

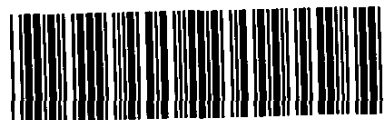
Registered number: 01202866

DAY LEWIS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

THURSDAY



ACIU09AZ

A04

21/12/2023

#12

COMPANIES HOUSE

DAY LEWIS PLC

COMPANY INFORMATION

Directors	Mr K C Patel Jnr (Jay) Mr J C Patel Jnr (Sam) Mr P J Glover Miss H Patel Mr C C Edwards Miss R Patel (appointed 9 May 2022)
Company secretary	Miss H Patel
Registered number	01202866
Registered office	2 Peterwood Way Croydon Surrey CR0 4UQ
Independent auditor	KPMG LLP, Statutory Auditor Chartered Accountants Global House High Street Crawley RH10 1DQ
Banker	National Westminster Bank Plc 89 Mount Pleasant Road Tunbridge Wells Kent TN1 1PX
Solicitor	Cripps LLP 23 Kings Hill Avenue West Malling Kent ME19 4UA

DAY LEWIS PLC

CONTENTS

	Page
Group Strategic Report	1 - 6
Directors' Report	7 - 11
Independent Auditor's Report to the Members of Day Lewis Plc	12 - 15
Consolidated Profit and Loss Account	16
Consolidated Balance Sheet	17 - 18
Company Balance Sheet	19
Consolidated Statement of Changes in Equity	20 - 21
Company Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23 - 24
Consolidated Analysis of Net Debt	25
Notes to the Financial Statements	26 - 65

DAY LEWIS PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

Business review

Day Lewis is the UK's second largest independent pharmacy chain, with 267 pharmacies owned or managed (at 31 March 2023) across England.

The Group was founded in 1975 and remains a family owned entity, now managed in the second generation by Kirit Patel Jnr (Jay), Rupa Patel and Jayanti Patel Jnr (Sam). Day Lewis has developed strong relationships across the market and has unique insight and influence on factors affecting the pharmacy sector.

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 Group's pharmacies are typically located in local communities, in or near health centres and GP surgeries, delivering increased footfall, developing strong relationships with the local healthcare community and building Day Lewis's brand as a trusted healthcare provider.

Day Lewis prides itself on its service led approach; putting the patient at the heart of its decisions is a key differentiator for the business enabling it to build a large base of loyal, recurring customers, evidenced by repeat prescriptions making up almost 70% of the Group's dispensing activities.

Pharmacy performance remained strong during the financial year to 31 March 2023. As well as the increase in prescription items, retail (over the counter) sales continued the strong growth seen during the COVID pandemic and, as face-to-face consultations remained possible, Day Lewis continued to deliver above average performance on pharmacy services such as flu vaccinations, New Medicine Service (NMS) and hypertension case finding. There was a natural decline in the number of COVID-19 vaccinations delivered during the year due to limited national activity.

Day Lewis continued to outperform the market with the Group dispensing 25.2m prescriptions in the year to 31 March 2023 a 6.8% increase from the prior year (23.6m 2022); dispensing increased nationally over the financial year to 31 March 2023 by 3.4% (versus 2.8% increase in the year to March 2022).

The year to 31 March 2023 saw government financial support provided during the Covid 19 Pandemic come to an end (Business rates relief and Covid 19 expense claim payment).

Growth in costs which are linked to headline inflation rates such as staff costs (mid-year pay rise for the lowest paid), energy, utilities and rent and rates, during the period has led to an increase in Administrative Expenses in the year to £109.5m (£93.2m in the year to 31 March 2022). This has led to a reduction in Operating Profit to £16m in the year to 31 March 2023 (£23.1m in the year to 31 March 2022).

From October 2021, the NHS BSA ended the Pharmacy Earlier Payment Scheme (PEPS). This scheme had been funded by Greensill Capital until they filed for insolvency in March 2021 and was then maintained by the NHS BSA until October 2021. The NHS BSA managed the withdrawal of PEPS with a phased removal (11 months from October 2021) with an agreement for all future payments to be paid earlier than had previously been the case outside of PEPS. In September 2022 Day Lewis entered into a new facility agreement with Lloyds Bank, the NHS Receivables Purchase Agreement which replaced the cash flow benefits of the Pharmacy Early Payment Scheme (PEPS).

During the financial year Day Lewis continued its policy of limiting bank debt by pausing acquisitions and focusing on enhancing the existing estate. Actions included relocating branches to superior locations, focusing on added value services, merging multiple pharmacies into larger single sites and disposing of pharmacies with exceptionally low footfall. The Group has implemented 24/7 prescription collection kiosks in 58 pharmacies and have continued to expand the Pharmacy Hub and Spoke Dispensing Automation at the Croydon distribution centre.

The Group maximises margin by focusing heavily on its pharmaceutical distribution operations. Day Lewis holds

DAY LEWIS PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

all relevant MHRA Wholesaler Dealer Authorisations in order to distribute both prescription and over the counter medicines. The Group purchases from multiple pharmaceutical manufacturers and self distributes to its pharmacies in order to maximise margin wherever possible. In addition, Day Lewis distributes medicines in further external channels including the supply of generics to associated pharmacy retail groups and the global supply of medicines to offshore energy businesses, maritime, cruise and ambulance services. In January 2022 Day Lewis further expanded their supply to external channels through the acquisition of the Bellegrove Medical supplying book of business, supplying to the cruise industry out of North America.

Due to its position in the marketplace, long trading history and strength of relationships Day Lewis has unique access to a wide range of drugs across Europe that it purchases for redistribution. The Day Lewis procurement and distribution teams are highly experienced and knowledgeable providing the Group with an in depth understanding of market dynamics.

The East Midlands Pharma (EMP) business performed strongly in the year. Sales opportunities and efficiencies within the Group continue to develop with further growth expected in the coming years. During this financial year EMP has continued development of proprietary brands including CI-ear and is preparing for a major relocation to state of the art facilities in late 2023.

Statement on business relationships

The Day Lewis Group aims to operate fairly, transparently and with integrity in the marketplace. Day Lewis builds strong external networking with representation on key national bodies including the Pharmaceutical Services Negotiating Committee, Centre for Pharmacy Post Graduate Education and the Association of Independent Multiple Pharmacies.

Day Lewis engages with its customers, suppliers and other key stakeholders through multiple channels including face to face, telephone, conferences and social media. All members of the Senior Management Team are expected to maintain relationships with their key partners. This should provide a broad understanding of the wider market and ensure that their views are considered in decision making.

Statement on Employee Engagement

Maintaining a caring family culture is one of our core values. Day Lewis runs a monthly People Board whose goal is to ensure:

- Our colleagues feel safe and secure whilst working at Day Lewis.
- Our colleagues add value to society and understand and are committed to how they do that at Day Lewis.
- We select, train and develop the right people in the right role in order to align our people resources to fit our strategic intentions.
- Colleagues are given the opportunity to reach their full potential.
- Colleagues feel happy and valued being part of the Day Lewis family.

The above goals are measured in an annual staff engagement survey.

The Day Lewis Group's long-term objectives are:

Driving growth

- To be the pharmacy destination of choice locally for prescriptions and services.
- To maintain a high-quality estate of community pharmacies.
- To grow the business in international markets.
- To diversify investment into other pharmacy related sectors.

DAY LEWIS PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Enhancing margins

- To improve purchasing mix of medicines between generic and branded products.
- To maintain efficient stock control and overall cost control.
- To increase professional services income.

Principal risks and uncertainties

Principal risks and uncertainties and risk management objectives and policies are as follows:

Price risk

The Group, 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. 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 or reimburse any shortfall. 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

In September 2020, the Group entered into a long-term financing agreement with its banks. A Revolving Credit Facility (RCF) of £125m was agreed until at least 2023, which was subsequently extended to September 2025 in June 2022. The facility was voluntarily reduced to £110m in September 2021. In September 2022 the Group entered into a new facility agreement with Lloyds, the NHS Receivables Purchase Agreement which replaced the Pharmacy Early Payment Scheme [PEPS]. The Directors believe the Group has sufficient current and future cash reserves and facilities available to meet its liabilities and financing obligations for at least twelve months from the signing of these financial statements.

