

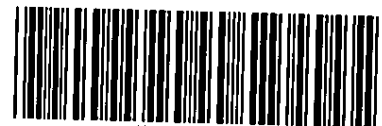
Company Registration No. 2825947 (England and Wales)

**REGISTRAR'S  
COPY**

**ABC DRUGSTORES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**FSPG**  
**CHARTERED ACCOUNTANTS**  
**21 BEDFORD SQUARE**  
**LONDON**  
**WC1B 3HH**

WEDNESDAY



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COMPANIES HOUSE

# ABC DRUGSTORES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	T Phillips	(Appointed 26 October 2009)
	T Daunt	(Appointed 26 October 2009)
<b>Company number</b>	2825947	
<b>Registered office</b>	196-198 Portobello Road London W11 1LA	
<b>Auditors</b>	FSPG 21 Bedford Square London WC1B 3HH	
<b>Business address</b>	16 Lansdowne Road London SW20 8AW	
<b>Bankers</b>	Alliance & Leicester Commercial Bank Plc Bridle Road Bootle Merseyside GIR 0AA	
	Lloyds TSB PO Box 72 Bailey Drive Gillingham Business Park Kent ME8 0LS	
<b>Solicitors</b>	Sylvester Amiel Lewin & Horne Pearl Assurance House 319 Ballards Lane London N12 8LY	

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# ABC DRUGSTORES LIMITED

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# ABC DRUGSTORES LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and financial statements for the year ended 31 December 2008.

#### 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.

#### Financial review

The company's operating loss of £502,244 represents a substantial improvement from the operating loss of £1,008,149 in 2007. This was driven partly by improved pharmacy margin as the impact of category M clawback reduced as well as additional contribution from the wholesale operation. These improvements were offset by higher staff costs from additional training and dispensary cover to comply with the requirements of the new NHS national contract for retail pharmacies. At the year end the company had a current liquidity ratio of 0.36, an increase from 0.34 as at 31 December 2007. The performance indicators for the last 5 years are given below.

The ongoing improvements in margin from 2007 and further growth in the wholesale operation, associated with improved control over staff costs is further improving the company's performance. In addition, the implementation of a new stock control system in November 2008 has improved stock management thus substantially improving cash flow. The company has also closed one of its warehouses to reduce costs and improve working capital.

In view of the above, the directors expect to see a return to operating profitability before exceptional costs in 2009.

	2008	2007	2006	2005	2004
	£	£	£	£	£
Gross profit	8,147,473	5,922,591	6,957,288	5,500,955	4,672,261
Operating profit/(loss)	(502,244)	(1,008,149)	1,216,530	522,216	387,640
Net assets	9,325,750	10,697,866	13,183,796	7,885,809	5,582,452

#### Financial instruments

The company's principal financial instruments comprise bank balances, trade debtors, bank loans, bank overdrafts, trade creditors, loans to the directors and operating and finance lease agreements. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and the flexibility through the use of overdrafts at floating rates of interest.

The company is a lessee in respect of operating leased assets. The liquidity in respect of these is managed by ensuring there are sufficient funds to meet the payments.

There are policies concerning the control of NHS trade debtors.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The loans to directors are charged interest at an official rate.

# ABC DRUGSTORES LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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### Results and dividends

The results for the year are set out on page 6.

The directors do not recommend payment of an ordinary dividend.

### Future developments

The company is focusing on consolidating previous acquisitions and building a solid basis for future growth.

### Directors

The following directors have held office since 1 January 2008:

N P Beilby	(Resigned 26 October 2009)
C R Beilby	(Resigned 26 October 2009)
T Phillips	(Appointed 26 October 2009)
T Daunt	(Appointed 26 October 2009)

Charitable donations	2008 £	2007 £
During the year the company made the following payments:		
Charitable donations	500	-

### Employee involvement

The company's policy is to consult and discuss with employees.

Information of matters of concern to employees is given through reports which seek to achieve a common awareness on the part of all employees financial and economic factors.

There is no employee share scheme at present.

### Disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### 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 2008**

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### **Directors' responsibilities**

The directors are responsible for preparing 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 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 and then apply them consistently;
- make judgements and 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.

The directors are responsible for keeping proper accounting records that 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.

### **Statement of disclosure to auditor**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



T Daunt

**Director**

21 December 2009

# **ABC DRUGSTORES LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF ABC DRUGSTORES LIMITED**

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We have audited the financial statements of ABC Drugstores Limited for the year ended 31 December 2008 set out on pages 6 to 20. 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 the directors and auditors**

The directors' responsibilities for preparing 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 directors' report 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# ABC DRUGSTORES LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE SHAREHOLDERS OF ABC DRUGSTORES LIMITED

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#### 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 company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the information given in the Directors' Report is consistent with the financial statements.

