Expenses not deductible for tax purposes	(1)	(4)
Capital allowances in excess of depreciation	1	(1)
Increase of tax losses	(29)	(22)
Movement in short term timing differences	—	(2)
Group relief surrendered	(5)	(8)
Group relief claimed	5	8
Goodwill	(1)	(1)
Current tax rate for period as a percentage of losses	—	—

7. Basic and Diluted Loss Per Ordinary Share

The calculation of loss per ordinary share for the current period is based on the loss for the 52 weeks of £7,126,000 (2006 – loss of £5,281,000) and the weighted average number of ordinary shares of 65,752,397 (2006 – 45,147,626). The company had 143,488,122 ordinary shares in issue as of 3 March 2007.

FRS14 requires presentation of diluted earnings per share where a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, the net loss per share would be decreased by the exercise of options, and hence no adjustment has been made to the diluted loss per share as presented.

8. Profit Of Parent Company

As permitted by S230(3) Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period amounted to £412,000 (53 weeks ended 4 March 2006 – £331,000).

9. Intangible Fixed Assets

	Goodwill £'000
Group	
Cost	
At 5 March 2006	5,234
Additions	174
Reduction in deferred consideration	(285)
At 3 March 2007	5,123
Accumulated depreciation	
At 5 March 2006	140
Charge for the period	240
At 3 March 2007	380
Net book value	
At 3 March 2007	4,743
At 4 March 2006	5,094

Additions to goodwill represent £24,000 additional professional fees associated with the acquisition of A C Ward & Son Limited in the prior period and £150,000 arises from hindsight period adjustments to the value of stocks acquired.

The reduction to the cost of goodwill results from the release of accrued deferred consideration relating to the acquisition of A C Ward & Son Limited as it is no longer considered probable that the consideration is payable.

10. Tangible fixed assets

Group	*Leasehold property £'000*	*Computing equipment £'000*	*Plant and machinery £'000*	*Fixtures and fittings £'000*	*Motor vehicles £'000*	*Total £'000*
Cost						
At 5 March 2006	374	1,226	546	1,022	1,122	4,290
Additions	—	78	51	97	19	245
Disposals	—	(488)	(336)	(47)	(102)	(973)
At 3 March 2007	374	816	261	1,072	1,039	3,562
Accumulated depreciation						
At 5 March 2006	365	1,113	513	993	433	3,417
Charge for the period	9	61	33	32	161	296
Disposals	—	(465)	(316)	(47)	(97)	(925)
At 3 March 2007	374	709	230	978	497	2,788
Net book value						
At 3 March 2007	—	107	31	94	542	774
At 4 March 2006	9	113	33	29	689	873

The net book value includes £517,000 (4 March 2006 – £543,000) of fixed assets held under finance leases and hire purchase contracts.

11. Investments held as fixed assets

Company	*Shares in subsidiary undertakings £'000*	*Loan to subsidiary undertaking £'000*	*Total £'000*
Cost			
At 5 March 2006	9,218	15,413	24,631
Investment in A C Ward & Son Limited	24	—	24
Additions	—	9,018	9,018
Reduction arising from release of deferred consideration	(285)	—	(285)
At 3 March 2007	8,957	24,431	33,388

The company holds 100 per cent. of the ordinary share capital of Blue Heath Direct Limited, CTM Wholesale Limited and A C Ward & Son Limited. All subsidiary undertakings are registered in England and operate as regional delivered wholesalers.

Additions to investments represent additional professional fees associated with the acquisition of the A C Ward & Son Limited in the prior period.

The reduction to the cost of investment results from the release of accrued deferred consideration relating to the acquisition of A C Ward & Son Limited as it is no longer considered probable that the consideration is payable.

12. Stocks

	Group	
	3 March 2007 £'000	*4 March 2006 £'000*
Goods held for resale	3,847	5,340
Fuel stocks	10	9
	3,857	5,349

There is no material difference between historical cost of stock and its current replacement cost.

13. Debtors

	Group	
	3 March 2007 £'000	*4 March 2006 £'000*
Trade debtors	10,731	12,865
Other debtors	1,951	1,750
Prepayments and accrued income	544	234
	13,226	14,849

14. Current asset investments

The group has £3,000,000 (4 March 2006 – £3,005,000) of cash on deposit with Lloyds TSB Commercial Finance Limited. This deposit is restricted as it is held by Lloyds TSB Commercial Finance Limited as security for guarantees to suppliers for the provision of credit.