There is significant headroom in the banking covenants at 31 March 2023. At the year end £95m (2022: £75m) of the £110m facility was drawn down and additionally there were cash balances in the Group of £26.0m (2022: £4.6m).

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 2.

Interest rate risk

The interest rate risk is significantly mitigated by an interest rate swap arrangement that was entered into in September 2020. Under this agreement interest is fixed at a rate of 0.088% plus margin for £50m of debt (reduced to £40m in March 2023). The swap instrument is in place until September 2025. The balance of debt (£55m at 31 March 2023) is exposed to movements in SONIA.

Macroeconomic, political risk

The Group could be adversely affected by the impact of the current macroeconomic and political environment on key suppliers and customer groups.

The Group notes that the 5-year pharmacy funding deal agreed in 2019 provides security of funding for Community Pharmacies in the coming years. The Group has lobbied for additional funding to recognise the recent impact of inflation on operating costs. The Government announced in May 2023 that it will be providing a further £645m additional funding to Community Pharmacy over the next 2 years. The Government has noted the

DAY LEWIS PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

critical role of Community Pharmacies in their Primary Care Recovery Plan. From 2023/2024 pharmacies will be providing prescription medications for those with common conditions and rolling out the contraception service to ease the burden on GP practices.

The long-term impacts of the COVID-19 pandemic remain to be seen. GPs interactions with patients have changed with less face-to-face consultations and this will especially impact Day Lewis pharmacies based in GP surgeries. Prescribing dynamics and customer circumstances have also changed during the pandemic and Day Lewis expects these changes to continue to drive customer requirements in the future.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses interest rate swap contracts to hedge interest rate exposures. Foreign currency rates risk is mitigated by buying currency at spot and one month forward rates.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Group'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 majority of the Group's retail exposure is with the Department of Health. Exposure to credit risk on wholesale customers is mitigated through credit insurance taken out on the wholesale debtor book. 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

Day Lewis continued to outperform the market with the Group dispensing 25.2m prescriptions, which is a 6.8% increase from the prior year (23.6m dispensed prescriptions in the year to 31 March 2022).

Turnover in the year increased by 8.9% to £474m (2022: £435.1m).

Gross profit increased by £9.6m to £125.5m (2022: £115.9m). The gross margin percentage remained stable at 26.5% (2022: 26.6%).

The total administrative expenses increased by £16.3m to £109.5m (2022: £93.2m). A key driver for this has been the rise in headline inflation rates which has driven staff costs, energy, utilities and rent & rates increases.

Overall, this enabled the Group to achieve an operating profit of £16m (2022: £23.1m)

Net debt has remained consistent at £73m (2022: £73m) this is a result of an increase in the RCF of £20m (£95m in March 2023, £75m in March 2022) offset by increased cash balances.

DAY LEWIS PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Directors' statement of compliance with duty to promote the success of the Group

Section 172 of the Companies Act 2006 requires the directors of the Group to act in the way that they consider, in good faith, would most likely promote the success of the Group for the benefit of its owners and stakeholders.

In doing so section 172 requires a director to have regard (amongst other matters) to:

- a) The likely consequences of any decisions in the long-term.
- b) The interests of the Group's employees.
- c) The need to foster the Group's business relationships with suppliers, customers and others.
- d) The impact of the Group's operations on the community and the environment.
- e) The desirability of the Group maintaining a reputation for high standards of business conduct.
- f) The need to act fairly as between members of the Group.

Since the passing of Kirit Patel MBE in 2016, the business is led by Jay, Rupa, & Sam as joint Executive Directors. JC Patel Snr is still involved in an advisory role. Day Lewis remains a family owned entity with no plans to change this structure in the short or longer terms.

As with any other large organisation, the Executive Directors of Day Lewis delegate authority for the day-to-day management of the Group to the Senior Management Team and then engage management in setting, approving and overseeing execution of the business strategy and related policies.

The Executive Directors are also supported by a group of senior advisors with expertise in Finance, Banking, Commercial, HR, IT and Legal giving a wide range of insight and experience. Day Lewis employs one non-executive director.

The Executive Directors and the Senior Management Team provide supervision and guidance to the wider teams, making decisions concerning operational planning, evaluating performance, workforce planning, remuneration and assessing pharmacy and business acquisitions and international expansion plans.

Day Lewis is regularly recognised as a good place to work and during the year our pharmacy colleagues were recognised for many national awards. In recent years the Executive Directors have been presented with an Entrepreneurship Award at the European Pharmacists Forum, the Day Lewis Group was ranked 49th on the Sunday Times and Grant Thornton Top Track 250 List and individuals have been recognised within the industry for Team Innovation, Healthy Living Advice and a Public Health Pharmacist Award.

Relationships with universities have also developed further with the appointment of Teacher Practitioners at Bath, Reading, UCL, UEA and Sussex. We are also supporting the development of a new Pharmacy School in Plymouth. Day Lewis clearly recognises the importance of education for the next generation of pharmacists and healthcare leaders.

As part of Day Lewis' commitment to the community, pharmacies are encouraged to support local charities and sponsor local events and causes. Every year to mark the first day of Kirit and JC buying their first pharmacy, the support office, warehouses, and pharmacies across the country take part in the annual charity fun day, in which all teams are invited to participate. All teams participate in raising money for a local registered charity of their choice, to ensure that the Group as a whole is able to support as many charities as possible. Pharmacy teams and the support office raise money through fund-raising activities such as cake sales, raffles and recently throwing pies at Directors. Over the last 5 years Day Lewis has donated over £500,000 to various charities.

The KCJC Foundation was set up by the Patel family in memory of the late Kirit Patel MBE. The foundation matches funds raised across the business, pound for pound.

DAY LEWIS PLC

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

In 2019 Day Lewis became founder patrons of 'Legacy', an OnSide Youth Zone providing a 21st century youth club in Croydon. Legacy provides a safe environment where young people can come and enjoy themselves and will enable young people to raise their aspirations and confidence to create a happier and healthier generation. During the current financial year many events have taken place in order to support this charity such as a Golf Day.

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

Mr J C Patel Jnr (Sam)
Director

Date: 27 September 2023

DAY LEWIS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The Directors present their report and the financial statements for the year ended 31 March 2023.

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 they have elected to prepare the Group and Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activities of the Company and the Group in the year under review continued to be those of retail pharmacy and distribution of pharmaceutical supplies.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £8,994k (2022 - £12,123k)

During the year, the Company declared an interim dividend of £2,633k (2022 - £nil)

The Directors do not recommend the payment of a final dividend (2022: £nil).

Directors

The Directors who served during the year were:

Mr K C Patel Jnr (Jay)
Mr J C Patel Jnr (Sam)
Mr P J Glover
Miss H Patel
Mr C C Edwards
Miss R Patel (appointed 9 May 2022)

DAY LEWIS PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Engagement with employees

The Group 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 Group. This is achieved through consultations with 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 Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Group's greenhouse gas emissions (in kilograms of CO2 equivalent) and energy consumption (in kilowatt hours) are as follows:

	2023	2022		
	Energy consumption kWh	Emissions kg CO2e	Energy consumption kWh	Emissions kg CO2e
In connection with activities for which the Group is responsible involving the purchase of electricity for its own use (excluding transport)	3,909,658	756,050	3,728,227	791,615
In connection with activities for which the Group is responsible involving the combustion of gas and consumption of fuel (excluding transport)	239,985	43,723	407,542	74,645
In connection with transport for which the Group is responsible involving the combustion of gas and consumption of fuel and purchase of electricity	3,002,138	753,280	2,515,831	604,134
Total	7,151,781	1,553,053	6,651,600	1,470,394

Business metric used

The business metric used is number of sites. The number of sites in 2022/23 was 246. The number of sites in 2021/22 was 251.

DAY LEWIS PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Statement

Day Lewis has a long-standing commitment to reducing carbon emissions from its operations and has been improving energy efficiency and minimising fuel use over time.

Day Lewis has historically seen a reduction in the use of motor vehicles as staff were encouraged to travel by train and other public transport modes where possible. There was also a significant fall during the years of the Covid-19 pandemic. Accordingly, Day Lewis has seen an increase in the use of motor vehicles in the current year as employees have returned to work on a more regular basis after the pandemic.

Day Lewis continues to have a rolling program to install LED lights throughout its retail pharmacies. In addition, a memo was sent to all staff, both in the field and at head office, to switch off lights and computers / office equipment when not in use and at the end of the day. Photocopiers and printers are using the 'energy saver' or 'standby' mode when not in use.