#### Emphasis of matter - Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the continued support of the bankers and certain creditors. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.



FSPG

Chartered Accountants  
Registered Auditor

21 December 2009

21 Bedford Square  
London  
WC1B 3HH



# ABC DRUGSTORES LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
Turnover (Restated)	2	37,564,644	24,905,233
Cost of sales (Restated)		(29,417,171)	(18,982,642)
Gross profit		8,147,473	5,922,591
Distribution costs		(1,489,690)	(1,434,997)
Administrative expenses		(7,160,027)	(5,495,743)
Operating loss	3	(502,244)	(1,008,149)
Other interest receivable and similar income	4	65,149	36,038
Interest payable and similar charges	5	(937,955)	(861,880)
Loss on ordinary activities before taxation		(1,375,050)	(1,833,991)
Tax on loss on ordinary activities	6	2,934	-
Loss for the year	14	(1,372,116)	(1,833,991)

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

# ABC DRUGSTORES LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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	Notes	2008 £	2007 £
Loss for the financial year		(1,372,116)	(1,833,991)
Unrealised deficit on revaluation of properties		-	(651,939)
Total recognised gains and losses relating to the year		<u>(1,372,116)</u>	<u>(2,485,930)</u>

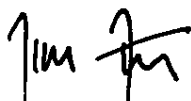
# ABC DRUGSTORES LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 £	£	2007 £	£
<b>Fixed assets</b>					
Intangible assets	7	21,552,712		21,306,594	
Tangible assets	8	1,955,075		1,922,010	
		23,507,787		23,228,604	
<b>Current assets</b>					
Stocks	9	2,911,128		3,021,183	
Debtors	10	4,747,294		3,108,279	
Cash at bank and in hand		83,528		191,069	
		7,741,950		6,320,531	
<b>Creditors: amounts falling due within one year</b>	11	(21,670,913)		(18,604,110)	
<b>Net current liabilities</b>		(13,928,963)		(12,283,579)	
<b>Total assets less current liabilities</b>		9,578,824		10,945,025	
<b>Creditors: amounts falling due after more than one year</b>	12	(253,074)		(247,159)	
		9,325,750		10,697,866	
<b>Capital and reserves</b>					
Called up share capital	13	327,000		327,000	
Revaluation reserve	14	13,063,315		13,063,315	
Profit and loss account	14	(4,064,565)		(2,692,449)	
<b>Shareholders' funds</b>	15	9,325,750		10,697,866	

Approved by the Board and authorised for issue on 21 December 2009



T Daunt  
Director

Company Registration No. 2825947

# ABC DRUGSTORES LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	£	2008 £	£	2007 £
<b>Net cash inflow/(outflow) from operating activities</b>		1,986,859		(134,361)
<b>Returns on investments and servicing of finance</b>				
Interest received	65,149		36,038	
Interest paid	(912,053)		(845,719)	
Interest element of finance lease rentals	(25,902)		(16,161)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(872,806)		(825,842)
<b>Taxation</b>		220		-
<b>Capital expenditure</b>				
Payments to acquire intangible assets	(246,118)		(802,664)	
Payments to acquire tangible assets	(524,601)		(670,323)	
Receipts from sales of tangible assets	-		28,299	
<b>Net cash outflow for capital expenditure</b>		(770,719)		(1,444,688)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		343,554		(2,404,891)
<b>Financing</b>				
New long term bank loan	-		275,763	
Other new short term loans	-		12,000,000	
Repayment of long term bank loan	-		(12,000,000)	
Capital element of hire purchase contracts	47,113		39,151	
<b>Net cash inflow from financing</b>		47,113		314,914
<b>Increase/(decrease) in cash in the year</b>		390,667		(2,089,977)

# ABC DRUGSTORES LIMITED

## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

1	Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	2008	2007
		£	£
	Operating loss	(502,244)	(1,008,149)
	Depreciation of tangible assets	435,922	351,987
	Loss/(profit) on disposal of tangible assets	20,667	(14,627)
	Decrease in stocks	110,055	250,897
	Increase in debtors	(1,288,195)	(269,927)
	Increase in creditors within one year	3,185,793	555,458
	Reclassified fixed assets	24,861	-
	<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,986,859</b>	<b>(134,361)</b>

2	Analysis of net debt	1 January 2008	Cash flow	Other non-cash changes	31 December 2008
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	191,069	(107,541)	-	83,528
	Bank overdrafts	(2,276,561)	498,208	-	(1,778,353)
		<u>(2,085,492)</u>	<u>390,667</u>	<u>-</u>	<u>(1,694,825)</u>
	Debt:				
	Finance leases	(73,144)	(87,750)	-	(160,894)
	Debts falling due within one year	(12,069,808)	(20)	-	(12,069,828)
	Debts falling due after one year	(205,955)	50,743	-	(155,212)
		<u>(12,348,907)</u>	<u>(37,027)</u>	<u>-</u>	<u>(12,385,934)</u>
	<b>Net debt</b>	<b>(14,434,399)</b>	<b>353,640</b>	<b>-</b>	<b>(14,080,759)</b>

