

Parent for: 4747975

Registered number: 01202866

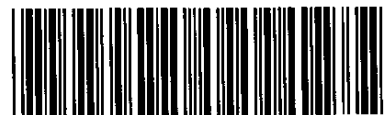
DAY LEWIS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Gleadless Valley Pharmacy Ltd - Parent company audit exemption note, please see page number 44 and 45

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DAY LEWIS PLC

COMPANY INFORMATION

Directors	Mr K C Patel Mr J C Patel Mr P J Glover Miss H Patel Mr C C Edwards
Company secretary	Mr A R Patel
Registered number	01202866
Registered office	2 Peterwood Way Croydon Surrey CR0 4UQ
Independent auditor	KPMG LLP, Statutory Auditor Chartered Accountants 1 Forest Gate Brighton Road Crawley RH11 9PT
Bankers	National Westminster Bank Plc 89 Mount Pleasant Road Tunbridge Wells Kent TN1 1PX
Solicitors	Cripps LLP 23 Kings Hill Avenue West Malling Kent ME19 4UA

DAY LEWIS PLC

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DAY LEWIS PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Business review

Day Lewis is the UK's second largest independent pharmacy chain, with 250 pharmacies owned or managed (at 31 March 2020) across the country.

The group was founded in 1975 by Kirit Patel and his brother JC Patel and the business remains a family owned entity, now managed in the second generation by Kirit Patel Jnr (Jay), Jayanti Patel Jnr (Sam) and Rupa Patel. 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.

Day Lewis is a patient orientated service provider which dispenses pharmaceutical and other retail and over the counter products and provides a wide range of clinical services to its patients

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 70% of the group's dispensing activities. The Day Lewis group once again had positive like for like prescription items growth, well above the sector nationally.

Following the end of the severe funding clawbacks seen in the year to 31 March 2019, and with the new five-year NHS funding contract agreement in place from July 2019 Day Lewis believes that this has brought much needed stability to the industry. Careful control of administrative expenses in Day Lewis during this period has seen Operational Profit increase to £21.9m in the year to 31 March 2020 (£15.8m in the year to 31 March 2019).

In the final month of the financial year (March 2020) saw the impact of the COVID-19 pandemic. Additional prescriptions were received, many with additional periods of treatment indicated, as GPs brought forward future prescribing. This upside also saw increased associated costs of doing business (mainly in drug costs and staffing expenses). Day Lewis saw a sharp reduction in the additional patient services performed during this time as face-to-face consultations were not possible. With the inherent supply risks during this situation Day Lewis prudently chose to hold a higher level of stock to protect its supply chain.

With the COVID-19 effect at the end of the year, dispensing across the country increased by 1.4% during the year at a national level (1.2% decline in the year to 31 March 2019). Day Lewis's broad portfolio of attractively located stores, strength of brand and knowledgeable and experienced staff means that the business has maintained its position in the market. During the year under review, the Day Lewis group dispensed 23.1m prescriptions which was up 3.5% on the prior year (like for like).

On 14th June 2019 Harlequin BPI Ltd was acquired into the Day Lewis Group. Harlequin BPI Ltd is a pharmaceutical manufacturer based in Ilkeston, Derbyshire, and is a strategic supplier to East Midlands Pharma Ltd manufacturing products such as Contract Lens Solution, Eye Wash, Eye Mist and a small selection of Eye Drops. East Midlands Pharma Ltd is Harlequin BPI Ltd's sole customer and bringing it into the group should create operational efficiencies.

During the financial year Day Lewis continued its policy of reducing 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 exiting pharmacies with exceptionally low footfall. This underlying reduction in debt was used to fund the short term additional stock holding at the end of the year driven by the COVID-19 pandemic.

DAY LEWIS PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

The group maximises margin by focussing heavily on its pharmaceutical distribution operations. Day Lewis holds all relevant MHRA Wholesaler Dealer Authorisations in order to distribute both ethical 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 a number of further external channels including the supply of generics to associated pharmacy retail groups and the global supply of medicines to offshore energy businesses and ambulance services.