15. Creditors: amounts falling due within one year

	Group	
	3 March 2007 £'000	*4 March 2006 £'000*
Bank loans	3,927	6,723
Bank overdraft	—	854
Obligations under finance leases and hire purchase contracts	114	121
Trade creditors	5,370	6,994
Tax and social security	1,209	270
Other creditors	7	57
Deferred consideration payments	90	325
Accruals and deferred income	2,314	1,847
	13,031	17,191

The bank loans represent invoice discounting facilities with Lloyds TSB Commercial Finance Limited and GE Commercial Finance which is secured over trade debtors. Interest is charged on borrowings at a rate of LIBOR plus 1.25 per cent.–1.50 per cent..

The bank overdraft is unsecured.

	Company	
	3 March 2007 £'000	*4 March 2006 £'000*
Deferred consideration payments	90	325

The company has accrued for deferred consideration payments in respect of acquisitions.

16. Creditors: amounts falling due after more than one year

	Group	
	3 March 2007 £'000	*4 March 2006 £'000*
Obligations under finance leases and hire purchase contracts (repayable between two and five years)	268	380

The finance lease creditors are secured by a charge over the motor vehicles.

17. Financial instruments

The financial instruments of the company principally comprise short term debtors and creditors, third party loans and cash. The company does not trade in financial instruments and neither uses, nor trades, in derivative financial instruments. Short term debtors and creditors have been excluded from disclosure as permitted by Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures". All of the company's financial assets and liabilities are denominated in sterling. Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Debtors

The directors consider the carrying amount of debtors approximates their fair value.

Cash at bank and in hand

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. These receive interest at floating rates linked to LIBOR.

Bank borrowings and creditors

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis in the profit and loss account and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The maturity profile of the company's financial liabilities at 3 March 2007 and 4 March 2006 was as follows:

	Borrowings	
	3 March 2007 £'000	*4 March 2006 £'000*
Amounts repayable:		
In one year or less	4,041	7,698
In 2 to 5 years	268	380
	4,309	8,078

Interest is charged on borrowings at a rate of LIBOR plus 1.25 per cent.-1.75 per cent. The company has not taken out any interest rate hedging instrument in respect of the interest rate exposure.

The directors consider the fair value of these items is not materially different from their book value. The group has £7.6m of undrawn facilities. £5.6m is with Lloyds TSB Commercial Finance Limited. This may be terminated by either party after giving 6 months' written notice. £2.0m is with GE Commercial Finance and is available for a period of 3 years from 29 April 2005.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

18. Provisions for liabilities and charges

Deferred taxation

The amounts provided in the accounts and the amounts not provided are as follows:

	Group			
	Provided		*Not provided*	
	3 March 2007 £'000	*4 March 2006 £'000*	*3 March 2007 £'000*	*4 March 2006 £'000*
Capital allowances in advance of depreciation	—	—	(234)	(162)
Short-term timing differences	—	—	(270)	(99)
Losses	—	—	(10,532)	(8,140)
Deferred tax asset	—	—	(11,036)	(8,401)

Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses which may be available to carry forward as it is not more likely than not to be recovered. The amount of the asset not recognised is £11,036,000 (4 March 2006 – £8,401,000). The asset could be recovered when the company is able to generate suitable taxable profits in the future.

Company

There is no deferred tax or any other provisions for liabilities and charges in the company.

19. Called up share capital

	2007 £'000	*2006 £'000*
Authorised		
200,000,000 (4 March 2006: 100,000,000) ordinary shares of 1p each	2,000	1,000
Called up, allotted and fully paid		
143,488,122 (4 March 2006: 45,738,133) ordinary shares of 1p each	1,435	457

During the period the company allotted 97,750,000 ordinary shares with a nominal value of £977,500 raising proceeds of £8,826,000 (53 weeks ended 4 March 2006: £6,339,000). Costs associated with this allotment were £212,335, which have been charged against share premium.

Share options

The company has three share option schemes. Options have been granted under the schemes to subscribe for ordinary shares of the company as follows:

Number of shares under option	*Subscription price per share*
250,000	£1.21000
168,625	£0.80475 - £1.10000
2,054,400	£0.80475
310,000	£1.00000
5,600,000	£0.05000

No options were exercised during the period.

20. Reconciliation of Operating Loss to Operating Cash Flows

	52 weeks ended 3 March 2007 £'000	*53 weeks ended 4 March 2006 £'000*
Operating loss	(6,710)	(5,446)
Movements on goodwill	351	140
Depreciation	296	372
Profit on sale of fixed assets	(23)	—
Decrease (increase) in debtors	1,623	154
Decrease in creditors	(503)	(7,055)
Share option (credit) / charges	(33)	79
Decrease in stocks	1,492	2,433
Net cash outflow from operating activities	(3,507)	(9,323)

