
ABC DRUG STORES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

ABC DRUG STORES LIMITED

COMPANY INFORMATION

DIRECTORS Mr K C Patel (appointed 1 September 2015)
Mr K C Patel Jnr
Dr C Parkhurst
Mr J C Patel Jnr
Miss Heena Patel (appointed 1 September 2015)
Mr P Cattee (resigned 28 August 2015)

COMPANY SECRETARY Mr A R Patel

REGISTERED NUMBER 02825947

REGISTERED OFFICE Lion House
Red Lion Street
London
WC1R 4GB

INDEPENDENT AUDITOR Saffery Champness, Statutory Auditor
Chartered Accountants
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

CONTENTS

	Page
Directors' report	1 - 2
Strategic report	3 - 4
Independent auditor's report	5 - 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 - 21

ABC DRUG STORES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

The Directors present their report and the audited financial statements for the year ended 31 March 2015.

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 £208,854 (2014 - £168,726).

DIRECTORS

The Directors who served during the year were:

Mr K C Patel Jnr
Dr C Parkhurst
Mr J C Patel Jnr
Mr P Cattee (resigned 28 August 2015)

POLITICAL AND CHARITABLE CONTRIBUTIONS

	2015	2014
	£	£
Charitable donations	2,323	5,331

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 2015**

- 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 AUDITOR

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 auditor is 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 auditor is aware of that information.

AUDITOR

Under section 487(2) of the Companies Act 2006, Saffery Champness, Statutory Auditor will be deemed to have been reappointed as auditor 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 K C Patel Jnr

Director

Date: 11 December 2015

Lion House
Red Lion Street
London
WC1R 4GB

ABC DRUG STORES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2015

BUSINESS REVIEW

The company operates 26 retail pharmacies and all are performing to budget. The company's strategy is to continue driving growth through its existing portfolio.

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 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

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 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 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.

Liquidity risk

The company is financed by way of bank loans, overdrafts and other loans of £23.4m as at 31 March 2015 (2014: £24.4m) at the year end. Banking facilities have been repaid post year end following a refinancing of the holding company's business. 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.

Interest rate risk

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

The Directors believe that this is appropriate given the nature of the company's business and long term financing

ABC DRUG STORES LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2015

agreement in place.

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 group'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.

FINANCIAL KEY PERFORMANCE INDICATORS

The directors have significantly improved profitability of the shops in the portfolio. Head office overhead costs have been reduced and this has resulted in an operating profit for the year of £1.1m (2014: £1.1m)

Turnover in the year finished at £22.7m (2014: £23.2m).

Gross margins increased by 0.1% to 31.3% in 2015 (2014: 31.2%) based on a gross profit of £7.1m for the year (2014: £7.2m)

Total administrative costs decreased by £0.2m to £6.0m (2014: £6.2m). The business has enhanced its infrastructure and support office function during the year to enable sustained future progress.

Overall these actions have enabled the company with an operating profit of £1.1m (2014: £1.1m).

Interest costs have risen by £90K to £0.95m (2014: £0.86m).

Ongoing Government action continues to reduce reimbursement prices. The company has undertaken measures to mitigate the effect of this including enhanced purchasing and stock control processes and thorough appraisals of individual branch profitability.

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

Mr K C Patel Jnr
Director

Date: 11 December 2015

ABC DRUG STORES LIMITED

INDEPENDENT AUDITOR'S 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 2015, set out on pages 7 to 21. 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 Auditor's 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 AUDITOR

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 2015 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 AUDITOR'S 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, Statutory Auditor

Chartered Accountants

Lion House
Red Lion Street
London
WC1R 4GB

11 December 2015

ABC DRUG STORES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015 £	2014 £
TURNOVER	1,2	22,761,569	23,198,718
Cost of sales		<u>(15,678,570)</u>	<u>(15,960,033)</u>
GROSS PROFIT		7,082,999	7,238,685
Administrative expenses		(6,039,518)	(6,200,221)
Other operating income	3	<u>67,363</u>	<u>88,873</u>
OPERATING PROFIT	4	1,110,844	1,127,337
EXCEPTIONAL ITEMS			
Net (loss)/profit on disposal of pharmacy branches	8	<u>381,954</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1,492,798	1,127,337
Interest receivable and similar income		-	4,639
Amounts written off investments		(291,890)	-
Interest payable and similar charges	7	<u>(945,526)</u>	<u>(858,701)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		255,382	273,275
Tax on profit on ordinary activities	9	<u>(46,528)</u>	<u>(104,549)</u>
PROFIT FOR THE FINANCIAL YEAR	19	<u>208,854</u>	<u>168,726</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and loss account.

