Registered number: 01288293

H. CARSON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

COMPANY INFORMATION

Directors	Mr K C Patel (deceased 16 July 2016) Mr K C Patel Jnr (resigned 16 July 2016) Mr J C Patel Jnr Miss H Patel Miss R L Myers
Company secretary	Mr A R Patel
Registered number	01288293
Registered office	2 Peterwood Way Croydon Surrey CR0 4UQ
Independent auditors	KPMG LLP, Statutory Auditor Chartered Accountants 1 Forest Gate Brighton Road Crawley RH11 9PT

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

Business review

During the year, the company's parent Community Stores Limited was acquired by ABC Drug Stores Limited. As a result of ABC Drug Stores Limited refinancing of its business, the company was able to repay all outstanding loans. The 11 pharmacies in H. Carson Limited were subsequently hived up into the business of ABC Drug Stores Limited.

Retail

The English pharmacy sector represents a secure, growing market, underpinned by an increasing need for dispensing of prescription drugs and a government that wants to see community pharmacies expand and improve the range of services they offer to relieve the burden on an overstretched NHS.

The company is a patient orientated service provider which dispenses pharmaceutical and other retail and over the counter products and provides a wide range of clinical services to its patients. Its pharmacies are typically located in local communities, in or near health centres and GP surgeries, helping to deliver increased footfall amongst customers and develop strong relationships with the local healthcare community.

Prescription dispensing across the country has grown steadily over the last ten years. This growth is forecast to continue, driven by an aging population, an increased prevalence of long term conditions and advancements in drugs. The company business is well positioned to take advantage of this growth and continue driving its retail business going forward.

Principal risks and uncertainties

Principal risks and uncertainties and risk management objectives and policies

Price risk

The company, through its investments, is exposed to the inherent risks of economic and financial market developments, including recession, inflation, availability of affordable credit and interest rate and currency fluctuations that could lower revenues and reduce income. The current system of correcting generic reimbursement prices through the mechanism of "Category M" has continued through the current financial year. Category M was introduced with the new pharmacy contract in 2005 and allows the retail pharmacy industry to retain an amount of £800m of generic procurement profit annually. The system is therefore used retrospectively by the Department of Health to claw back surplus procurement profits from Pharmacy. The clawback process by the NHS is done more frequently now, than in previous periods. This means that pharmacies have a regular clawback on a continuous basis, rather than one large clawback which occurred every 6 months or once a year, in previous periods. Through a continual business review process and monitoring of the business environment, the Directors of the company and the wider group seek to mitigate these potential risks.

Liquidity risk

The company's loans were repaid in full in August 2015 when H Carson's holding company was purchased by ABC Drug Stores Limited. The Directors believe the company and its parent group have sufficient current and future cash reserves and facilities available for it to meet its liabilities including financing obligations for at least twelve months from the signing of the financial statements.

Interest rate risk

All bank loans have been repaid in full during the year.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables. The credit risk on trade and other receivables is limited as the company's exposure is with Department of Health and customers. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and the company's parent group.

Financial key performance indicators

Turnover in the year finished at £9.2m (2015: £10.7m).

Gross margins acheived were £2.7m (2015: £3.2m). The percentage gross margin was maintained at 29.5% (2015: 29.5%).

Total administrative costs reduced to £2.09m (2015: £2.22m).

Following the hive up on which an exceptional profit of £3.6m is reported, the company has an operating profit of £7.1m (2015: £0.94m).

Interest costs have reduced to £62K (2015: £88K).

This report was approved by the board and signed on its behalf.

Mr J C Patel Jnr
Director

Date: 22 December 2016

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016

The Directors present their report and the financial statements for the year ended 31 March 2016.

Principal activity

The company ceased trading on 31 January 2016. On 1st February 2016 the entire issued share capital of the parent company was acquired by ABC Drugstores Limited and trade and assets were hived up into that company.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As explained in note 2, the Directors do not believe that it is appropriate to prepare these financial statements on a going concem basis..

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Results and dividends

The profit for the year, after taxation, amounted to £4,122,673 *(2015 - £611,880)*.

The Directors have not recommended a dividend (2015: £nil)

Directors

The Directors who served during the year were:

Mr K C Patel (deceased 16 July 2016)
Mr K C Patel Jnr (resigned 16 July 2016)
Mr J C Patel Jnr
Miss H Patel
Miss R L Myers

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year ended 31 March 2016.

Auditor

Under section 487(2) of the Companies Act 2006, KPMG LLP, Statutory Auditor will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.