Furthermore, there has been a conscious effort to ensure all heating / cooling systems are set correctly (timerclocks and temperatures) and to ensure no systems are left on overnight or when not required. Day Lewis has also put in place measures for all doors and windows to be closed when the heating / cooling systems are on. All standalone portable heaters are turned off when the ceiling units are cooling.

Intensity ratio

The intensity ratio for Day Lewis is calculated as total carbon emissions (using Scopes 1 and 2 data only), being 1,553,053 kg CO₂e (2022: 1,470,394 kg CO₂e), divided by the business metric of 246 sites (2022: 251 sites), giving an intensity ratio of 6,313 kg CO₂e / site (2022: 5,858 kg CO₂e / site). Transport carbon emissions have increased by 24.7% due to the return to work after the pandemic but gas and electricity carbon emissions have both reduced year on year.

Other information

An indication of likely future developments in the business and statements of business relationship employee engagement and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

Statement of corporate governance arrangements

For the year to 31 March 2023, the Group has not used any formal Corporate Governance guidelines, although on review and considering the size, scope and future plans of the Group the Directors have plans in place to apply the guidelines from the Wates Corporate Governance Principles for Large Private Companies ("the Wates Principles") as far as is considered appropriate.

The Group remains committed to ensuring effective governance is in place to deliver its core values as this is the foundation on which it manages and controls its business and provides the platform for sustainable growth and profitability.

The Wates Principles provide a framework for the Group to demonstrate how the Directors make decisions for the long-term success of the business, and also how the Group complies with the requirements of Section 172 of the Companies Act.

The Group has in place many of the controls, processes and procedures that would typically be found in larger organisations. In this regard, while not in a position to assert full compliance in every aspect, the Directors have assessed performance against the Wates Principles:

Principle 1 - Purpose & Leadership

The Group has a family led Executive Leadership team. These siblings have separate skills and experiences

DAY LEWIS PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

outside of the Group, are all highly educated (degree and MBAs) and manage and lead in areas relating to their specific skills.

The Core Purpose of the Group is 'to help people in the community stay healthy and feel better' which is achieved through the provision of healthcare through retail, distribution, and manufacturing businesses.

This is driven by the core values:

- To keep our caring family culture.
- To look after our customers.
- To be disciplined and professional.
- To be different through innovation.
- To reward, recognise and empower.
- To have fun.

Principle 2 - Board Composition

The three Executive Directors are supported by one non-Executive Director, Carey Edwards who is Managing Director of LMQ, a strategic planning and training consultancy and Heena Patel who has been an employee of the group from 2011 and is a member of the Institute of Chartered Accountants.

The Group runs monthly board meetings on all separate divisions of the business and also runs four sub-board committees specifically looking at People, Finance, IT and Risk Management Oversight. These sub-committees bring together the Board, Senior Management and external expertise.

Principle 3 - Director Responsibilities

The Directors are fully aware of their responsibilities to the Group, the shareholders and wider stakeholders. Various presentations have been delivered to the Directors outlining their legal, fiscal and other obligations. Updates are provided as the environments in which the Group operates evolves.

Principle 4 - Opportunity & Risk

The Group looks to optimise commercial opportunities with a fast moving and agile Senior Management team. All commercial risk is managed through the divisional board meetings. Health and Safety, data protection and regulatory compliance are overseen by the Board of Directors via the Risk Management Oversight Committee.

Principle 5 - Remuneration

Remuneration of all Directors is aligned to market rates, irrespective of whether they hold a financial interest in the Group.

Principle 6 - Stakeholder Relationships & Engagement

This is covered in the Strategic Report under the section "Directors' statement of compliance with their duty to promote the success of the Group".

DAY LEWIS PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

Disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's and the Group's auditor is unaware, and
- the Director has taken all the steps that they 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 and the Group's auditor is aware of that information.

Auditor

The statutory auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Mr J C Patel Jnr (Sam)
Director
Date: 27 September 2023

2 Peterwood Way
Croydon
Surrey
CR0 4UQ

DAY LEWIS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAY LEWIS PLC

Opinion

We have audited the financial statements of Day Lewis Plc ("the company") for the year ended 31 March 2023 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- Plausible reduction in growth of revenue
- Ability to repay Government loans/NHS clawbacks
- Inflationary increases including wages and salaries
- Inability to comply with their covenants.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 2.3 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAY LEWIS PLC

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group and company's ability to continue as a going concern for the going concern period;
- we found the going concern disclosure in note 2.3 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the simple nature and low value of revenue transactions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected pairings with cash accounts or those that affect classification of earnings in the profit and loss account above EBITDA.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of

DAY LEWIS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAY LEWIS PLC

non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's pharmacy licenses to operate. We identified the following areas as those most likely to have such an effect: Medicines and Healthcare Products Regulatory Agency (MHRA) legislation, PCI legislation, General Pharmaceutical Council (GPhC) legislation, health and safety, data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

DAY LEWIS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAY LEWIS PLC

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

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.

Mark Sheppard (Senior statutory auditor)

for and on behalf of
KPMG LLP, Statutory Auditor

Chartered Accountants

Global House
High Street
Crawley
RH10 1DQ

27 September 2023

DAY LEWIS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £000	2022 £000
Turnover	4	473,993	435,067
Cost of sales		(348,501)	(319,125)
Gross profit		125,492	115,942
Administrative expenses		(109,489)	(93,232)
(Impairment)/reversal of impairment of pharmacy licences		(278)	15
Other operating income	5	307	358
Operating profit	6	16,032	23,083
Group's share of profit in associates		531	506
Profit/(loss) on disposal of subsidiary, associates and unincorporated businesses	14	(3,000)	402
Interest receivable and similar income	10	2,387	2,351
Interest payable and similar expenses	11	(4,237)	(2,172)
Profit before tax		11,713	24,170
Tax on profit	12	(2,384)	(11,603)
Profit for the financial year		9,329	12,567
Profit for the year attributable to:			
Non-controlling interests		335	444
Owners of the parent		8,994	12,123
		9,329	12,567

There are no items of other comprehensive income for 2023 or 2022 other than the profit for the year. As a result, no separate Statement of Comprehensive Income has been presented.

The notes on pages 26 to 65 form part of these financial statements.

DAY LEWIS PLC
REGISTERED NUMBER:01202866

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	14	177,921	173,290
Tangible assets	15	30,151	22,830
Investments	16	10,661	11,131
		<u>218,733</u>	<u>207,251</u>
Current assets			
Stocks	17	48,046	42,110
Debtors: amounts falling due within one year	18	67,320	60,986
Cash at bank and in hand	19	26,026	4,638
		<u>141,392</u>	<u>107,734</u>
Creditors: amounts falling due within one year	20	(78,050)	(61,206)
Net current assets		<u>63,342</u>	<u>46,528</u>
Total assets less current liabilities		<u>282,075</u>	<u>253,779</u>
Creditors: amounts falling due after more than one year	21	(98,441)	(77,538)
Provisions for liabilities			
Deferred taxation	25	(32,520)	(29,227)
Other provisions	26	(5,095)	(7,374)
Net assets		<u>146,019</u>	<u>139,640</u>
Capital and reserves			
Called up share capital	27	100	100
Share premium account	28	418	418
Capital redemption reserve	28	1,694	1,694
Merger reserve	28	757	757
Profit and loss account	28	142,026	135,665
Equity attributable to owners of the parent Company		<u>144,995</u>	<u>138,634</u>
Non-controlling interests		1,024	1,006
		<u>146,019</u>	<u>139,640</u>

DAY LEWIS PLC
REGISTERED NUMBER: 01202866
CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2023

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

Mr J C Patel Jnr (Sam)
Director

Date: 27 September 2023

The notes on pages 26 to 65 form part of these financial statements.

