
ABC DRUG STORES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

ABC DRUG STORES LIMITED

COMPANY INFORMATION

DIRECTORS	Mr K C Patel Jnr Mr P Cattee Dr C Parkhurst Mr J C Patel Jnr
COMPANY SECRETARY	Mr A R Patel
REGISTERED NUMBER	02825947
REGISTERED OFFICE	Lion House Red Lion Street London WC1R 4GB
INDEPENDENT AUDITORS	Saffery Champness Lion House Red Lion Street London WC1R 4GB
BANKERS	Barclays Bank PLC 4th Floor, Bridgewater House Finzels Reach Counterslip Bristol BS1 6BX
SOLICITORS	Cripps LLP 23 Kings Hill Avenue West Malling Kent ME19 4UA

ABC DRUG STORES LIMITED

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ABC DRUG STORES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

The Directors present their report and the financial statements for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the company continued to be that of retail pharmacy.

RESULTS

The profit for the year, after taxation, amounted to £168,726 (2013 - loss £79,041).

DIRECTORS

The Directors who served during the year were:

Mr K C Patel Jnr
Mr P Cattee
Dr C Parkhurst
Mr J C Patel Jnr

POLITICAL AND CHARITABLE CONTRIBUTIONS

	2014	2013
	£	£
Charitable donations	5,331	3,643

EMPLOYEE INFORMATION

The company has undertaken several actions to keep its employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company. This is achieved through consultations with the local branch managers and other employee representatives.

DISABLED EMPLOYEES

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them, in order that their employment with the company may continue. It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;

ABC DRUG STORES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

- 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 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.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that 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.

AUDITORS

Under section 487(2) of the Companies Act 2006, Saffery Champness 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: 12 December 2014

ABC DRUG STORES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014

BUSINESS REVIEW

The company acquired two subsidiaries during the year which owned six pharmacies. The combined portfolio now comprises 33 retail pharmacies and all are performing to budget. The company's strategy is to continue driving growth through its existing portfolio.

R e t a i l

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 at a rate of 5% 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

P r i c e r i s k

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 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 £540m of generic procurement profit annually. The system is therefore used retrospectively by the Department of Health to claw back surplus procurement profits from the Pharmacy. 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.

L i q u i d i t y r i s k

The company is financed by way of bank loans, overdrafts and other loans of £24.4m as at 31 March 2014 (2013: £17.7m) at the year end. Banking facilities on competitive terms are secured until August 2017. The Directors believe the company has 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.

The Directors' assessment of the group's and the company's ability to adopt the going concern basis of accounting is set out in note 1 on page 9.

I n t e r e s t

r a t e

r i s k

The company has various loan agreements in place, none of which have been hedged.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2014

C r e d i t r i s k

FINANCIAL KEY PERFORMANCE INDICATORS

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ABC DRUG STORES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABC DRUG STORES LIMITED

We have audited the financial statements of ABC Drug Stores Limited for the year ended 31 March 2014, set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 set out on pages 1 - 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 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.

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 the financial statements.

ABC DRUG STORES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABC DRUG STORES LIMITED

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.

Roger Wareham (Senior statutory auditor)

for and on behalf of

Saffery Champness

Lion House
Red Lion Street
London
WC1R 4GB

18 December 2014

ABC DRUG STORES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £	2013 £
TURNOVER	1,2	23,198,718	23,233,495
Cost of sales		<u>(15,960,033)</u>	<u>(16,293,108)</u>
GROSS PROFIT		7,238,685	6,940,387
Administrative expenses		<u>(6,200,221)</u>	<u>(6,146,043)</u>
Other operating income	3	<u>88,873</u>	<u>102,929</u>
OPERATING PROFIT	4	1,127,337	897,273
EXCEPTIONAL ITEMS			
Net (loss)/profit on disposal of pharmacy branches	8	<u>-</u>	<u>(289,792)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1,127,337	607,481
Interest receivable and similar income		4,639	4,953
Interest payable and similar charges	7	<u>(858,701)</u>	<u>(807,019)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		273,275	(194,585)
Tax on profit/(loss) on ordinary activities	9	<u>(104,549)</u>	<u>115,544</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	19	<u>168,726</u>	<u>(79,041)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 9 to 20 form part of these financial statements.