Mr J C Patel Jnr
Director

Date: 22 December 2016

2 Peterwood Way
Croydon
Surrey
CR0 4UQ

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF H. CARSON LIMITED

We have audited the financial statements of H. Carson Limited for the year ended 31 March 2016, set out on pages 7 to 28. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - non-going concern basis of preparation

In forming our opinion on the financial statements, which is not further modified in this respect, we have considered the adequacy of the disclosure made in note 2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Timothy Rush (Senior Statutory Auditor)

for and on behalf of
KPMG LLP, Statutory Auditor

Chartered Accountants

1 Forest Gate
Brighton Road
Crawley
RH11 9PT

22 December 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £	*2015* *£*
Turnover	4	**9,196,679**	*10,742,537*
Cost of sales		**(6,485,915)**	*(7,577,804)*
Gross profit		**2,710,764**	*3,164,733*
Administrative expenses		**(2,019,636)**	*(2,296,566)*
Profit on hive up at fair value		**3,607,480**	*-*
Operating profit	5	**4,298,608**	*868,167*
Interest receivable and similar income	8	**-**	*47,561*
Interest payable and expenses	9	**(62,192)**	*(135,719)*
Profit before tax		**4,236,416**	*780,009*
Tax on profit	10	**(113,743)**	*(168,129)*
Profit for the year		**4,122,673**	*611,880*

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 10 to 28 form part of these financial statements.

BALANCE SHEET
AS AT 31 MARCH 2016

	Note		2016 £		2015 £
Fixed assets					
Intangible assets	12		-		7,606,649
Tangible assets	13		-		126,571
Investments	14		-		350
			-		7,733,570
Current assets					
Stocks	15	-		719,731	
Debtors	16	8,375,056		2,799,835	
Cash at bank and in hand	17	-		6,585	
		8,375,056		3,526,151	
Creditors: amounts falling due within one year	18	-		(4,859,912)	
Net current assets/(liabilities)			8,375,056		(1,333,761)
Total assets less current liabilities			8,375,056		6,399,809
Creditors: amounts falling due after more than one year	19		-		(2,139,490)
Provisions for liabilities					
Deferred tax	22	-		(7,936)	
			-		(7,936)
Net assets			8,375,056		4,252,383
Capital and reserves					
Called up share capital	23		100		100
Profit and loss account	24		8,374,956		4,252,283
			8,375,056		4,252,383

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr J C Patel Jnr
Director
Date: 22 December 2016
The notes on pages 10 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	100	4,252,283	4,252,383
Comprehensive income for the year			
Profit for the year	-	4,122,673	4,122,673
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	4,122,673	4,122,673
Total transactions with owners	-	-	-
At 31 March 2016	100	8,374,956	8,375,056

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2014	100	3,640,403	3,640,503
Comprehensive income for the year			
Profit for the year	-	611,880	611,880
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	611,880	611,880
Total transactions with owners	-	-	-
At 31 March 2015	100	4,252,283	4,252,383

The notes on pages 10 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. General information

H. Carson Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the United Kingdom. The address of the registered office is given on company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 30.

The transitional exemptions available in FRS 102 where applicable are stated in relevant accounting policies.

The functional currency of H. Carson Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling and rounded to nearest £.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Day Lewis Plc as at 31 March 2016 and these financial statements may be obtained from 2 Peterwood Way, Croydon, Surrey CR0 4UQ.

2.3 Going concern

In previous years, the financial statements have been prepared on a going concern basis. However, in February 2016, the directors took the decision to cease trading since the trade, assets and liabilities of the company were transferred to the parent company, ABC Drug Stores Ltd. As they do not intend to acquire a replacement trade, the directors have not prepared the financial statements on a going concern basis. No adjustments were necessary to amounts at which the remaining net assets are included in the financial statements.

2. Accounting policies (continued)

2.4 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied to retail and wholesales market, NHS, private prescriptions and counter services during the year, exclusive of Value Added Tax and trade discounts.

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Retail pharmacy licences	-	100	years

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Leasehold property	- Straight line over the life of the lease
Fixtures and fittings	- 15% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2. Accounting policies (continued)

2.7 Impairment of intangible fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately dentifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid

2. Accounting policies (continued)

2.12 Financial instruments (continued)

or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty - impairment of retail pharmacy licences

Determining whether retail pharmacy license is impaired requires an estimation of the value in use of the cash-generating units to which retail pharmacy license has been allocated. The carrying amount of retail pharmacy license at the balance sheet date was £nil after an impairment loss of £nil was recognised during the year 2016.

Key source of estimation uncertainty - useful life of retail pharmacy licences

The directors believe that the right for dispensing UK NHS prescriptions, being the pharmacy licence which is attached to a particular pharmacy, has a continuing value. Such rights, conferred by the Department of Health as contracts to dispense prescriptions, are not generally granted to new pharmacies in the same locality. Consequently the Directors consider that the value of retail pharmacy licences have a long life of 100 years and therefore are amortised over that period.

4. Turnover

The whole of the turnover is attributable to be that of retail pharmacy.