The notes on pages 9 to 21 form part of these financial statements.

ABC DRUG STORES LIMITED
REGISTERED NUMBER: 02825947

BALANCE SHEET
AS AT 31 MARCH 2015

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Intangible assets	10		7,413,031		7,508,030
Tangible assets	11		700,470		811,049
Investments	12		<u>4,927,812</u>		<u>5,219,702</u>
			13,041,313		13,538,781
CURRENT ASSETS					
Stocks	13	1,386,059		1,424,165	
Debtors	14	6,932,679		7,038,276	
Cash at bank and in hand		<u>61,696</u>		<u>76,735</u>	
		8,380,434		8,539,176	
CREDITORS: amounts falling due within one year	15		<u>(4,264,109)</u>	<u>(4,778,555)</u>	
NET CURRENT ASSETS			<u>4,116,325</u>		<u>3,760,621</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			17,157,638		17,299,402
CREDITORS: amounts falling due after more than one year	16		<u>(22,752,555)</u>	<u>(23,103,173)</u>	
NET LIABILITIES			<u>(5,594,917)</u>	<u>(5,803,771)</u>	
CAPITAL AND RESERVES					
Called up share capital	18		327,001		327,001
Profit and loss account	19		<u>(5,921,918)</u>		<u>(6,130,772)</u>
SHAREHOLDERS' DEFICIT	20		<u>(5,594,917)</u>	<u>(5,803,771)</u>	

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

Mr K C Patel Jnr

Director

Date: 11 December 2015

The notes on pages 9 to 21 form part of these financial statements.

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 2015. 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 2015**

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 deducted.

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 transaction.

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 2015**

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

	2015 £	2014 £
Rent receivable	<u>67,363</u>	<u>88,873</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets:		
- owned by the company	139,099	177,521
Operating lease rentals:		
- plant and machinery	2,355	256
- other operating leases	<u>834,106</u>	<u>795,429</u>

During the year, no Director received any emoluments (2014 - £NIL).

5. AUDITORS' REMUNERATION

	2015 £	2014 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	25,500	16,750
Fees payable to the Company's auditor and its associates in respect of:		
All other non-audit services not included above	<u>16,400</u>	<u>16,325</u>

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

6. STAFF COSTS

Staff costs were as follows:

	2015	2014
	£	£
Wages and salaries	3,138,302	3,117,421
Social security costs	278,069	269,804
Other pension costs	20,526	11,057
	<u>3,436,897</u>	<u>3,398,282</u>

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

	2015	2014
	No.	No.
Distribution and sales staff	<u>141</u>	<u>137</u>

7. INTEREST PAYABLE

	2015	2014
	£	£
On bank loans and overdrafts	181,143	128,211
On other loans	764,383	730,490
	<u>945,526</u>	<u>858,701</u>

8. EXCEPTIONAL ITEMS

	2015	2014
	£	£
Disposal of pharmacy branches	<u>381,954</u>	<u>-</u>

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

9. TAXATION

	2015	2014
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	46,528	17,259
Adjustments in respect of prior periods	-	(166)
	<u>46,528</u>	<u>17,093</u>
Deferred tax (see note 17)		
Origination and reversal of timing differences	-	87,456
Tax on profit on ordinary activities	<u>46,528</u>	<u>104,549</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 21% (2014 - 23%). The differences are explained below:

	2015	2014
	£	£
Profit on ordinary activities before tax	<u>255,382</u>	<u>273,275</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014 - 23%)	53,630	62,853
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(14,335)	13,110
Capital allowances for year in excess of depreciation	(14,594)	(25,207)
Utilisation of tax losses	(3,702)	(35,390)
Adjustments to tax charge in respect of prior periods	-	(166)
Short term timing difference leading to an increase (decrease) in taxation	(4)	4,071
Non-taxable income	(2,968)	-
Chargeable disposals	28,881	-
Other tax adjustments	(380)	(2,178)
	<u>46,528</u>	<u>17,093</u>
Current tax charge for the year (see note above)	<u>46,528</u>	<u>17,093</u>

Other tax adjustments reflect marginal rate relief.

The company has estimated tax losses of £4,593,677 (2014: £4,628,102) available for carry forward against future trading profits.

