

**REGISTRAR'S
COPY**

**ABC DRUGSTORES LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

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COMPANIES HOUSE

ABC DRUGSTORES LIMITED

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ABC DRUGSTORES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005

Principal activities and review of the business

The principal activity of the company continued to be that of chemist shops

The company continued to expand by the acquisition of new retail shops

Results and dividends

The results for the year are set out on page 4

The directors do not recommend payment of an ordinary dividend

Post balance sheet events

Subsequent to the Balance Sheet date, the company acquired new retail shops, licences and carried out improvements totalling £927,385

After the year end, the company entered into a new loan and overdraft facility amounting to £12 million. The amount is used for the refinance of its existing borrowings and the purchase of new outlets

Future developments

The directors would like to continue the policy of expansion

Directors

The following directors have held office since 1 January 2005

N P Beilby

C R Beilby

Directors' interests

The directors' interests in the shares of the company were as stated below

	Ordinary shares of £1 each	
	31 December 2005	1 January 2005
N P Beilby	326,999	326,999
C R Beilby	1	1

Charitable donations	2005	2004
	£	£

During the year the company made the following payments

Charitable donations	15,250	-
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Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, FSPG, will be deemed to be reappointed for each succeeding financial year

ABC DRUGSTORES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2005

Directors' responsibilities

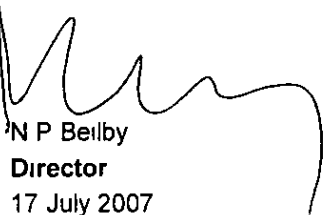
The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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

On behalf of the board



N P Beilby
Director
17 July 2007

ABC DRUGSTORES LIMITED

INDEPENDENT AUDITORS' REPORT TO ABC DRUGSTORES LIMITED

UNDER SECTION 247B OF THE COMPANIES ACT 1985 UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 4 to 17, together with the financial statements of ABC Drugstores Limited for the year ended 31 December 2005 prepared under section 226 of the Companies Act 1985

This report is made solely to the company in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state to them in an auditor's report on abbreviated accounts 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, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of audit opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.


FSPG

17 July 2007

Chartered Accountants
Registered Auditor

21 Bedford Square
London
WC1B 3HH

ABC DRUGSTORES LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Gross profit		5,538,081	4,698,472
Distribution costs		(1,060,494)	(867,695)
Administrative expenses		(3,955,371)	(3,443,137)
Operating profit	2	522,216	387,640
Loss on disposal of licenses		-	12,766
Profit on ordinary activities before interest		522,216	400,406
Other interest receivable and similar income	3	10,538	12,050
Interest payable and similar charges	4	(552,275)	(439,504)
Loss on ordinary activities before taxation		(19,521)	(27,048)
Tax on loss on ordinary activities	5	-	-
Loss for the year	13	(19,521)	(27,048)

The profit and loss account has been prepared on the basis that all operations are continuing operations

ABC DRUGSTORES LIMITED

ABBREVIATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Loss for the financial year		(19,521)	(27,048)
Unrealised surplus on revaluation of properties		2,322,878	3,598,400
Total recognised gains and losses relating to the year		<u>2,303,357</u>	<u>3,571,352</u>

ABC DRUGSTORES LIMITED

ABBREVIATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Intangible assets	6	14,975,000		12,105,000	
Tangible assets	7	1,438,903		1,302,178	
		<u>16,413,903</u>		<u>13,407,178</u>	
Current assets					
Stocks	8	2,467,047		1,700,920	
Debtors	9	2,180,117		2,212,312	
Cash at bank and in hand		280,951		708,354	
		<u>4,928,115</u>		<u>4,621,586</u>	
Creditors. amounts falling due within one year	10	(13,410,353)		(5,666,278)	
Net current liabilities		<u>(8,482,238)</u>		<u>(1,044,692)</u>	
Total assets less current liabilities		<u>7,931,665</u>		<u>12,362,486</u>	
Creditors. amounts falling due after more than one year	11	(45,856)		(6,780,034)	
		<u>7,885,809</u>		<u>5,582,452</u>	
Capital and reserves					
Called up share capital	12	327,000		327,000	
Revaluation reserve	13	9,013,977		6,691,099	
Profit and loss account	13	(1,455,168)		(1,435,647)	
Shareholders' funds	14	<u>7,885,809</u>		<u>5,582,452</u>	