DAY LEWIS PLC
REGISTERED NUMBER:01202866

COMPANY BALANCE SHEET
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	14	162,007	149,654
Tangible assets	15	20,334	14,915
Investments	16	19,226	22,097
		<u>201,567</u>	<u>186,666</u>
Current assets			
Stocks	17	12,232	10,845
Debtors: amounts falling due within one year	18	55,042	44,836
Cash at bank and in hand	19	17,453	955
		<u>84,727</u>	<u>56,636</u>
Creditors: amounts falling due within one year	20	(66,222)	(43,784)
Net current assets		<u>18,505</u>	<u>12,852</u>
Total assets less current liabilities		<u>220,072</u>	<u>199,518</u>
Creditors: amounts falling due after more than one year	21	(95,037)	(75,082)
Provisions for liabilities			
Deferred taxation	25	(27,957)	(24,508)
Other provisions	26	(4,870)	(7,149)
Net assets		<u>92,208</u>	<u>92,779</u>
Capital and reserves			
Called up share capital	27	100	100
Share premium account	28	418	418
Profit and loss account	28	91,690	92,261
		<u>92,208</u>	<u>92,779</u>

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

Mr J C Patel Jnr (Sam)

Director

Date: 27 September 2023

The notes on pages 26 to 65 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Merger reserve £000	Profit and loss account £000	Equity attributable to owners of parent Company £000	controlling interests £000	Total equity £000
At 1 April 2022	100	418	1,694	757	135,665	138,634	1,006	139,640
Comprehensive income for the year								
Profit for the year	-	-	-	-	8,994	8,994	335	9,329
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	8,994	8,994	335	9,329
Interim dividend	-	-	-	-	(2,633)	(2,633)	-	(2,633)
Dividends: Non Equity Capital	-	-	-	-	-	-	(317)	(317)
Total transactions with owners	-	-	-	-	(2,633)	(2,633)	(317)	(2,950)
At 31 March 2023	100	418	1,694	757	142,026	144,995	1,024	146,019

The notes on pages 26 to 65 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Merger reserve £000	Profit and loss account £000	Equity attributable to owners of parent Company £000	controlling Interests £000	Total equity £000
At 1 April 2021	100	418	1,694	757	123,542	126,511	686	127,197
Comprehensive income for the year								
Profit for the year	-	-	-	-	12,123	12,123	444	12,567
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	12,123	12,123	444	12,567
Dividends: Non Equity capital	-	-	-	-	-	-	(124)	(124)
Total transactions with owners	-	-	-	-	-	-	(124)	(124)
At 31 March 2022	100	418	1,694	757	135,665	138,634	1,006	139,640

The notes on pages 26 to 65 form part of these financial statements.

DAY LEWIS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2022	100	418	92,261	92,779
Comprehensive income for the year				
Profit for the year	-	-	2,062	2,062
Total comprehensive income for the year	-	-	2,062	2,062
Interim dividend	-	-	(2,633)	(2,633)
Total transactions with owners	-	-	(2,633)	(2,633)
At 31 March 2023	100	418	91,690	92,208

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2021	100	418	83,715	84,233
Comprehensive income for the year				
Profit for the year	-	-	8,546	8,546
Total comprehensive income for the year	-	-	8,546	8,546
Total transactions with owners	-	-	-	-
At 31 March 2022	100	418	92,261	92,779

The notes on pages 26 to 65 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 £000	2022 £000
Cash flows from operating activities		
Profit for the financial year	9,329	12,567
Adjustments for:		
Amortisation of intangible assets	2,248	2,421
Depreciation of tangible assets	3,242	2,852
Impairments of fixed assets	299	(15)
(Profit)/loss on disposal of tangible assets	33	(49)
(Profit)/loss on disposal of subsidiary, associates and unincorporated business	3,000	(402)
Amortisation of intangible assets held in associates	-	656
Interest payable	4,237	2,172
Interest receivable	(2,387)	(2,351)
Taxation charge	2,384	11,603
(Increase)/decrease in stocks	(5,936)	193
(Increase) in debtors	(3,314)	(12,278)
Increase/(decrease) in creditors	14,188	(3,928)
(Decrease)/increase in provisions	(2,262)	596
Government grant repaid	-	(7,858)
Share of operating (loss) in associates	(531)	(506)
Corporation tax paid	(2,113)	(4,986)
Net cash generated from operating activities	22,417	687
Cash flows from investing activities		
Purchase of intangible fixed assets	(2,697)	(294)
Purchase of tangible fixed assets	(10,596)	(5,273)
Sale of tangible fixed assets	-	135
Associates loans repaid	415	651
Purchase of unlisted and other investments	(250)	-
Purchase of subsidiary undertakings and unincorporated businesses	(4,493)	(3,043)
Cash and cash equivalents acquired on acquisition	407	595
Sale of unincorporated businesses	-	825
Interest received	1,324	241
Associates income received	815	287
Net cash from investing activities	(15,075)	(5,076)

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

	2023 £000	2022 £000
Cash flows from financing activities		
Net movement in bank loans and revolving credit facility	21,446	(217)
Repayment of finance leases	(213)	(470)
Dividends paid	(2,633)	-
Non-controlling interest dividends paid	(317)	(124)
Interest paid	(4,220)	(2,140)
HP interest paid	(17)	(32)
Net cash used in financing activities	14,046	(2,983)
Net increase/(decrease) in cash and cash equivalents	21,388	(8,172)
Cash and cash equivalents at beginning of year	4,638	12,810
Cash and cash equivalents at the end of year	26,026	4,638
Cash and cash equivalents at the end of year comprise:		
Cash At Bank And In Hand	26,026	4,638
	26,026	4,638

The notes on pages 26 to 65 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2023

	At 1 April 2022	Cash flows	Acquisition and disposal of subsidiaries	At 31 March
	£000	£000	£000	2023 £000
Cash at bank and in hand	4,638	20,981	407	26,026
Debt due within 1 year	(207)	(498)	-	(705)
Debt due after 1 year	(77,456)	(20,948)	-	(98,404)
Finance leases	(315)	233	-	(82)
Financial instruments	-	-	-	-
	<u>(73,340)</u>	<u>(232)</u>	<u>407</u>	<u>(73,165)</u>

The notes on pages 26 to 65 form part of these financial statements.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. General information

Day Lewis Plc (the "Company") is a public limited company limited by shares and incorporated, domiciled and registered in England in the United Kingdom. The address of the registered office is given on the Company information page. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 6.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The Company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the Company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included;
- No separate Company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included;
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12; and
- Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time. The Company is entitled to merger relief by Section 612 of the Companies Act 2006 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of the following subsidiary: Cradlecrest Limited

Goodwill arising on consolidation, representing the excess of fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of 20 years.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.3 Going concern

In assessing the validity of the going concern basis, and taking account of reasonably plausible downsides covering a period of at least 12 months from the date of approval of these financial statements, the Directors have considered the cash flow forecasts they have prepared for the period until 31 March 2025. In doing so they have considered the level of bank facilities available to the Company and the Group, and compliance with bank covenant tests both during the period and for the period ahead. In September 2020, the company refinanced its finance facility with 4 banks and now has in place a RCF facility of £110m until September 2025.

Having considered the Company's financial forecasts and investment and financing commitments (including the downside scenario, increase in cost and interest rates), the Directors believe the Company has sufficient current and future cash reserves and facilities available for it to meet its liabilities including financing obligations whilst in compliance with its banking covenants for at least twelve months from the date of signing of the financial statements.

Having considered the above, the Directors conclude that it is appropriate to adopt the going concern basis of accounting because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 Turnover

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

2.5 Intangible assets

Retail Pharmacy Licences

The difference between amounts paid on the acquisition of a pharmacy business and the fair value of its identifiable assets and liabilities is capitalised as an intangible asset as the retail pharmacy licence. Retail pharmacy licences are grouped into cash generating units as appropriate and are subject to an annual impairment review by the directors in accordance with section 27 of FRS102.

Any deficiency arising from the impairment review is written off to the Consolidated Profit and Loss Account in the year in which it arises. Any increases in value are not recognised in the financial statements.

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Profit and Loss Account over its useful economic life.

Other intangible assets

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

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.5 Intangible assets (continued)

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

The estimated useful lives range as follows:

Retail pharmacy licences	-	100	years on straight-line basis
Goodwill	-	20	years on straight-line basis
Trademarks	-	20	years on straight-line basis

2.6 Impairment of fixed assets and goodwill

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

2.7 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Freehold property - not depreciated

Leasehold property - over period of lease

Plant and machinery - 10 - 33.3% straight-line

Motor Vehicles - 25% per annum on reducing balance

Fixtures and fittings - 15% per annum on reducing balance

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Profit and Loss Account.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.9 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated financial statements, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit and loss, other comprehensive income and equity of the associate. The Consolidated Profit and Loss Account includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Balance Sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.10 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

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

2.11 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. 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 profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.12 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.13 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Profit and Loss Account in the same period as the related expenditure.