3	Reconciliation of net cash flow to movement in net debt	2008	2007
		£	£
	Increase/(decrease) in cash in the year	390,667	(2,089,977)
	Cash inflow from increase in debt and lease financing	(37,027)	(314,914)
	<b>Movement in net debt in the year</b>	<b>353,640</b>	<b>(2,404,891)</b>
	Opening net debt	(14,434,399)	(12,029,508)
	<b>Closing net debt</b>	<b>(14,080,759)</b>	<b>(14,434,399)</b>

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of the assumption depends upon the continued financial support of the company's bankers and certain creditors.

If the company were unable to continue in existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts and to provide for any further liabilities that might arise.

#### 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% per annum straight line
Fixtures and fittings	15% per annum on net book value
Motor vehicles	25% 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.

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 1 Accounting policies (continued)

#### 1.8 Deferred taxation

Deferred taxation 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.

### 2 Turnover

#### Geographical market

	Turnover 2008	2007
	£	£
UK	36,188,330	24,905,233
Rest of the World (including EU)	1,376,314	-
	<u>37,564,644</u>	<u>24,905,233</u>

Both turnover and cost of sales have been restated so as to eliminate intra-branch sales and purchases.

3 Operating loss	2008	2007
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	435,922	351,987
Loss on disposal of tangible assets	20,667	-
Operating lease rentals		
- Plant and machinery	5,216	3,202
- Other assets	944,929	891,174
and after crediting:		
Profit on disposal of tangible assets	-	(14,627)
	<u>-</u>	<u>(14,627)</u>

#### Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts	26,000	25,000
Non audit fees	12,428	-
	<u>38,428</u>	<u>25,000</u>

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

4	Investment income	2008	2007
		£	£
	Bank interest	1,155	675
	Other interest	63,994	35,363
		<u>65,149</u>	<u>36,038</u>
5	Interest payable	2008	2007
		£	£
	On bank overdraft and loans	910,869	843,357
	Lease finance charges	25,902	16,161
	On overdue tax	1,184	2,362
		<u>937,955</u>	<u>861,880</u>



# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

6	Taxation	2008 £	2007 £
	<b>Domestic current year tax</b>		
	Adjustment for prior years	(2,934)	-
		<u>(2,934)</u>	<u>-</u>
	<b>Current tax charge</b>	<u>(2,934)</u>	<u>-</u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(1,375,050)	(1,833,991)
		<u>(1,375,050)</u>	<u>(1,833,991)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2007 - 19.00%)	(275,010)	(348,458)
		<u>(275,010)</u>	<u>(348,458)</u>
	Effects of:		
	Non deductible expenses	2,866	2,286
	Depreciation add back	89,202	66,877
	Capital allowances	(80,131)	(77,487)
	Tax losses utilised	257,081	356,782
	Other tax adjustments	3,058	-
		<u>272,076</u>	<u>348,458</u>
	<b>Current tax charge</b>	<u>(2,934)</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.

At 31 December 2008, the company has losses for which no deferred tax asset was recognised due to the uncertainty of utilisation of the losses carried forward.

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 7 Intangible fixed assets

	Retail Pharmacy Licences £
<b>Cost/Valuation</b>	
At 1 January 2008	21,306,594
Additions	246,118
	<hr/>
At 31 December 2008	21,552,712
	<hr/>

The Retail Pharmacy Licences were valued on an open market value basis by Henry Perlow Group, in respect of their value as at 31 December 2007. In the opinion of the directors the valuation has not since changed.

The historical cost of the Retail Pharmacy Licences is £8,389,539 (2007 - £8,143,421).

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 8 Tangible fixed assets

	Land and buildings Leasehold	Equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2008	497,496	615,877	2,289,754	88,698	3,491,825
Reclassified	-	-	-	(34,828)	(34,828)
Additions	2,250	234,257	235,337	52,757	524,601
Disposals	-	-	-	(54,658)	(54,658)
At 31 December 2008	499,746	850,134	2,525,091	51,969	3,926,940
<b>Depreciation</b>					
At 1 January 2008	233,965	370,004	930,130	35,716	1,569,815
Reclassified	-	-	-	(9,967)	(9,967)
On disposals	-	-	-	(33,991)	(33,991)
Charge for the year	89,837	110,574	208,390	37,207	446,008
At 31 December 2008	323,802	480,578	1,138,520	28,965	1,971,865
<b>Net book value</b>					
At 31 December 2008	175,944	369,556	1,386,571	23,004	1,955,075
At 31 December 2007	263,532	245,873	1,359,623	52,982	1,922,010