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies

Approved by the Board and authorised for issue on 17 July 2007


N P Beilby
Director

ABC DRUGSTORES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	£	2005 £	£	2004 £
Net cash (outflow)/inflow from operating activities		(1,302,702)		1,696,460
Returns on investments and servicing of finance				
Interest received	10,538		12,050	
Interest paid	(538,263)		(397,691)	
Interest element of finance lease rentals	(14,012)		(9,220)	
Net cash outflow for returns on investments and servicing of finance		(541,737)		(394,861)
Capital expenditure				
Payments to acquire intangible assets	(547,122)		(349,600)	
Payments to acquire tangible assets	(378,732)		(506,415)	
Receipts from sales of tangible assets	-		41,000	
Net cash outflow for capital expenditure		(925,854)		(815,015)
Net cash (outflow)/inflow before management of liquid resources and financing		(2,770,293)		486,584
Financing				
New long term bank loan	-		129,807	
Other new short term loans	9,395,896		760,193	
Repayment of long term bank loan	(6,718,261)		(25,111)	
Repayment of other short term loans	-		(666,897)	
Capital element of hire purchase contracts	(31,587)		(75,822)	
Net cash outflow from financing		2,646,048		122,170
(Decrease)/increase in cash in the year		(124,245)		608,754

ABC DRUGSTORES LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities		2005	2004	
			£	£	
	Operating profit		522,216	387,640	
	Depreciation of tangible assets		242,007	205,097	
	Profit on disposal of tangible assets		-	(21,000)	
	Increase in stocks		(766,127)	(316,827)	
	Decrease/(increase) in debtors		32,195	(354,515)	
	(Decrease)/Increase in creditors within one year		(1,332,993)	1,795,549	
	Net cash (outflow)/inflow from operating activities		(1,302,702)	1,695,944	
2	Analysis of net debt	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash				
	Cash at bank and in hand	708,354	(427,403)	-	280,951
	Bank overdrafts	(427,485)	303,158	-	(124,327)
		280,869	(124,245)	-	156,624
	Bank deposits	-	-	-	-
	Debt				
	Finance leases	(116,877)	16,520	-	(100,357)
	Debts falling due within one year	(760,193)	(9,395,896)	-	(10,156,089)
	Debts falling due after one year	(6,718,261)	6,718,261	-	-
		(7,595,331)	(2,661,115)	-	(10,256,446)
	Net debt	(7,314,462)	(2,785,360)	-	(10,099,822)
3	Reconciliation of net cash flow to movement in net debt		2005	2004	
			£	£	
	(Decrease)/increase in cash in the year		(124,245)	608,754	
	Cash inflow from increase in debt and lease financing		(2,661,115)	(267,187)	
	Movement in net debt in the year		(2,785,360)	341,567	
	Opening net debt		(7,314,462)	(7,656,029)	
	Closing net debt		(10,099,822)	(7,314,462)	

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of retail pharmacy licences

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.4 Retail Pharmacy Licences

Retail Pharmacy Licences are included in intangible fixed assets at market value. They are not amortised, as they do not have a finite economic life, but are subjected to an annual impairment test

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows

Land and buildings Leasehold	over the remaining life of the lease
Equipment	25%/10% per annum straight line
Fixtures and fittings	15% per annum on net book value

1.6 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1.7 Stock

Stock is valued at the lower of cost and net realisable value

1.8 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

2	Operating profit	2005	2004
		£	£
	Operating profit is stated after charging		
	Depreciation of tangible assets	242,007	205,097
	Operating lease rentals		
	- Plant and machinery	5,866	2,983
	- Other assets	612,935	535,460
	Auditors' remuneration	12,500	8,000
	Profit on disposal of tangible assets	-	(21,000)
		<u> </u>	<u> </u>
3	Investment income	2005	2004
		£	£
	Bank interest	1,779	1,478
	Other interest	8,759	10,572
		<u> </u>	<u> </u>
		10,538	12,050
		<u> </u>	<u> </u>
4	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	537,690	23,071
	On loans repayable after five years	-	387,138
	Lease finance charges	14,012	9,220
	On overdue tax	-	20,000
	Other interest	573	75
		<u> </u>	<u> </u>
		552,275	439,504
		<u> </u>	<u> </u>
5	Taxation	<u> </u>	<u> </u>