As at 31 March 2015 a deferred tax asset existed in respect of losses carried forward of £1,452,000 (2014: £1,452,000), based on an expected future tax rate of 20% (2014: 20%). The full deferred tax has not been recognised in full as the necessary conditions have not been met.

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

10. INTANGIBLE FIXED ASSETS

	Retail pharmacy licences £
Cost	
At 1 April 2014	7,508,030
Additions	7,500
Disposals	<u>(102,499)</u>
At 31 March 2015	<u>7,413,031</u>
Net book value	
At 31 March 2015	<u>7,413,031</u>
At 31 March 2014	<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 2014	374,360	181,264	1,753,014	2,308,638
Additions	-	-	32,060	32,060
Disposals	<u>(2,667)</u>	-	<u>(16,528)</u>	<u>(19,195)</u>
At 31 March 2015	<u>371,693</u>	<u>181,264</u>	<u>1,768,546</u>	<u>2,321,503</u>
Depreciation				
At 1 April 2014	298,129	177,972	1,021,488	1,497,589
Charge for the year	21,800	3,292	114,007	139,099
On disposals	<u>(2,667)</u>	-	<u>(12,988)</u>	<u>(15,655)</u>
At 31 March 2015	<u>317,262</u>	<u>181,264</u>	<u>1,122,507</u>	<u>1,621,033</u>
Net book value				
At 31 March 2015	<u>54,431</u>	-	<u>646,039</u>	<u>700,470</u>
At 31 March 2014	<u>76,231</u>	<u>3,292</u>	<u>731,526</u>	<u>811,049</u>

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2014	5,219,702
Amounts written off	<u>(291,890)</u>
At 31 March 2015	<u>4,927,812</u>
Net book value	
At 31 March 2015	<u>4,927,812</u>
At 31 March 2014	<u>5,219,702</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 2015 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>2,006,543</u>	<u>118,859</u>

During the year a dormant subsidiary, Winshill Pharmacy Ltd, has been dissolved.

13. STOCKS

	2015 £	2014 £
Finished goods and goods for resale	<u>1,386,059</u>	<u>1,424,165</u>

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

14. DEBTORS

	2015	2014
	£	£
Trade debtors	2,991,645	3,043,054
Amounts owed by group undertakings	2,260,512	2,051,442
Corporation tax	-	16,737
Other debtors	1,112,574	1,318,613
Prepayments and accrued income	267,948	308,430
Deferred tax asset (see note 17)	300,000	300,000
	<u>6,932,679</u>	<u>7,038,276</u>

15. CREDITORS:

Amounts falling due within one year

	2015	2014
	£	£
Bank loans and overdrafts	719,945	1,321,233
Trade creditors	2,998,392	2,616,688
Corporation tax	12,532	-
Other taxation and social security	68,776	73,096
Other creditors	267,249	457,765
Accruals and deferred income	197,215	309,773
	<u>4,264,109</u>	<u>4,778,555</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 2015**

16. CREDITORS:

Amounts falling due after more than one year

	2015	2014
	£	£
Bank loans	3,985,000	5,100,000
Other loans	18,767,555	18,003,173
	<u>22,752,555</u>	<u>23,103,173</u>

Included within the above are amounts falling due as follows:

	2015	2014
	£	£
Between one and two years		
Bank loans	<u>600,000</u>	<u>600,000</u>
Between two and five years		
Bank loans	<u>3,385,000</u>	<u>4,500,000</u>
Over five years		
Other loans	<u>18,767,555</u>	<u>18,003,173</u>

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

	2015	2014
	£	£
Repayable other than by instalments	<u>18,767,555</u>	<u>18,003,173</u>

Bank loans and overdrafts due within one year and after more than one year amounting to £4,704,945 (2014: £6,421,233) 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 company decided to re-finance bank loan facilities post year end. The bank loan facilities have been repaid in full in September 2015. The loans bear interest rate 2.65% per annum above LIBOR. Healthcare Drugstores Limited, the company's parent, was refinanced after the year end. As a result, ABC Drug Stores Limited loan was repaid in full in September 2015.