In addition to the significant buying benefits delivered, the distribution business brings other significant benefits to the wider group including:

- Security of drug supply
- Flexibility – the direct channel to end users allows Day Lewis to quickly move stock and react to market changes
- Share of profit further up the supply chain
- Access to overseas markets

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 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

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

Price risk

The company, through its investments, is exposed to the inherent risks of economic and financial market developments, including recession, inflation, availability of affordable credit and currency fluctuations that could lower revenues. The current system of correcting generic reimbursement prices through the mechanism of "Category M" has continued through the current financial year. Category M was introduced with the new pharmacy contract in 2005 and allows the retail pharmacy industry to retain an amount of £800m of generic procurement profit annually. The system is therefore used retrospectively by the Department of Health to claw back surplus procurement profits from the Pharmacy industry. Through a continual business review process and

DAY LEWIS PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

monitoring of the business environment, the Directors of the company and the wider group seek to mitigate these potential risks.

Liquidity risk

During the period of these accounts the Group operated under a facility agreement signed in 2016. The agreement with 5 UK banks gave the Group access to an RCF facility of £135m. There was significant headroom in the banking covenants at the year-end. As at 31 March 2020, £117m (2019: £116m) was drawn-down with available cash balances in the business of £9.5m (2019: £16.3m).

With the existing facility due to expire in February 2021, during September 2020, the Group refinanced its banking facility with 4 banks and for an RCF facility of £125m being agreed until at least 2023. The Directors believe the company has sufficient current and future cash reserves and facilities available for it to meet its liabilities including financing obligations for at least twelve months from the signing of the financial statements.

The Directors' assessment of the group's and the company's ability to adopt the going concern basis of accounting is set out in note 2 on page 23.

Interest rate risk

The interest rate risk is limited due to the interest rate swap arrangement in place at a fixed rate of 1.099% for a fixed amount of £100m and is in place until February 2021.

Macroeconomic, political, brexit 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 views the 5 year pharmacy funding deal agreed in 2019 to have had a positive impact for the industry with security of funding for community pharmacies in the coming years.

Brexit also has the potential to affect the company. The Group believes that under a smooth transition the overall impact of Brexit on the business will be negligible. Under a "no-deal" scenario there may be challenges to the pharmaceutical supply chain and difficulties in transporting stock overseas to offshore customers. The Group is better placed to service its patients as it is less reliant on third party wholesalers than the majority of pharmacy contractors. However, Day Lewis is confident that the majority of adverse impacts have already been mitigated as pharmaceutical supply chain has been very high on the Government's "no-deal" planning agenda. Furthermore, Day Lewis does not distribute pharmaceuticals which have exceptionally short shelf lives such as medical radioisotopes. The predominant impact on the business of a "no-deal" Brexit will likely be a depreciation of the Pound which will curtail parallel trading opportunities.

The impact of the COVID pandemic remains to be fully understood. Increased funding has been seen following the increase in period of treatments being prescribed by GPs but this has been offset by the increased costs of operating in the COVID environment. It is currently unclear as to how this will be reconciled within the £800m generic procurement profit agreement.

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 rate.

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

DAY LEWIS PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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 Department of Health. Exposure to credit risk on wholesale customers is mitigated through credit insurance taken out on the wholesales debtors 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

Followings are the key KPIs;

Turnover in the year decreased by 0.8% to £420.6m (2019: £423.8m).

Gross profit decreased by £0.7m to £108.5m (2019: £109.2m). The percentage gross margin remained at same level to 25.8% (2019: 25.8%).

The total administrative costs decreased by £5.1m to £87.2m (2019: £92.3m). A key driver for this has been the reduction in pharmacies owned and Management cost control measures.