No provision has been made for deferred tax on gains, recognised on revaluing licences to their market value. Such tax would only become payable if the licences were sold without it being possible to claim rollover relief. At present it is not envisaged that any tax will become payable in the foreseeable future.

No provision has also been made for deferred tax on other timing differences on the basis that the company has unused trading losses carried forward.

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

6 Intangible fixed assets

	Retail Pharmacy Licences £
Cost	
At 1 January 2005	12,105,000
Additions	547,122
Written off against reserves	2,322,878
	<hr/>
At 31 December 2005	14,975,000
	<hr/>
Net book value	
At 31 December 2005	14,975,000
	<hr/>
At 31 December 2004	12,105,000
	<hr/>

The Retail Pharmacy Licences were valued on an open market value basis on 17 March 2006 by Henry Perlow Group, in respect of their value as at 31 December 2005

The historical cost of the Retail Pharmacy Licences is £5,861,165 (2004 - £5,314,043)

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

7 Tangible fixed assets

	Land and buildings Leasehold	Equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2005	451,559	304,542	1,225,873	24,809	2,006,783
Additions	24,960	100,376	241,421	11,975	378,732
	<u>476,519</u>	<u>404,918</u>	<u>1,467,294</u>	<u>36,784</u>	<u>2,385,515</u>
At 31 December 2005					
Depreciation					
At 1 January 2005	55,834	158,234	486,357	4,180	704,605
Charge for the year	48,543	64,753	122,010	6,701	242,007
	<u>104,377</u>	<u>222,987</u>	<u>608,367</u>	<u>10,881</u>	<u>946,612</u>
At 31 December 2005					
Net book value					
At 31 December 2005	<u>372,142</u>	<u>181,931</u>	<u>858,927</u>	<u>25,903</u>	<u>1,438,903</u>
At 31 December 2004	<u>395,725</u>	<u>146,308</u>	<u>739,516</u>	<u>20,629</u>	<u>1,302,178</u>

Included above are assets held under finance leases or hire purchase contracts as follows

	Equipment	Motor vehicles	Total
	£	£	£
Net book values			
At 31 December 2005	<u>135,704</u>	<u>25,903</u>	<u>161,607</u>
At 31 December 2004	<u>148,819</u>	<u>20,629</u>	<u>169,448</u>
Depreciation charge for the year			
At 31 December 2005	<u>28,785</u>	<u>6,701</u>	<u>35,486</u>
At 31 December 2004	<u>26,954</u>	<u>3,626</u>	<u>30,580</u>

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

8	Stocks	2005	2004
		£	£
	Finished goods and goods for resale	2,467,047	1,700,920
		<u> </u>	<u> </u>
9	Debtors	2005	2004
		£	£
	Trade debtors	1,695,146	1,474,551
	Other debtors	282,087	554,934
	Prepayments and accrued income	202,884	182,827
		<u> </u>	<u> </u>
		2,180,117	2,212,312
		<u> </u>	<u> </u>
10	Creditors' amounts falling due within one year	2005	2004
		£	£
	Bank overdraft and loans	10,280,416	427,485
	Other loans	-	760,193
	Net obligations under finance leases	54,501	55,104
	Trade creditors	2,643,064	4,157,204
	Taxes and social security costs	206,564	186,039
	Other creditors	130,000	-
	Accruals and deferred income	95,808	80,253
		<u> </u>	<u> </u>
		13,410,353	5,666,278
		<u> </u>	<u> </u>
	Debt due in one year or less	10,156,089	760,193
		<u> </u>	<u> </u>

The bank overdraft and loans are secured as outlined in note 12 to the accounts

Included in trade creditors is £1,039,908 (2004 - £1,772,661) which is secured by way of a debenture in favour of AAH Pharmaceuticals Limited