2.14 Interest income

Interest income is recognised in the Consolidated Profit and Loss Account using the effective interest method.

2.15 Finance costs

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

2.16 Borrowing costs

All borrowing costs are recognised in the Consolidated Profit and Loss Account in the year in which they are incurred.

2.17 Pensions

Defined contribution pension plan

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

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

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

2. Accounting policies (continued)

2.18 Stocks

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

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

2.19 Debtors

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

2.20 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.21 Creditors

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

2.22 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2.23 Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.24 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Profit and Loss Account within 'other operating income'.

2.25 Financial instruments

Other than the interest rate swap disclosed in note 24, the Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

2. Accounting policies (continued)

2.25 Financial instruments (continued)

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

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Profit and Loss Account in finance costs or income as appropriate. The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.26 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.27 Current and deferred taxation

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

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

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

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

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

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

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

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

Critical judgements in applying the Company's accounting policies

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

Key source of estimation uncertainty - impairment of retail pharmacy licences

Determining whether the values of retail pharmacy licenses are impaired requires an estimation of the value in use of the cash-generating units to which retail pharmacy licenses have been allocated. The impairment value is based on the applicable discount rate and turnaround plan for cash-generating units that may have been impaired. The carrying amount of retail pharmacy licenses at the balance sheet date was £174m (2022 - £169m) after a loss of £278k (2022 - £15k gain) was recognised during the year.

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

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

4. Turnover

The whole of the turnover is attributable to the sale of pharmaceutical products.

Analysis of turnover by country of destination:

	2023 £000	2022 £000
United Kingdom	467,600	427,443
Rest of the world	6,393	7,624
	<u>473,993</u>	<u>435,067</u>

Turnover is not disclosed by activity due to commercial reasons.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

5. Other operating income

	2023 £000	2022 £000
Other operating income	4	8
Net rents receivable	299	339
Insurance claims receivable	4	11
	<u>307</u>	<u>358</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2023 £000	2022 £000
Depreciation of tangible fixed assets	3,242	2,852
Amortisation of intangible assets, including goodwill	2,247	3,077
Impairment of intangible assets	278	(15)
(Profit)/loss on disposal of fixed assets	33	(49)
Other operating lease rentals	7,861	8,450
Defined contribution pension cost	<u>1,413</u>	<u>1,289</u>

7. Auditor's remuneration

During the year, the Group obtained the following services from the Company's auditor and its associates:

	2023 £000	2022 £000
Fees payable to the Company's auditor and its associates for the audit of the consolidated and parent Company's financial statements	<u>178</u>	<u>147</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

8. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Wages and salaries	58,565	52,813	47,970	44,398
Social security costs	4,953	3,803	4,082	3,301
Cost of defined contribution scheme	1,413	1,289	1,171	1,088
	<u>64,931</u>	<u>57,905</u>	<u>53,223</u>	<u>48,787</u>

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

	Group 2023 No.	Group 2022 No.	Company 2023 No.	Company 2022 No.
Management and pharmacists	515	511	490	487
Sales assistants	1,703	1,648	1,696	1,639
Distribution staff	307	273	236	214
	<u>2,525</u>	<u>2,432</u>	<u>2,422</u>	<u>2,340</u>

9. Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	755	653
Company contributions to defined contribution pension schemes	40	15
	<u>795</u>	<u>668</u>

During the year retirement benefits were accruing to 1 Director (2022 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £202k (2022 - £220k).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2022 - £NIL).

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

10. Interest receivable

	2023 £000	2022 £000
Net changes in fair value of interest rate swap	1,063	2,110
Swap interest income	1,054	-
Share of associates' interest receivable	53	31
Other interest receivable	217	210
	<u>2,387</u>	<u>2,351</u>

11. Interest payable and similar expenses

	2023 £000	2022 £000
Bank interest payable	4,210	2,102
Other interest payable	9	38
Hire purchase interest payable	18	32
	<u>4,237</u>	<u>2,172</u>

12. Taxation

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the year	986	3,784
Adjustments in respect of previous periods	(1)	56
Total current tax	<u>985</u>	<u>3,840</u>
Deferred tax		
Origination and reversal of timing differences	1,235	1,148
Changes to tax rates	232	7,029
Prior year adjustment	(68)	(414)
Total deferred tax	<u>1,399</u>	<u>7,763</u>
Taxation on profit on ordinary activities	<u>2,384</u>	<u>11,603</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - *higher than*) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £000	2022 £000
Profit before tax	11,713	24,170
Profit multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	2,226	4,592
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	300	390
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	214	277
Super deduction capital allowances	(460)	(234)
Adjustments to tax charge in respect of prior periods	(1)	56
Non-taxable income	(17)	(93)
Deferred tax not recognised previously	(42)	-
Deferred tax prior year adjustment	(68)	(414)
Tax rate changes	232	7,029
Total tax charge for the year	2,384	11,603

Factors that may affect future tax charges

The UK corporation tax rate increased from 19% to 25% on 1 April 2023. The rate of UK corporation tax applied for the year ended 31 March 2023 was 19%.

The UK deferred tax liability as at 31 March 2023 was calculated at 25% (2022: 25%).

13. Dividends

	2023 £000	2022 £000
Dividends paid (£26.33 per share)	2,633	-
	2,633	-

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. Intangible assets

Group

	Retail Pharmacy Licences £000	Other intangible assets £000	Goodwill £000	Total £000
Cost				
At 1 April 2022	180,873	768	11,501	193,142
Additions	2,241	183	273	2,697
Disposals	(3,000)	-	-	(3,000)
On acquisition of subsidiaries	7,460	-	-	7,460
At 31 March 2023	187,574	951	11,774	200,299
Amortisation				
At 1 April 2022	11,486	140	8,226	19,852
Charge for the year on owned assets	1,731	240	277	2,248
Impairment losses	278	-	-	278
At 31 March 2023	13,495	380	8,503	22,378
Net book value				
At 31 March 2023	174,079	571	3,271	177,921
At 31 March 2022	169,387	628	3,275	173,290

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. Intangible assets (continued)

Company

	Retail Pharmacy Licences £000	Other intangible assets £000	Total £000
Cost			
At 1 April 2022	158,950	820	159,770
Additions	8,276	183	8,459
Transfer from Investments in subsidiaries companies	5,900	-	5,900
At 31 March 2023	173,126	1,003	174,129
Amortisation			
At 1 April 2022	9,787	329	10,116
Charge for the year	1,512	216	1,728
Impairment losses	278	-	278
At 31 March 2023	11,577	545	12,122
Net book value			
At 31 March 2023	161,549	458	162,007
At 31 March 2022	149,163	491	149,654

In previous years trade and assets of some subsidiary companies were hived up into the Company. This adjustment recognises that the carrying value of the investment in those subsidiaries exceeded the remaining net assets in those (now dormant) entities. This arises as the fair value of licenses acquired with each entity was not recognised in their individual balance sheets but was reflected in the purchase price of the subsidiary. Transferring the excess to intangible assets is consistent with the fact that the Company now benefits from the license rather than the subsidiary.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. Tangible fixed assets

Group

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000
Cost or valuation					
At 1 April 2022	6,213	7,178	1,989	1,090	31,927
Additions	768	37	610	92	5,271
Disposals	-	-	-	(273)	(4)
Transfers between classes	-	-	6	-	(6)
At 31 March 2023	6,981	7,215	2,605	909	37,188
Depreciation					
At 1 April 2022	303	5,159	408	866	20,035
Charge for the year on owned assets	-	373	462	67	2,340
Disposals	-	-	-	(243)	(1)
At 31 March 2023	303	5,532	870	690	22,374
Net book value					
At 31 March 2023	6,678	1,683	1,735	219	14,814
At 31 March 2022	5,910	2,019	1,581	224	11,892

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. Tangible fixed assets (continued)

	Assets under construction £000	Total £000
Cost or valuation		
At 1 April 2022	1,204	49,601
Additions	3,818	10,596
Disposals	-	(277)
Transfers between classes	-	-
At 31 March 2023	5,022	59,920
Depreciation		
At 1 April 2022	-	26,771
Charge for the year on owned assets	-	3,242
Disposals	-	(244)
At 31 March 2023	-	29,769
Net book value		
At 31 March 2023	5,022	30,151
At 31 March 2022	1,204	22,830