ABC DRUG STORES LIMITED
REGISTERED NUMBER: 02825947

BALANCE SHEET
AS AT 31 MARCH 2014

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Intangible assets	10		7,508,030		7,508,030
Tangible assets	11		811,049		907,419
Investments	12		5,219,702		-
			13,538,781		8,415,449
CURRENT ASSETS					
Stocks	13	1,424,165		1,427,596	
Debtors	14	7,038,276		5,540,296	
Cash at bank and in hand		76,735		58,136	
		8,539,176		7,026,028	
CREDITORS: amounts falling due within one year	15	(4,778,555)		(4,000,669)	
NET CURRENT ASSETS			3,760,621		3,025,359
TOTAL ASSETS LESS CURRENT LIABILITIES			17,299,402		11,440,808
CREDITORS: amounts falling due after more than one year	16		(23,103,173)		(17,413,305)
NET LIABILITIES			(5,803,771)		(5,972,497)
CAPITAL AND RESERVES					
Called up share capital	18		327,001		327,001
Profit and loss account	19		(6,130,772)		(6,299,498)
SHAREHOLDERS' DEFICIT	20		(5,803,771)		(5,972,497)

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: 12 December 2014

The notes on pages 9 to 20 form part of these financial statements.

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The company had a deficit on its balance sheet reserves as at 31 March 2014. The key creditor and shareholder as detailed in note 23 has confirmed its continued financial support for the foreseeable future.

The directors are of the opinion that, on review of the financial position of the company and the continued financial support detailed above, they have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

A revenue recognition adjustment is made in respect of the estimated recovery of excess profit from NHS income paid through the Category M Pricing Policy in the following year.

1.5 Retail pharmacy licences

The cost of acquiring retail pharmacy licences is subject to an annual impairment review by the directors in accordance with FRS 10. The directors consider that these have an indefinite life and are therefore not amortised.

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. Any deficiency arising from the impairment review is written off to the profit and loss account in the year in which it arises. Any increases in value are not recognised in the financial statements.

This departure from the requirements of the Companies Act 2006 is, in the opinion of the directors, necessary for the financial statements to give a true and fair view.

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold land and buildings	-	Over the life of the lease
Plant and machinery	-	25% per annum straight line
Fixtures, fittings and equipment	-	15% per annum reducing balance

1.7 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.8 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be d e d u c t e d .

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the t r a n s a c t i o n .

Exchange gains and losses are recognised in the Profit and loss account.

1.12 Pensions

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. ACCOUNTING POLICIES (continued)

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

2. TURNOVER

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

All turnover arose within the United Kingdom.

3. OTHER OPERATING INCOME

	2014	2013
	£	£
Rent receivable	<u>88,873</u>	<u>102,929</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2014	2013
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	177,521	192,297
Operating lease rentals:		
- plant and machinery	256	-
- other operating leases	<u>795,429</u>	<u>862,327</u>

During the year, no Director received any emoluments (2013 - £NIL).

5. AUDITORS' REMUNERATION

	2014	2013
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	16,750	16,750
Fees payable to the Company's auditor and its associates in respect of:		
All other non-audit services not included above	<u>16,325</u>	<u>8,750</u>

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

6. STAFF COSTS

Staff costs were as follows:

	2014	2013
	£	£
Wages and salaries	3,117,421	3,072,013
Social security costs	269,804	262,765
Other pension costs	11,057	-
	<u>3,398,282</u>	<u>3,334,778</u>

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

	2014	2013
	No.	No.
Distribution and sales staff	<u>137</u>	<u>152</u>

7. INTEREST PAYABLE

	2014	2013
	£	£
On bank loans and overdrafts	128,211	5,273
On other loans	730,490	800,571
On finance leases and hire purchase contracts	-	1,175
	<u>858,701</u>	<u>807,019</u>

8. EXCEPTIONAL ITEMS

	2014	2013
	£	£
Disposal of pharmacy branches	<u>-</u>	<u>289,792</u>

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

9. TAXATION

	2014 £	2013 £
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge on profit/loss for the year	17,259	8,203
Adjustments in respect of prior periods	(166)	(53,516)
Total current tax	<u>17,093</u>	<u>(45,313)</u>
Deferred tax (see note 17)		
Origination and reversal of timing differences	<u>87,456</u>	<u>(70,231)</u>
Tax on profit/loss on ordinary activities	<u><u>104,549</u></u>	<u><u>(115,544)</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - *higher than*) the standard rate of corporation tax in the UK of 23% (2013 - 20%). The differences are explained below:

	2014 £	2013 £
Profit/loss on ordinary activities before tax	<u>273,275</u>	<u>(194,585)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 - 20%)	62,853	(38,917)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	13,110	4,000
Capital allowances for year in excess of depreciation	(25,207)	(10,810)
Utilisation of tax losses	(35,390)	-
Adjustments to tax charge in respect of prior periods	(166)	(53,516)
Short term timing difference leading to an increase (decrease) in taxation	4,071	-
Other tax adjustments	(2,178)	53,930
Current tax charge/(credit) for the year (see note above)	<u><u>17,093</u></u>	<u><u>(45,313)</u></u>

Other tax adjustments reflect marginal rate relief.