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

	Equipment	Motor vehicles	Total
	£	£	£
<b>Net book values</b>			
At 31 December 2008	269,648	23,677	293,325
At 31 December 2007	137,656	32,682	170,338
<b>Depreciation charge for the year</b>			
At 31 December 2008	18,008	11,245	29,253
At 31 December 2007	21,330	8,234	29,564

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

9 Stocks	2008 £	2007 £
Goods for resale	<u>2,911,128</u>	<u>3,021,183</u>
10 Debtors	2008 £	2007 £
Trade debtors	2,358,898	1,756,307
Other debtors	1,791,100	1,118,553
Prepayments and accrued income	246,476	233,419
Deferred tax asset	350,820	-
	<u>4,747,294</u>	<u>3,108,279</u>
Deferred tax asset relates to section 419 tax.		
11 Creditors: amounts falling due within one year	2008 £	2007 £
Bank loans and overdrafts	13,848,181	14,346,369
Net obligations under finance leases	63,032	31,940
Trade creditors	6,858,972	3,967,030
Corporation tax	350,820	2,714
Other taxes and social security costs	372,329	138,545
Accruals and deferred income	177,579	117,512
	<u>21,670,913</u>	<u>18,604,110</u>

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

Included in trade creditors is £4,118,375 (2007 - £1,228,450) which is secured by way of a debenture in the favour of AAH Pharmaceuticals Limited.

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

12 Creditors: amounts falling due after more than one year	2008 £	2007 £
Bank loans	155,212	205,955
Net obligations under finance leases	97,862	41,204
	<u>253,074</u>	<u>247,159</u>
<b>Analysis of loans</b>		
Not wholly repayable within five years by instalments:		
Bank Loans	<u>225,040</u>	<u>275,763</u>
<b>Loan maturity analysis</b>		
In more than two years but not more than five years	<u>225,040</u>	<u>275,763</u>
The bank overdraft and loans are secured by an unlimited debenture over all the company's assets. The bank overdraft is shown in current liabilities and loans are guaranteed by AAH Pharmaceuticals Limited in the sum of £8,750,000 (2007: £8,750,000).		
<b>Net obligations under finance leases</b>		
Repayable within one year	85,510	44,600
Repayable between one and five years	120,588	62,559
	<u>206,098</u>	<u>107,159</u>
Finance charges and interest allocated to future accounting periods	(45,204)	(34,015)
	<u>160,894</u>	<u>73,144</u>
Included in liabilities falling due within one year	(63,032)	(31,940)
	<u>97,862</u>	<u>41,204</u>
<b>13 Share capital</b>	<b>2008 £</b>	<b>2007 £</b>
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
327,000 Ordinary shares of £1 each	<u>327,000</u>	<u>327,000</u>

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 14 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2008	13,063,315	(2,692,449)
Loss for the year	-	(1,372,116)
Balance at 31 December 2008	<u>13,063,315</u>	<u>(4,064,565)</u>

### 15 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Loss for the financial year	(1,372,116)	(1,833,991)
Other recognised gains and losses	-	(651,939)
Net depletion in shareholders' funds	(1,372,116)	(2,485,930)
Opening shareholders' funds	<u>10,697,866</u>	<u>13,183,796</u>
Closing shareholders' funds	<u>9,325,750</u>	<u>10,697,866</u>

### 16 Financial commitments

At 31 December 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2009:

	Land and buildings	
	2008 £	2007 £
Operating leases which expire:		
Within one year	52,750	-
Between two and five years	78,250	85,500
In over five years	844,913	718,000
	<u>975,913</u>	<u>803,500</u>

### 17 Directors' emoluments

	2008 £	2007 £
Emoluments for qualifying services	<u>10,072</u>	<u>7,520</u>

# ABC DRUGSTORES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 18 Transactions with directors

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

	Amount outstanding		Maximum
	2008	2007	in year
	£	£	£
N P Beilby	1,411,707	767,148	1,411,707

Interest has been charged at an official rate. N P Beilby resigned as a director on 26 October 2009.

### 19 Employees

#### Number of employees

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

	2008	2007
	Number	Number
Retail	270	264
Administration	62	23
	<u>332</u>	<u>287</u>

#### Employment costs

	2008	2007
	£	£
Wages and salaries	5,419,272	4,258,757
Social security costs	403,374	324,535
	<u>5,822,646</u>	<u>4,583,292</u>

### 20 Related party transactions

The company is controlled by N P Beilby.

N P Beilby has given a personal guarantee of £3,250,000 in respect of the loan facilities.