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2023 £000	2022 £000
Motor vehicles	11	15
Furniture, fittings and equipment	614	786
	625	801

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. Tangible fixed assets (continued)

Company

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and equipment £000
Cost					
At 1 April 2022	465	5,170	1,371	895	24,726
Additions	-	18	148	61	4,033
Disposals	-	-	-	(273)	(4)
At 31 March 2023	465	5,188	1,519	683	28,755
Depreciation					
At 1 April 2022	141	3,370	182	713	14,510
Charge for the year on owned assets	-	334	214	50	2,028
Disposals	-	-	-	(243)	(1)
At 31 March 2023	141	3,704	396	520	16,537
Net book value					
At 31 March 2023	324	1,484	1,123	163	12,218
At 31 March 2022	324	1,800	1,189	182	10,216

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. Tangible fixed assets (continued)

	Assets under construction	Total
	£000	£000
Cost		
At 1 April 2022	1,204	33,831
Additions	3,818	8,078
Disposals	-	(277)
At 31 March 2023	5,022	41,632
Depreciation		
At 1 April 2022	-	18,916
Charge for the year on owned assets	-	2,626
Disposals	-	(244)
At 31 March 2023	-	21,298
Net book value		
At 31 March 2023	5,022	20,334
At 31 March 2022	1,204	14,915

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2023	2022
	£000	£000
Motor vehicles	11	15
Furniture, fittings and equipment	614	738
	625	753

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

16. Fixed asset investments

Group

	Investments in associates £000	Unlisted investments £000	Loans to associates £000	Retail pharmacy licences in associates (net of deferred tax) £000	Total £000
Cost					
At 1 April 2022	282	2,756	665	8,652	12,355
Additions	-	250	-	-	250
Repayments	-	-	(415)	-	(415)
Transfer on hive up	131	-	-	(378)	(247)
Share of losses	(37)	-	-	-	(37)
At 31 March 2023	376	3,006	250	8,274	11,906
Impairment					
At 1 April 2022	-	-	-	1,224	1,224
Charge for the period	-	-	-	21	21
At 31 March 2023	-	-	-	1,245	1,245
Net book value					
At 31 March 2023	376	3,006	250	7,029	10,661
At 31 March 2022	282	2,756	665	7,428	11,131

The Group acquired the remaining 50% share in an associate, Denmark Street Healthcare LLP, on 1 April 2022 which was previously 50% owned by the Group. On completion the assets and trade were hived up into Day Lewis plc. See the Business combinations note 29.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Company

	Investments in subsidiary companies £000	Unlisted investments £000	Total £000
Cost			
At 1 April 2022	24,516	328	24,844
Additions	3,029	-	3,029
Transfer to Retail Pharmacy Licenses	(5,900)	-	(5,900)
At 31 March 2023	21,645	328	21,973
Impairment			
At 1 April 2022	2,747	-	2,747
At 31 March 2023	2,747	-	2,747
Net book value			
At 31 March 2023	18,898	328	19,226
At 31 March 2022	21,769	328	22,097

The Company acquired a 100% share in Norsworthy Limited on 1 July 2022. See the Business combinations note 29.

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Day Lewis Chemists Limited (Company number: 01586170)	Dormant	Ordinary shares £1 each	100 %
Day Lewis Medical Limited (Company number: 01904504)	Distribution of Pharmaceuticals	Ordinary shares £1 each	100 %
Cradlecrest Limited (Company number: 01612286)	Distribution of Pharmaceuticals	Ordinary shares £1 each	100 %
Leach and Burton Limited (Company number: 02302184)	Dormant	Ordinary shares £1 each	100 %
Tayzana Limited (Company number: 02022221)	Retail Pharmacies	Ordinary shares £1 each	51 %
Medi Options Limited (Company number: 08157624)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %
Healthcare Drugstores Limited (Company number: 07264746)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %
East Midlands Pharma Limited (Company number: 05365532)	Pharmaceutical products and medical services	Ordinary shares £1 each	100 %
Narrowcliff Medical Services Limited (Company number: 07372866)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %
Stargazer Drug Stores Limited (Company number: 08375218)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %
Newlands Pharmacies Limited (Company number: 01896141)	Dormant	Ordinary shares £1 each	100 %
Keyshare Limited (Company number: 04395746)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Direct subsidiary undertakings (continued)

Name	Principal activity	Class of shares	Holding
Gleadless Valley Pharmacy Limited (Company number: 04747975)	Dormant	Ordinary shares £1 each	100 %
Day Lewis Properties Limited (Company number: 10509005)	Investment properties	Ordinary shares £1 each	100 %
Liptrots (Calverley) Limited (Company number: 05994082)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %
Gnosall Healthcare Limited (Company number: 03222950)	Dormant	Ordinary shares £1 each	100 %
Ramsay Enterprises Limited (Company number: 05543446)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %
Readesmoor Healthcare LLP (Company number: OC379373)	Dormant	Partnership	100 %
Denmark Street Healthcare LLP (Company number: OC377647)	Dormant	Partnership	100 %
Finchampstead Healthcare LLP (Company number: OC378219)	Dormant	Partnership	100 %
APM Healthcare Limited (Company number: 068889809)	Holding investment in pharmacy companies	Ordinary shares £0.1 each	100 %
Nailsea Healthcare LLP (Company number: OC375502)	Dormant	Partnership	100 %
Norsworthy Limited (Company number: 05883457)	Dormant	Ordinary shares £1 each	100 %
The Essential Pharmacy Limited (Company number: 05410890)	Dormant	Ordinary shares £1 each	100 %
Axbridge Square Company Limited (Company number: 06456709)	Dormant	Ordinary shares £1 each	100 %
Drury's Pharmacies Limited (Company number: 03602459)	Dormant	Ordinary shares £1 each	100 %

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Direct subsidiary undertakings (continued)

Name	Principal activity	Class of shares	Holding
Una Murray Limited (Company number: 05521483)	Dormant	Ordinary shares £1 each	100 %

The above companies only have one class of share capital and were registered at 2 Peterwood Way, Croydon, Surrey, CR0 4UQ except East Midlands Pharma Ltd which is registered at Unit 2a Old Dalby Business Park, Station Road, Old Dalby, Leicestershire, LE14 3NJ.

All companies have accounting year ends of 31 March.

All of the subsidiary undertakings have been consolidated in the Group financial statements.

All of the subsidiary undertakings except Day Lewis Medical Limited are exempt from the Companies Act 2006 requirements relating to the audit of their individual financial statements by virtue of Section 479A of the Act as this Company has guaranteed the subsidiary company under Section 479C of the Act.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Direct subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 March 2023 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Share capital and reserves	Profit/(Loss)
	£000	£000
Day Lewis Chemists Limited	-	-
Day Lewis Medical Limited	40,852	6,512
Cradlecrest Limited	4,873	170
Leach and Burton Limited	606	-
Tayzana Limited	1,354	491
Medi Options Limited	318	137
Healthcare Drugstores Limited	(1,284)	-
East Midlands Pharma Limited	(1,491)	205
Narrowcliff Medical Services Limited	-	-
Stargazer Drug Stores Limited	223	75
Newlands Pharmacies Limited	-	-
Keyshare Limited	1	-
Gleadless Valley Pharmacy Limited	-	-
Liptrots (Calverley) Limited	-	-
Day Lewis Properties Limited	1,527	333
Drury's Pharmacies Limited	1	-
Una Murray Limited	-	-
Gnosall Healthcare Limited	-	-
APM Healthcare Ltd	571	-
Ramsay Enterprises Limited	1	-
Readesmoor Healthcare LLP	-	-
Nailsea Healthcare LLP	874	-
The Essential Pharmacy Limited	525	-
Denmark Street Healthcare LLP	715	965
Norsworthy Limited	2,553	2,383
Axbridge Square Company Limited	1,393	-
Finchampstead Healthcare LLP	64	-