The company has estimated tax losses of £4,628,102 (2013: £4,781,971) available for carry forward against future trading profits.

As at 31 March 2014 a deferred tax asset existed in respect of losses carried forward of £1,452,000 (2013:

£1,099,853), based on an expected future tax rate of 20% (2013: 23%). The full deferred tax has not been recognised as the necessary conditions have not been met.

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

10. INTANGIBLE FIXED ASSETS

	Retail pharmacy licences £
Cost	
At 1 April 2013 and 31 March 2014	<u>7,508,030</u>
Net book value	
At 31 March 2014	<u>7,508,030</u>
At 31 March 2013	<u>7,508,030</u>

11. TANGIBLE FIXED ASSETS

	Leasehold Land and building £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 April 2013	374,360	181,264	1,671,863	2,227,487
Additions	<u>-</u>	<u>-</u>	<u>81,151</u>	<u>81,151</u>
At 31 March 2014	<u>374,360</u>	<u>181,264</u>	<u>1,753,014</u>	<u>2,308,638</u>
Depreciation				
At 1 April 2013	257,111	170,562	892,395	1,320,068
Charge for the year	<u>41,018</u>	<u>7,410</u>	<u>129,093</u>	<u>177,521</u>
At 31 March 2014	<u>298,129</u>	<u>177,972</u>	<u>1,021,488</u>	<u>1,497,589</u>
Net book value				
At 31 March 2014	<u>76,231</u>	<u>3,292</u>	<u>731,526</u>	<u>811,049</u>
At 31 March 2013	<u>117,249</u>	<u>10,702</u>	<u>779,468</u>	<u>907,419</u>

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2013	-
Additions	<u>5,219,702</u>
At 31 March 2014	<u>5,219,702</u>
Net book value	
At 31 March 2014	<u><u>5,219,702</u></u>
At 31 March 2013	<u><u>-</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Medex Health Limited	Ordinary shares	100 %

Name	Business	Registered office
Medex Health Limited	Retail pharmacy	England and Wales

The aggregate of the share capital and reserves as at 31 March 2014 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Medex Health Limited	<u><u>1,887,684</u></u>	<u><u>79,621</u></u>

13. STOCKS

	2014 £	2013 £
Finished goods and goods for resale	<u><u>1,424,165</u></u>	<u><u>1,427,596</u></u>

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

14. DEBTORS

	2014	2013
	£	£
Trade debtors	3,043,054	3,375,950
Amounts owed by group undertakings	2,051,442	16,796
Corporation tax	16,737	-
Other debtors	1,318,613	1,575,277
Prepayments and accrued income	308,430	184,817
Deferred tax asset (see note 17)	300,000	387,456
	<u>7,038,276</u>	<u>5,540,296</u>

15. CREDITORS:

Amounts falling due within one year

	2014	2013
	£	£
Bank loans and overdrafts	1,321,233	338,817
Trade creditors	2,616,688	2,611,863
Corporation tax	-	24,215
Other taxation and social security	73,096	69,679
Other creditors	457,765	411,248
Accruals and deferred income	309,773	544,847
	<u>4,778,555</u>	<u>4,000,669</u>

The bank overdraft is secured by way of a fixed and floating charge over the company's assets and a specific charge over the leasehold property and other assets of various pharmacy branches operated.

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

16. CREDITORS:

Amounts falling due after more than one year

	2014	2013
	£	£
Bank loans	5,100,000	-
Other loans	18,003,173	17,413,305
	<u>23,103,173</u>	<u>17,413,305</u>

Included within the above are amounts falling due as follows:

	2014	2013
	£	£
Between one and two years		
Bank loans	<u>600,000</u>	<u>-</u>
Between two and five years		
Bank loans	<u>4,500,000</u>	<u>-</u>
Over five years		
Other loans	<u>18,003,173</u>	<u>17,413,305</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2014	2013
	£	£
Repayable other than by instalments	<u>18,003,173</u>	<u>17,413,305</u>

Bank loans and overdrafts due within one year and after more than one year amounting to £6,421,233 (2013: £338,817) as at the year end were secured as follows:

- Unlimited inter-company guarantees
- Cross guarantee and debentures, incorporating all freehold and leasehold properties owned by the company and subsidiaries.
- A legal charge over all shares held by Healthcare Drugstores Limited in ABC Drug Stores Limited
- A legal charge over all shares held by ABC Drug Stores Limited in Medex Health Limited

The bank loan facilities now in place have a maturity date of 4 years ending August 2017. The loans bear interest rate 2.65% per annum above LIBOR.