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

11 Creditors amounts falling due after more than one year	2005 £	2004 £
Bank loans	-	6,718,261
Net obligations under finance leases	45,856	61,773
	<u>45,856</u>	<u>6,780,034</u>
Analysis of loans		
Not wholly repayable within five years by instalments		
Other loans	-	7,478,454
Wholly repayable within five years	10,156,089	-
	<u>10,156,089</u>	<u>7,478,454</u>
Included in current liabilities	(10,156,089)	(760,193)
	<u>-</u>	<u>6,718,261</u>
Instalments not due within five years	-	3,677,489
	<u>-</u>	<u>3,677,489</u>
Loan maturity analysis		
In more than one year but not more than two years	-	760,193
In more than two years but not more than five years	-	3,040,772
In more than five years	-	3,677,489
	<u>-</u>	<u>7,478,454</u>
The bank overdraft and loans are secured by legal charges over the company's goodwill and leasehold properties. The bank overdraft and loans are guaranteed by AAH Pharmaceuticals Limited.		
Net obligations under finance leases		
Repayable within one year	64,094	64,133
Repayable between one and five years	53,928	72,722
	<u>118,022</u>	<u>136,855</u>
Finance charges and interest allocated to future accounting periods	(17,665)	(19,978)
	<u>100,357</u>	<u>116,877</u>
Included in liabilities falling due within one year	(54,501)	(55,104)
	<u>45,856</u>	<u>61,773</u>

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

12 Share capital	2005	2004
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
327,000 Ordinary shares of £1 each	327,000	327,000
	<u> </u>	<u> </u>
 13 Statement of movements on reserves		
	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 January 2005	6,691,099	(1,435,647)
Loss for the year	-	(19,521)
Revaluation during the year	2,322,878	-
	<u> </u>	<u> </u>
Balance at 31 December 2005	9,013,977	(1,455,168)
	<u> </u>	<u> </u>
 14 Reconciliation of movements in shareholders' funds	2005	2004
	£	£
Loss for the financial year	(19,521)	(27,048)
Other recognised gains and losses	2,322,878	3,598,400
	<u> </u>	<u> </u>
Net addition to shareholders' funds	2,303,357	3,571,352
Opening shareholders' funds	5,582,452	2,011,100
	<u> </u>	<u> </u>
Closing shareholders' funds	7,885,809	5,582,452
	<u> </u>	<u> </u>

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

15 Financial commitments

At 31 December 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2006

	Land and buildings			Other
	2005	2004	2005	2004
	£	£	£	£
Operating leases which expire				
Within one year	3,000	3,000	3,919	3,919
Between two and five years	27,000	27,000	-	-
In over five years	598,500	523,500	-	-
	<u>628,500</u>	<u>553,500</u>	<u>3,919</u>	<u>3,919</u>

16 Directors' emoluments

	2005	2004
	£	£
Emoluments for qualifying services	<u>14,691</u>	<u>13,149</u>

17 Transactions with directors

The following directors had loans during the year The movement on these loans are as follows

	Amount outstanding		Maximum
	2005	2004	in year
	£	£	£
N Beilby	<u>123,761</u>	<u>211,395</u>	<u>390,310</u>

Interest has been charged at an official rate

ABC DRUGSTORES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2005 Number	2004 Number
Retail	136	127
Administration	13	14
	<u>149</u>	<u>141</u>

Employment costs

	2005 £	2004 £
Wages and salaries	3,054,581	2,751,285
Social security costs	233,752	199,094
	<u>3,288,333</u>	<u>2,950,379</u>

19 Related party transactions

The company is controlled by the director N P Beilby

Mr N P Beilby has given a personal guarantee of £2,000,000 in respect of the loan facilities

20 Post balance sheet events

Subsequent to the Balance Sheet date, the company acquired new retail shops, licences and carried out improvements totalling £927,385 (2004 - £1,086,040)

After the year end, the company entered into a new loan and overdraft facility amounting to £12 million. The amount is used for the refinance of its existing borrowings and the purchase of new outlets.