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
ABC Drug Stores Limited (Company number: 02825947)	Retail Pharmacies	Ordinary shares £1 each	100 %
Community Stores Limited (Company number: 07066644)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %
Cape Holdings Limited (Company number: 09440413)	Retail Pharmacies	Ordinary shares £1 each	51 %
R.S. Marsden (Chemist) Limited (Company number: 01200990)	Dormant	Ordinary shares £1 each	100 %
Budget Pharma UK Limited (Company number: 05690554)	Dormant	Ordinary shares £1 each	100 %
Pollenase Limited (Company number: 09261222)	Dormant	Ordinary shares £1 each	100 %
Sem Pharma Limited (Company number: 10405819)	Dormant	Ordinary shares £1 each	100 %
HQEM Pharma Limited (Company number: 10517180)	Dormant	Ordinary shares £1 each	100 %
HQEMP Limited (Company number: 10517228)	Dormant	Ordinary shares £1 each	100 %
Liptrots (Farsley) Limited (Company number: 05994048)	Dormant	Ordinary shares £1 each	100 %
Community Pharmacies (UK) Ltd (Company number: 06912826)	Holding investment in pharmacy companies	Ordinary shares £1 each	100 %
Ramsay Pharmacy Limited (Company number: 04259371)	Dormant	Ordinary shares £1 each	100 %

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

Indirect subsidiary undertakings (continued)

Name	Principal activity	Class of shares	Holding
Harlequin BPI Limited (Company number: 08132968)	Dormant	Ordinary shares £1 each	100 %
Cradlecrest USA, Inc	Wholesale trade	Shares of common stock \$0.10 each	100 %
Littlefields Holding Ltd (Company number: 14211203)	Dormant	Ordinary shares £1 each	100 %
Littlefields Limited (Company number: 01764387)	Dormant	Ordinary shares £1 each	100 %

The above companies only have one class of share capital and were registered at 2 Peterwood Way, Croydon, Surrey, CR0 4UQ except Budget Pharma UK Ltd, Pollenase Limited, Sem Pharma Limited, HQEMP Pharma Limited, HQEMP Limited and Harlequin BPI Limited which are registered at Unit 2a Old Dalby Business Park, Station Road, Old Dalby, Leicestershire. LE14 3NJ and Cradlecrest USA, Inc which is registered at 19632 70th Ave South - Suite 4-3, Kent, WA 98032-2176.

All companies have accounting year ends of 31 March.

All of the indirect subsidiary undertakings have been consolidated in the Group financial statements.

All of the indirect subsidiary undertakings are exempt from the Companies Act 2006 requirements relating to the audit of their individual financial statements by virtue of Section 479A of the Act as this Company has guaranteed the subsidiary company under Section 479C of the Act.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Indirect subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 March 2023 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Share capital and reserves £000	Profit/(Loss) £000
ABC Drug Stores Limited	2,080	(46)
Community Stores Limited	-	-
Cape Holdings Limited	731	188
R.S. Marsden (Chemist) Limited	1	-
Budget Pharma UK Limited	-	-
Pollenase Limited	-	-
Sem Pharma Limited	-	-
HQEM Pharma Limited	-	-
HQEMP Limited	-	-
Liptrots (Farsley) Limited	-	-
Community Pharmacies (UK) Ltd	1,757	631
Ramsay Pharmacy Limited	1	-
Harlequin BPI Limited	-	-
Cradlecrest USA, Inc	367	232
Littlefields Holding Ltd	1,289	-
Littlefields Limited	1,955	1,165

Associates

The following were associates of the Company:

Name	Principal activity	Class of shares	Holding
Arlington Road Healthcare LLP	Retail pharmacy	Partnership	50 %
Camberley Healthcare LLP	Retail pharmacy	Partnership	50 %
Crewkerne Healthcare LLP	Retail pharmacy	Partnership	50 %
Felixstowe Healthcare LLP	Retail pharmacy	Partnership	50 %
Gale Farm Healthcare LLP	Retail pharmacy	Partnership	50 %
Harrogate Healthcare LLP	Retail pharmacy	Partnership	50 %
Haslemere Healthcare LLP	Retail pharmacy	Partnership	50 %
Hope Farm Healthcare LLP	Retail pharmacy	Partnership	50 %
Newton Place Healthcare LLP	Retail pharmacy	Partnership	50 %
Priory Fields Healthcare LLP	Retail pharmacy	Partnership	50 %
Somerset Gardens Healthcare LLP	Retail pharmacy	Partnership	50 %
South Kirkby Healthcare LLP	Retail pharmacy	Partnership	30 %

Stockton Heath Healthcare LLP

Retail pharmacy

Partnership

50
%

The above associates were registered at 2 Peterwood Way, Croydon, Surrey, CR0 4UQ.

All associates have accounting year ends of 31 March.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

17. Stocks

	Group	<i>Group</i>	Company	<i>Company</i>
	2023	<i>2022</i>	2023	<i>2022</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Finished goods and goods for resale	48,046	<i>42,110</i>	12,232	<i>10,845</i>
	48,046	<i>42,110</i>	12,232	<i>10,845</i>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £348,501k (2022 - £319,125k).

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

18. Debtors

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade debtors	46,389	44,604	3,851	9,130
Amounts owed by group undertakings	-	-	38,519	24,613
Other debtors	7,410	6,283	3,099	3,107
Prepayments and accrued income	9,298	7,393	4,294	4,424
Corporation tax receivable	454	-	1,510	856
Financial instruments (note 24)	3,769	2,706	3,769	2,706
	<u>67,320</u>	<u>60,986</u>	<u>55,042</u>	<u>44,836</u>

19. Cash at bank and in hand

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Bank and cash balances	26,026	4,638	17,453	955
	<u>26,026</u>	<u>4,638</u>	<u>17,453</u>	<u>955</u>

20. Creditors: Amounts falling due within one year

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Bank overdrafts	-	-	-	8,221
Bank loans	705	207	-	-
Trade creditors	70,483	51,550	26,180	23,060
Amounts owed to group undertakings	-	-	36,144	7,943
Corporation tax payable	-	674	-	-
Other taxation and social security	1,499	1,926	1,347	1,209
Obligations under finance lease and hire purchase contracts	45	233	45	230
Other creditors	2,685	3,250	1,806	2,292
Accruals and deferred income	2,633	3,366	700	829
	<u>78,050</u>	<u>61,206</u>	<u>66,222</u>	<u>43,784</u>

See Note 22 for details of the terms for the loans.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

	Group	<i>Group</i>	Company	<i>Company</i>
	2023	<i>2022</i>	2023	<i>2022</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Bank loans	98,404	<i>77,450</i>	95,000	<i>75,000</i>
Net obligations under finance leases and hire purchase contracts	37	<i>82</i>	37	<i>82</i>
	98,441	<i>77,538</i>	95,037	<i>75,082</i>

There are no loans falling due after more than 5 years. See Note 22 for details of the terms for the loans.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Loans

The long term RCF facilities have a maturity date ending September 2025. The drawn amount is reset monthly and repayable as a final bullet repayment of the outstanding balance due at the end of the term. The loan bears interest between 2% and 3% per annum above SONIA depending on the financial leverage.

Total balances in respect of bank loans and the revolving credit facility amounting to £99,109,000 (2022 - £77,663,000) as at the year end were secured as follows:

- a) Unlimited inter-company guarantees supported by legal charges over various properties and other assets.
- b) Debentures by the company and certain subsidiaries.

Analysis of the maturity of loans is given below:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Amounts falling due within one year				
Bank loans	705	207	-	-
	<u>705</u>	<u>207</u>	<u>-</u>	<u>-</u>
Amounts falling due 1-2 years				
Bank loans	705	196	-	-
	<u>705</u>	<u>196</u>	<u>-</u>	<u>-</u>
Amounts falling due 2-5 years				
Bank loans	97,699	77,260	95,000	75,000
	<u>97,699</u>	<u>77,260</u>	<u>95,000</u>	<u>75,000</u>
	<u>99,109</u>	<u>77,663</u>	<u>95,000</u>	<u>75,000</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group	<i>Group</i>	Company	<i>Company</i>
	2023	<i>2022</i>	2023	<i>2022</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Within one year	45	233	45	230
Between 1-5 years	37	82	37	82
	<u>82</u>	<u>315</u>	<u>82</u>	<u>312</u>

24. Financial instruments

	Group	<i>Group</i>	Company	<i>Company</i>
	2023	<i>2022</i>	2023	<i>2022</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Financial assets				
Financial assets measured at fair value	26,026	4,638	17,453	955
Financial assets measured at amortised cost	63,097	58,280	49,763	42,131
Assets measured at fair value through profit and loss	3,769	2,706	3,769	2,706
	<u>92,892</u>	<u>65,624</u>	<u>70,985</u>	<u>45,792</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(76,551)</u>	<u>(58,606)</u>	<u>(64,875)</u>	<u>(42,575)</u>

Fair value of assets and liabilities

Under FRS102 section 11 and 12, the Group is required to recognise the fair value of derivative financial instruments in the balance sheet. The following instrument existed at year end:

An interest rate swap on a notional amount of £50m of loan funding, reduced to £40m in March 2023, at a fixed rate of 0.0880% until September 2025. As at 31 March 2023, the fair value of the swap is £3,769,251 asset (2022 - £2,705,586 asset).