21. Analysis and Reconciliation of Net Debt

	At 5 March 2006 £'000	*Cash flow £'000*	*At 3 March 2007 £'000*
Cash at bank and in hand	900	752	1,652
Bank overdraft	(854)	854	—
	46	1,606	1,652
Debt due within one year	(6,723)	2,796	(3,927)
Finance leases	(501)	119	(382)
	(7,224)	2,915	(4,309)
Current asset investments	3,005	(5)	3,000
Total net debt	(4,173)	4,516	343

	2007 £'000	*2006 £'000*
Increase / (decrease) in cash in the year	1,606	(5,976)
Cash outflow / (inflow) from change in debt financing	2,915	(2,581)
Cash inflow from change in liquid resources	(5)	(2,095)
Change in net debt resulting from cash flows	4,516	(10,652)
Loans and finance leases acquired with subsidiary	—	(4,426)
Change in net debt resulting from non cash flows	—	(4,426)
Change in net debt	4,516	(15,078)
Net (debt) / funds at 5 March 2006	(4,173)	10,905
Net debt at 3 March 2007	343	(4,173)

22. Capital Commitments

As at 3 March 2007 the company had capital commitments contracted for but not provided for totalling £nil (4 March 2006 – £nil).

23. Financial Commitments

The group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		*Other*	
	3 March 2007 £'000	*4 March 2006 £'000*	*3 March 2007 £'000*	*4 March 2006 £'000*
Operating leases which expire:				
Within one year	—	244	10	42
Within one to two years	125	—	35	55
Within two to five years	168	—	25	25
In more than five years	95	93	—	—
	388	337	70	122

24. Related Party Transactions

During the period A C Ward & Son Limited purchased from Key Lekkerland Limited £232,859 of goods and services at normal trade price, excluding value added tax. At the financial year end, £60,299 was due to Key Lekkerland Limited in respect of this trading. The amount is included within creditors due within one year. Key Lekkerland Limited is considered to be a related party because one of its directors, Mark Aylwin, was also a director of Booker Group plc during the period.

25. Pension Commitments

The group made no payment contributions in the period or the prior period.

26. Share-Based Payment

Equity-settled share option scheme

The company has a share option scheme for employees of the group. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is 6 months to 5 years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding during the period are as follows.

		3 March 2007		*4 March 2006*
	Number of share options	*Weighted average exercise price (in £)*	*Number of share options*	*Weighted average exercise price (in £)*
Outstanding at beginning of period	1,626,580	—	1,622,784	—
Granted during the period	5,600,000	0.05	683,071	1.43943
Forfeited during the period	(1,457,995)	1.2426	(339,400)	1.12426
Exercise during the period	—	—	(339,875)	0.69449
Expired during the period	—	—	—	—
Outstanding at the end of the period	5,768,625		1,626,580	
Exercisable at the end of the period	152,375		872,905	

The options outstanding at 3 March 2007 had a weighted average exercise price of £0.08, and a weighted average remaining contractual life of 2.85 years. In 2007, options were granted on 7 February 2007. The aggregate of the estimated fair values of the options granted on that date is £80,925. The inputs into the Black-Scholes model are as follows:

	3 March 2007	*4 March 2006*
Weighted average share price	£0.05	£1.42
Weighted average exercise price	£0.05	£1.44
Expected volatility	52%	43%
Expected life	6.5 years	3 years
Risk-free rate	5.15%	4%
Expected dividends	0%	0%

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous 1.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The incremental fair value of £79,080 will be expensed over the remaining vesting period (one year). The group used the inputs noted above to measure the fair value of the old and new options.

27. Post Balance Sheet Event

Tax changes

On 21 March 2007, it was announced that the standard rate of corporation tax was to be changed to 28 per cent. and capital allowance legislation impacting on the calculation of the deferred tax provision of the company will be introduced for taxable periods arising on or after 1 April 2008. For the purpose of the company accounts to 3 March 2007, the standard rate of corporation tax and capital allowance legislation applicable prior to 3 March 2008 has been applied on the basis that these were enacted at 3 March 2007.

Corporate

On 9 May 2007, the Board announced its intention to acquire the entire issued share capital of Giant Topco Ltd. This was approved by shareholders on 1 June 2007 and the shares were re-admitted to the Alternative Investment Market on 4 June 2007. Under AIM listing rules, the transaction will be treated as a reverse acquisition.

On 4 June 2007, the group changed its name from Blueheath Holdings plc to Booker Group plc.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Booker Group plc ("the Company") will be held at Booker Branch St Pancras, 106 Camley Street, Elm Village, Camden, London, NW1 0PF, at 11:00 am on 13 July 2007 for the following purposes (please note that resolution 9 is proposed as a special resolution):

1. To receive and adopt the audited statement of accounts of the Company for the financial year ended 3 March 2007 together with the reports of the directors and auditors on those accounts.