The other loans represent amounts due to Healthcare Drugstores Limited. The loan is unsecured with no fixed repayment terms. Interest is charged at a rate of 3.5% per annum above the Bank of England base rate.

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

17. DEFERRED TAX ASSET

	2014 £	2013 £
At beginning of year	387,456	317,225
Movement during year (P&L)	(87,456)	70,231
	<u>300,000</u>	<u>387,456</u>
At end of year	<u>300,000</u>	<u>387,456</u>

The deferred tax asset is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	(6,052)	23,356
Tax losses carried forward	(290,400)	(410,812)
Other timing differences	(3,548)	-
	<u>(300,000)</u>	<u>(387,456)</u>

18. SHARE CAPITAL

	2014 £	2013 £
Allotted, called up and fully paid		
327,000 Ordinary shares of £1 each	327,000	327,000
1 Ordinary A share of £1	1	1
	<u>327,001</u>	<u>327,001</u>

The ordinary shares have full rights attached to them. The Ordinary A share has a voting right only.

19. RESERVES

	Profit and loss account £
At 1 April 2013	(6,299,498)
Profit for the financial year	168,726
	<u>168,726</u>
At 31 March 2014	<u>(6,130,772)</u>

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2014	2013
	£	£
Opening shareholders' deficit	(5,972,497)	(5,893,456)
Profit/(loss) for the financial year	<u>168,726</u>	<u>(79,041)</u>
Closing shareholders' deficit	<u>(5,803,771)</u>	<u>(5,972,497)</u>

21. 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 £11,057 (2013 - £nil). Contributions totalling £17,700 (2013 - £nil) were payable to the fund at the balance sheet date and are included in creditors

22. OPERATING LEASE COMMITMENTS

At 31 March 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
	£	£
Expiry date:		
Within 1 year	167,000	40,500
Between 2 and 5 years	417,250	313,487
After more than 5 years	<u>449,305</u>	<u>431,052</u>

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

23. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

During the year the following transactions occurred with Day Lewis Plc and its subsidiaries of which K C Patel, a director, has a controlling interest.

The company made sales to and received other income of £116,385 (2013: £121,616) from Day Lewis Plc and paid £250,000 (2013: £250,000) in respect of management charges for accountancy, book keeping and general administration work carried out at their offices on behalf of the company. The company was also recharged £615,119 (2013: £629,346) in respect of expenses paid by Day Lewis Plc on behalf of the company. At the balance sheet date £34,021 (2013: £59,993) was receivable from Day Lewis Plc for other expenses paid on behalf of the company.

The company sold goods of £1,069,571 (2013: £1,144,796) to Day Lewis Medical Limited and purchased goods from Day Lewis Medical Limited of £5,662,434 (2013: £5,980,711). The company was also recharged £78,824 (2013: £72,344) in respect of expenses paid by Day Lewis Medical Limited on behalf of the company. The company charged £197,848 (2013: £nil) in respect of expenses paid for Day Lewis Medical Limited. At the balance sheet date £20,665 (2013: -£65,294) was receivable from Day Lewis Medical Limited.

The company was recharged £57,975 (2013: £58,942) in respect of expenses paid by Day Lewis Chemists Limited on behalf of the company. At the balance sheet date £4,550 (2013: £37,794) was payable to Day Lewis Chemists Limited.

The company paid expenses on behalf of Tayzana Limited of £9,459 (2013: £4,378). At the balance sheet date £nil (2013: £2,076) was due to the company.

The company paid rent to the following:

Rupa Patel, K C Patel's daughter,	£25,000	(2013: £25,102)
Joseph Cattee, P Cattee's son,	£25,000	(2013: £25,102)

The company charged interest of £2,320 (2013: £1,254) during the year on loan of £67,992 made to Rupa Patel, K C Patel's daughter. At the balance sheet date £nil (2013: £67,992) was due to the company.

The company charged interest of £2,320 (2013: £1,254) during the year on loan of £67,992 made to Joseph Cattee, P Cattee's son. At the balance sheet date £nil (2013: £67,992) was due to the company.

The company purchased goods of £136,107 (2013: £128,346) from Swingward Limited, a company in which K C Patel has a controlling interest. At the balance sheet date £13,354 (2013: £30,995) was payable to Swingward Limited.

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate parent company is Healthcare Drugstores Limited, a company registered in England

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