The fair value of interest rate swaps is based on bank valuations.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

25. Deferred taxation

Group

	2023 £000	2022 £000
At beginning of year	(29,227)	(20,891)
Charged to profit or loss	(1,399)	(7,763)
Arising on business combinations	(1,894)	(573)
At end of year	(32,520)	(29,227)

Company

	2023 £000	2022 £000
At beginning of year	(24,508)	(16,210)
Charged to profit or loss	(1,909)	(6,589)
Arising on business combinations	(1,540)	(1,709)
At end of year	(27,957)	(24,508)

The provision for deferred taxation is made up as follows:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Accelerated capital allowances	(3,251)	(1,420)	(2,832)	(1,270)
General provision	439	606	325	472
Deferred tax on retail pharmacy licences	(29,708)	(28,413)	(25,450)	(23,710)
	(32,520)	(29,227)	(27,957)	(24,508)

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

26. Provisions

Group

	NHS reimbursement £000	Onerous leases £000	Others £000	Total £000
At 1 April 2022	4,759	1,792	823	7,374
Charged to profit or loss	(2,200)	(276)	197	(2,279)
At 31 March 2023	2,559	1,516	1,020	5,095

The NHS reimbursement provision is to cover clawback of potential over-reimbursement received in the current financial year.

Company

	NHS reimbursement £000	Onerous leases £000	Others £000	Total £000
At 1 April 2022	4,659	1,667	823	7,149
Charged to profit or loss	(2,200)	(276)	197	(2,279)
At 31 March 2023	2,459	1,391	1,020	4,870

The NHS reimbursement provision is to cover clawback of potential over-reimbursement received in the current financial year.

27. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
100,000 (2022 - 100,000) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

28. Reserves

The Group and Company's other reserves are as follows:

Share premium account

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Merger Reserve

The merger reserve represents the cumulative merger relief on acquisition of subsidiaries.

Profit and loss account

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

Group reserves includes the reserves of the Company and its subsidiary undertakings.

Capital contribution reserves

On 18 February 2016 Day Lewis PLC acquired Healthcare Drugstore Limited at book value from a company wholly owned by its ultimate parent (Day Lewis Holdings Ltd). The difference between the book value and the fair value is treated as a capital contribution as merger accounting in this instance was not allowed.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

29. Business combinations

The Group acquired the following businesses during the year using acquisition accounting:

1. Pharmacy business from Denmark Street Healthcare LLP on 1 April 2022 (remaining 50% share acquired and hived up into Day Lewis Plc).
2. Pharmacy business from Norsworthy Limited on 1 July 2022.
3. Pharmacy business from Littlefields Limited, via the acquisition of Littlefields Holding Ltd, on 3 October 2022.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustments £000	Fair value £000
Fixed Assets			
Tangible	110	-	110
Intangible	1,028	6,432	7,460
	<u>1,138</u>	<u>6,432</u>	<u>7,570</u>
Current Assets			
Stocks	183	-	183
Debtors	1,503	-	1,503
Cash at bank and in hand	407	-	407
	<u>3,231</u>	<u>6,432</u>	<u>9,663</u>
Total Assets			
Creditors			
Due within one year	(2,502)	-	(2,502)
Deferred taxation	(17)	(1,860)	(1,877)
	<u>712</u>	<u>4,572</u>	<u>5,284</u>
Total identifiable net assets			

Consideration

	£000
Cash	4,434
Deferred consideration	791
Directly attributable costs	59
Total purchase consideration	<u>5,284</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

29. Business combinations (continued)

Cash outflow on acquisition

	£000
Purchase consideration settled in cash, as above	4,434
Directly attributable costs	59
	<u>4,493</u>
Less: Cash and cash equivalents acquired	(407)
Net cash outflow on acquisition	<u>4,086</u>

30. Non-controlling interests

	2023 £000	2022 £000
At beginning of year	1,006	686
Profit for the year	335	444
Dividends paid	(317)	(124)
At end of year	<u>1,024</u>	<u>1,006</u>

31. Pension commitments

The Group operates two defined contributions pension schemes for the benefit of the eligible employees and directors. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £1,413k (2022 - £1,289k).

32. Commitments under operating leases

At 31 March 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Not later than 1 year	7,512	6,548	5,304	4,905
Later than 1 year and not later than 5 years	24,276	19,667	17,490	14,460
Later than 5 years	20,714	16,175	17,285	14,316
	<u>52,502</u>	<u>42,390</u>	<u>40,079</u>	<u>33,681</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

33. Related party transactions

During the year the Group entered into the transactions set out below with the directors and other related parties.

Rent:

The following companies paid rent for premises owned by Q H Estates Limited, a company in which The KCTP Will Trust, K C Patel and J C Patel have an interest:

Day Lewis Plc £459,603 (2022 - £457,058)

Day Lewis Medical Limited £586,247 (2022 - £739,669)

In addition the Group paid rentals to the following entities:

Day Lewis Pension Fund £238,096 (2022 - £241,727)

Ms R Patel, K C Patel's daughter, £67,600 (2022 - £52,000)

Tayzana Pension Fund £37,300 (2022 - £33,675)

Loans:

During the year, the Group purchased goods totalling £82,083 (2022 - £200,456) from Quadrant Pharmaceuticals. The KCTP Will Trust has interest in this company. At the year end the balance outstanding to Quadrant Pharmaceuticals was £17,430 (2022 - £12,642).

During the year, the Group purchased goods totalling £1,893,387 (2022 - £229,922) from Maxearn Limited. The KCTP Will Trust has a material interest in this company. At the year end the balance outstanding to Maxearn Limited was £57,009 (2022 - £47,586).

During the year, the Group sold goods totalling £2,322,722 (2022 - £2,909,540) to Health Counter Limited, and recharged expenses of £263,113 (2022 - £79,602). Health Counter Limited is a subsidiary of the ultimate parent company, Day Lewis Holdings Limited, and is under common control. Included in trade debtors as an amount owed to the Group is £255,536 (2022 - £209,332). Included in creditors as an amount owed by the Group is £57,181 (2022 - £13,976).

During the year, the Group made a contribution to the Day Lewis Pension Fund of £12,000 (2022 - £12,000). The pension fund has been set up for the benefit of certain of the directors and their families.

As at 31 March 2023 Heversham Holdings Limited owed £5,542 (2022 - £5,542) to the Group. Heversham Holdings Limited is a subsidiary of the ultimate parent company, Day Lewis Holdings Limited.

The ultimate parent company, Day Lewis Holdings Limited, was owed £nil (2022 - £367,452) by the Group as at 31 March 2023.

During the year, the Group sold goods totalling £7,511,887 (2022 - £6,944,002) to its associates, purchased goods totalling £nil (2022 - £nil), recharged expenses of £536,654 (2022 - £430,570), management fees of £172,788 (2022 - £204,200) and interest of £53,390 (2022 - £68,942). The associates recharged £nil (2022 - £nil) to the Group. Included in trade creditors as an amount owed to the Group is £1,909,693 (2022 - £1,166,117). The associates owed £662,383 (2022 - £664,034) to the Group in respect of loans made available.

The Group purchased goods of £1,456,612 (2022 - £1,728,594) from Eaststone Limited, a company in which the KCTP Will Trust has a controlling interest. At the balance sheet date £120,218 (2022 -

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

33. Related party transactions (continued)

34. Controlling party

The ultimate parent company is Day Lewis Holdings Limited, a company registered in Cyprus and controlled by the trustees of the KCTP Will Trust.

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