2. To elect Charles Wilson, who has been appointed since the last Annual General Meeting of the Company, as a director.

3. To elect Jonathan Prentis, who has been appointed since the last Annual General Meeting of the Company, as a director.

4. To elect Kevin Lyon, who has been appointed since the last Annual General Meeting of the Company, as a director.

5. To elect Hans Kristian Hustad, who has been appointed since the last Annual General Meeting of the Company, as a director.

6. To elect Jim McMahon, who has been appointed since the last Annual General Meeting of the Company, as a director.

7. To appoint KPMG LLP as auditors to act as such until the conclusion of the next General Meeting of the Company and to authorise the directors to fix their remuneration.

8. That:

(a) the directors be generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985, to exercise all powers of the Company to allot relevant securities (as defined for the purposes of that section) up to a maximum nominal amount of £5,019,134;

(b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 12 October 2008;

(c) the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after it expires; and

(d) this authority shall be in substitution for all existing authorities under section 80 of the Companies Act 1985.

9. That:

(a) the directors be given power, subject to the passing of Resolution 8, to allot for cash equity securities (as defined in section 94(2) of the Companies Act 1985 for the purposes of section 89 of that Act) pursuant to the general authority conferred on them by that resolution as if section 89(1) of that Act did not apply to the allotment but this power shall be limited:

  (A) to the allotment of equity securities in connection with an offer or issue to or in favour of shareholders on the register on a date fixed by the directors where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as practicable) to the respective numbers of shares held by them on that date but the directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and

  (B) to the allotment (other than under (A) above) of equity securities having a nominal amount not exceeding in aggregate £744,200;

(b) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 12 October 2008;

(c) all previous authorities under section 95 of the Companies Act 1985 shall cease to have effect; and

(d) the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after it expires.

By order of the Board

Mark Chilton
Secretary

Registered office:

Equity House
Irthlingborough Road
Wellingborough
Northants
NN8 1LT

Notes

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed or a copy of such authority certified notarially or in accordance with the Powers of Attorney Act 1971 must be deposited at the Company's registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA not less than 48 hours before the time for holding the meeting. An instrument of proxy that is not deposited in the aforementioned manner shall be invalid. A form of proxy is enclosed with this notice.
3. To be valid, the instrument of proxy must be executed by or on behalf of the shareholder or, if the shareholder is a corporation, under the hand of duty authorised officer or attorney.
4. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Computershare Investor Services PLC (ID 3RA50) not later than 48 hours before the time fixed for the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CRESTCo does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

FORM OF PROXY

Booker Group plc, Equity House, Irthlingborough Road, Wellingborough, Northants, NN8 1LT

Annual General Meeting to be held at Booker Branch St Pancras, 106 Camley Street, Elm Village, Camden, London, NW1 0PF, at 11:00am on 13 July 2007.

I/We ....

of ....

being (a) holder(s) of ordinary shares of the above-named company hereby appoint the person named below (or if no person named below then the Chairman of the Meeting) as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 13 July 2007 and at any adjournment thereof, and I/we direct my/our proxy to vote on the resolutions set out in the Notice of the Meeting as follows:

Name of proxy ....

Resolutions	**for**	**against**
1. To approve the accounts		
2. To elect Charles Wilson		
3. To elect Jonathan Prentis		
4. To elect Kevin Lyon		
5. To elect Kristian Hustad		
6. To elect Jim McMahon		
7. To appoint KPMG LLP		
8. Empowerment under Section 80(1) of the Companies Act 1985 to allot securities up to an aggregate nominal value of £5,019,134.		
9. Empowerment under section 95 of the Companies Act 1985 to allot equity securities.		

Please indicate with an “X” in the appropriate space how you wish your vote(s) to be cast.

Unless otherwise directed, the proxy will vote or abstain from voting as he/she thinks fit.

Date . . . . 2007 Signatures(s). . . . .

Notes:

1. To be valid, this form must be lodged at the Company’s registrars, Computershare Investor Services PLC, PO Box 1075, The Pavillions, Bridgwater Road, Bristol, BS99 3FA not less than 48 hours before the time of the meeting.
2. Where the member is a corporation, this form must be under its common seal or signed by an officer, attorney or other person duly authorised by the corporation.
3. In the case of joint holders, the signature of any of them will suffice.
4. A member may appoint a proxy of his/her own choice and the name of the person appointed as a proxy should be inserted in the space provided. A proxy need not be a member of the Company.

Second Fold

Business Reply Service
Licence No. MB122

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Computershare Investor Services PLC,
PO Box 1075,
The Pavillions,
Bridgwater Road,
Bristol, BS99 3FA

First Fold

Third Fold and tuck in