Analysis of turnover by country of destination:

	2016	2015
	£	£
United Kingdom	9,196,679	10,742,537
	9,196,679	10,742,537

5. Operating profit

The operating profit is stated after charging:

	2016 £	*2015* *£*
Depreciation of tangible fixed assets	15,031	*22,905*
Amortisation of intangible assets	64,029	*76,835*
Other operating lease rentals	156,898	*233,497*
Defined contribution pension cost	1,857	*10,023*

During the year, no Director received any emoluments *(2015 - £NIL)*.

6. Auditors' remuneration

	2016 £	*2015* *£*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	25,000	*10,418*

7. Employees

Staff costs were as follows:

	2016 £	*2015* *£*
Wages and salaries	1,252,799	*1,446,036*
Social security costs	94,554	*106,688*
Defined contribution pension cost	1,857	*10,023*
	1,349,210	*1,562,747*

The average monthly number of employees, including the Directors, during the year was as follows:

	2016 No.	*2015* *No.*
Distribution staff	71	*98*
Administrative staff	12	*12*
	83	*110*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

8. Interest receivable

	2016	*2015*
	£	*£*
Other interest receivable	-	*47,561*
	-	*47,561*

9. Interest payable and similar charges

	2016	*2015*
	£	*£*
Bank interest payable	23,964	*135,719*
Other loan interest payable	38,228	*-*
	62,192	*135,719*

10. Taxation

	2016	*2015*
	£	*£*
Corporation tax		
Current tax on profits for the year	121,679	*162,992*
	121,679	*162,992*
Group taxation relief	-	*16,944*
	121,679	*179,936*
Total current tax	121,679	*179,936*
Deferred tax		
Origination and reversal of timing differences	(7,936)	*(11,807)*
Total deferred tax	(7,936)	*(11,807)*
Taxation on profit on ordinary activities	113,743	*168,129*

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2015 - higher than)* the standard rate of corporation tax in the UK of 20% *(2015 - 21%)*. The differences are explained below:

	2016 £	*2015* *£*
Profit on ordinary activities before tax	**4,236,416**	*780,009*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	**847,283**	*163,802*
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	**2,966**	*16,136*
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**1,727**	*315*
Non-taxable income	**(721,496)**	-
Other tax adjustments	**(16,737)**	*(12,124)*
Total tax charge for the year	**113,743**	*168,129*

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Exceptional items

	2016 £	*2015* *£*
Profit on hive up of trade and assets	**3,607,480**	-
	3,607,480	-

12. Intangible assets

	Retail Pharmacy Licences £
Cost	
At 1 April 2015	**7,683,484**
Disposals	**(7,683,484)**
At 31 March 2016	**-**
Amortisation	
At 1 April 2015	**76,835**
Charge for the year	**64,029**
On disposals	**(140,864)**
At 31 March 2016	-
Net book value	
At 31 March 2016	-
At 31 March 2015	*7,606,649*

13. Tangible fixed assets

	Leasehold property £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 April 2015	**16,911**	**270,232**	**287,143**
Disposals	**(16,911)**	**(270,232)**	**(287,143)**
At 31 March 2016	-	-	-
At 1 April 2015	**9,283**	**151,289**	**160,572**
Charge for period	**1,361**	**13,670**	**15,031**
Disposals	**(10,644)**	**(164,959)**	**(175,603)**
At 31 March 2016	-	-	-
Net book value			
At 31 March 2016	-	-	-
At 31 March 2015	*7,628*	*118,943*	*126,571*

14. Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 April 2015	**350**
Disposals	**(350)**
At 31 March 2016	-
At 31 March 2015	*350*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

15. Stocks

	2016	2015
	£	£
Finished goods and goods for resale	-	719,731
	-	719,731

16. Debtors

	2016	2015
	£	£
Trade debtors	-	1,445,670
Amounts owed by group undertakings	8,375,056	781,322
Other debtors	-	532,780
Prepayments and accrued income	-	40,063
	8,375,056	2,799,835

17. Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and in hand	-	6,585
Less: bank overdrafts	-	(1,225,570)
	-	(1,218,985)

18. Creditors: Amounts falling due within one year

	2016 £	*2015 £*
Bank overdrafts	-	*1,225,570*
Trade creditors	-	*3,495,060*
Amounts owed to group undertakings	-	*72*
Corporation tax	-	*16,969*
Taxation and social security	-	*26,169*
Other creditors	-	*8,537*
Accruals and deferred income	-	*87,535*
	-	*4,859,912*

19. Creditors: Amounts falling due after more than one year

	2016 £	*2015 £*
Bank loans	-	*2,139,490*
	-	*2,139,490*

20. Loans

Analysis of the maturity of loans is given below:

	2016 £	*2015 £*
Amounts falling due 1-2 years		
Bank loans	-	*1,672,807*
	-	*1,672,807*
Amounts falling due 2-5 years		
Bank loans	-	*466,683*
	-	*466,683*
	-	*2,139,490*