The other loans represent amounts due to the company's parent 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 2015**

17. DEFERRED TAX ASSET

	2015	2014
	£	£
At beginning of year	300,000	387,456
Movement during year (P&L)	-	(87,456)
	300,000	300,000
	300,000	300,000

The deferred tax asset is made up as follows:

	2015	2014
	£	£
Accelerated capital allowances	(6,052)	(6,052)
Tax losses carried forward	(290,400)	(290,400)
Other timing differences	(3,548)	(3,548)
	(300,000)	(300,000)
	(300,000)	(300,000)

18. SHARE CAPITAL

	2015	2014
	£	£
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
	327,001	327,001
	327,001	327,001

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 2014	(6,130,772)
Profit for the financial year	208,854
	(5,921,918)
At 31 March 2015	(5,921,918)

ABC DRUG STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2015	2014
	£	£
Opening shareholders' deficit	(5,803,771)	(5,972,497)
Profit for the financial year	<u>208,854</u>	<u>168,726</u>
Closing shareholders' deficit	<u>(5,594,917)</u>	<u>(5,803,771)</u>

21. ACQUISITIONS AND DISPOSALS

Disposals

During the year the company disposed off one pharmacy branch. The fair values of the identifiable assets and liabilities at the date of disposal (including goodwill) were as follows

	£
Assets and liabilities sold	
Tangible fixed assets	3,540
Intangible fixed assets	102,499
Stocks	<u>28,308</u>
Net assets sold	134,347
Legal & professional cost attributable to disposal	15,555
Gain/(loss) on disposal	<u>381,954</u>
	<u>531,856</u>
Proceeds - cash	<u>531,856</u>
	<u>531,856</u>

22. 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 £20,526 (2014: £11,057). Contributions totalling £17,680 (2014: £17,700) were payable to the fund at the balance sheet date and are included in creditors

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

23. OPERATING LEASE COMMITMENTS

At 31 March 2015 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2015	2014
	£	£
Expiry date:		
Within 1 year	59,821	<i>167,000</i>
Between 2 and 5 years	413,950	<i>417,250</i>
After more than 5 years	539,292	<i>449,305</i>

24. 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 £86,374 (2014: £116,385) from Day Lewis Plc and paid £250,000 (2014: £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 £608,025 (2014: £615,119) in respect of expenses paid by Day Lewis Plc on behalf of the company. At the balance sheet date £25,000 (2014: £34,021 receivable) was payable to Day Lewis Plc for other expenses paid on behalf of the company.

The company sold goods of £845,846 (2014: £1,069,571) to Day Lewis Medical Limited and purchased goods from Day Lewis Medical Limited of £6,049,960 (2014: £5,662,434). The company was also recharged £65,217 (2014: £78,824) in respect of expenses paid by Day Lewis Medical Limited on behalf of the company. The company charged £3,092 (2014: £197,848) in respect of expenses paid for Day Lewis Medical Limited. At the balance sheet date £658,099 (2014: £20,665 receivable) was owed by Day Lewis Medical Limited.

The company was recharged £111,128 (2014: £58,975) in respect of expenses paid by Day Lewis Chemists Limited on behalf of the company. At the balance sheet date £18,667 (2014: £4,550) was payable to Day Lewis Chemists Limited.

The company paid expenses on behalf of Tayzana Limited of £7,075 (2014: £9,459). At the balance sheet date £918 (2014: £nil) was due to the company.

The company paid rent to the following:

Rupa Patel, K C Patel's daughter, £24,250 (2014: £25,000)

Joseph Cattoo, P Cattoo's son, £24,250 (2014: £25,000)

The company purchased goods of £156,416 (2014: £136,107) from Swingward Limited, a company in which K C Patel has a controlling interest. At the balance sheet date £24,660 (2014: £13,354) was payable to Swingward Limited.

ABC DRUG STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

25. POST BALANCE SHEET EVENTS

In August 2015, the company completed the disposal of Medex Health Limited, a subsidiary of the company for £4.9m to PCT Healthcare Limited.

In September 2015 the company sold 5 pharmacy branches to Day Lewis Plc, a company controlled by K C Patel, for £3.6m resulting in a profit on disposal of £1.9m.

During September 2015, the company has acquired the Community Stores Limited group for £100 from Horizon Healthcare Limited, a company controlled by K C Patel. The net assets acquired amounted to £4.4m.

Horizon Healthcare Limited is a fellow subsidiary of Horizon Drugstores Limited; a company controlled by K C Patel and family.

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's parent company is Healthcare Drugstores Limited, 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 company's ultimate parent company is Horizon Drugstores Limited, a company registered in Jersey, Channel Islands. The company is controlled by K C Patel and family members.

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