21. Financial instruments

	2016	2015
	£	£
Financial assets		
Financial assets measured at fair value	-	6,935
Financial assets that are debt instruments measured at amortised cost	8,375,057	2,759,772
	8,375,057	2,766,707
Financial liabilities		
Financial liabilities measured at amortised cost	-	(6,956,264)
	-	(6,956,264)

22. Deferred taxation

	2016	2015
	£	£
At beginning of year	(7,936)	(19,743)
Charged to profit or loss	7,936	11,807

The deferred taxation balance is made up as follows:

	2016	2015
	£	£
Accelerated capital allowances	-	(19,743)
Deferred tax on retail pharmacy licences	-	11,807
	-	(7,936)

23. Share capital

	2016	2015
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

24. Reserves

Profit and loss account

The profit and loss reserve represents cumulative profits or losses, including dividends paid and other adjustments.

25. Contingent liabilities

The company is a party to intra-group cross guarantees in respect of bank borrowing within the group

- Unlimited inter-company guarantees supported by legal charges over various properties and other respective associated assets.

26. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,857 (2015 - £10,023). Contributions totalling £nil (2015 - £4,521) were payable to the fund at the balance sheet date

27. Commitments under operating leases

At 31 March 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	*2015*
	£	*£*
Not later than 1 year	-	*176,100*
Later than 1 year and not later than 5 years	-	*601,492*
Later than 5 years	-	*336,583*
	-	*1,114,175*

28. Related party transactions

During the year rent of £11,667 (2015: £14,000) was paid to QH Estates Limited for the use of retail permises.

29. Controlling party

The company's immediate parent company is Community Stores Limited, a company incorporated in England and Wales, which is subsidiary of ABC Drugstores Limited, a company incorporated in England and Wales.

Healthcare Drugstores Limited is parent company of ABC Drugstores Limited, a company incorporated in England and Wales.

Healthcare Drugstores Limited immediate parent company is Day Lewis plc, a company registered in England and Wales. It prepares group accounts which are available at Day Lewis House, 2 Peterwood Way, Croydon, Surrey CR0 4UQ.

The ultimate parent company is Day Lewis Holdings Limited, a company registered in Cyprus and controlled by the executors of the Kirit Patel Estate.

Copies of the ultimate parent and of its group financial statements are not publicly available.

30. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2014. There were no changes to the balance sheet at the date of transition. The impact of the transition to FRS 102 is as follows:

	Note	*As previously stated 31 March 2015*	*Effect of transition 31 March 2015*	**FRS 102 (as restated) 31 March 2015**
		£	*£*	**£**
Fixed assets	1	*7,810,405*	*(76,835)*	**7,733,570**
Current assets		*3,526,151*	-	**3,526,151**
Creditors: amounts falling due within one year		*(4,859,912)*	-	**(4,859,912)**
Net current liabilities		*(1,333,761)*	-	**(1,333,761)**
Total assets less current liabilities		*6,476,644*	*(76,835)*	**6,399,809**
Creditors: amounts falling due after more than one year		*(2,139,490)*	-	**(2,139,490)**
Provisions for liabilities	2	*(19,743)*	*11,807*	**(7,936)**
Net assets		*4,317,411*	*(65,028)*	**4,252,383**
Capital and reserves		*4,317,411*	*(65,028)*	**4,252,383**

30. First time adoption of FRS 102 (continued)

	Note	*As previously stated 31 March 2015 £*	*Effect of transition 31 March 2015 £*	**FRS 102 (as restated) 31 March 2015 £**
Turnover		*10,742,537*	-	**10,742,537**
Cost of sales		*(7,577,804)*	-	**(7,577,804)**
		3,164,733	-	**3,164,733**
Administrative expenses	1	*(2,219,731)*	*(76,835)*	**(2,296,566)**
Operating profit		*945,002*	*(76,835)*	**868,167**
Interest receivable and similar income		*47,561*	-	**47,561**
Interest payable and similar charges		*(135,719)*	-	**(135,719)**
Taxation	2	*(179,936)*	*11,807*	**(168,129)**
Profit on ordinary activities after taxation and for the financial year		*676,908*	*(65,028)*	**611,880**

Explanation of changes to previously reported profit and equity:

1 Retail pharmacy licence has been amortised over estimated useful life of 100 years from transition date. This change in accounting estimate of an indefinite useful life under previous UK GAAP to its useful life under FRS102 resulted in £76,835 adjustment to previously reported profit & equity for the year ended 31 March 2015.

2 Deferred tax has been provided on transition for retail pharmacy licence at the rate of 18% . Total of

£11,807 deferred tax has been provided for the year ended 31 March 2015.

the Companies Act 2006.