Overall these actions have enabled the Group to achieve an operating profit of £21.9m (2019: £15.8m)

Net debt has increased by £6m to £112m (2019: £106m) as a result increased business (and hence debtors) and of the additional stock holding at 31 March 2020 year end.

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 company's employees.
- c) The need to foster the company's business relationships with suppliers, customers and others.
- d) The impact of the company's operations on the community and the environment.
- e) The desirability of the company maintaining a reputation for high standards of business conduct.
- f) The need to act fairly as between members of the company.

As 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 non-executive Directors with expertise in Finance, Banking, Commercial, HR, IT and Legal giving a wide range of insight experience.

The directors have set out below some examples of how Day Lewis have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty.

Since the sudden passing of Kirit Patel MBE in 2016, the business is led by Jay, Rupa, & Sam as joint Executive Directors. JC Patel 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.

DAY LEWIS PLC

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

The Core Purpose of the Group is 'to help people in the community stay healthy and feel better'. 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

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.

Day Lewis has continued to build 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. Relationships with universities has also developed further with the appointment of Teacher Practitioners at Bath, Reading, UCL, UEA and Sussex. Day Lewis clearly recognise 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 & 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 its pharmacy, support office and warehouse teams are invited to participate. All teams participate in raising money for a local registered charity of their choice, to ensure that the company 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 have 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.

In 2019 Day Lewis became founder patrons of OnSide Legacy Croydon, a 21st century youth club provision. The Youth Zone will provide 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

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



Mr J C Patel
Director

Date: 29 September 2020

DAY LEWIS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

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 parent 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 parent company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent group and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Principal activity

The principal activity of the company and the group in the year under review continued to be that of retail pharmacy and distribution of pharmaceutical supplies.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £9,986K (2019 - £7,811K).

The Directors recommend a final dividend of £nil to be paid for the year (2019: £nil).

Directors

The directors who served during the year were:

Mr K C Patel
Mr J C Patel
Mr P J Glover
Miss H Patel
Mr C C Edwards

DAY LEWIS PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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 the local branch managers and other employee representatives.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Group has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

To reduce travel implications by encouraging staff to travel by train and other public transport modes where possible, reducing the usage of motor vehicles. In addition to this there is a rolling program to install LED lights throughout the retail pharmacies. This has coincided with a switch off memo 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.

There has been a conscious effort to ensure all heating/ cooling systems were set correctly (timed clocks and temperatures) and to ensure no systems were left on overnight or when not required. We have also put in place measures for all doors and windows were closed when the heating/cooling systems were on. All standalone portable heaters are turned off when the ceiling units were cooling.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

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 and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

DAY LEWIS PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Post balance sheet events

During September 2020, the company refinanced its banking facility with 4 banks and for an RCF facility of £125m being agreed until at least 2023.

Subsequent to 31 March 2020, the company has been impacted by the evolving situation surrounding Coronavirus and the unprecedented announcements made by the Government which are continually being updated. As a responsible company, Day Lewis is taking all steps within its power to help stop the spread of the Coronavirus disease (COVID-19) outbreak. In order to protect employees, contractors and business partners, to ensure safe operations, Day Lewis has taken various steps and is closely following and applying recommendations published by the World Health Organisation. Day Lewis is also closely monitoring government reports in order to proactively update its safety standards accordingly.

The company is responding to these changes to manage results and cash flows while they work through these uncertain times. This may have a significant impact on the financial results and assumptions for the year ended 31 March 2021.

Auditor

The auditor, KPMG LLP, Statutory Auditor, 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
Director

Date: 29 September 2020

2 Peterwood Way
Croydon
Surrey
CR0 4UQ

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 2020 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, 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 2020 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. 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 are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

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

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

- 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

Timothy Rush (Senior statutory auditor)

for and on behalf of

KPMG LLP, Statutory Auditor

Chartered Accountants

1 Forest Gate
Brighton Road
Crawley
RH11 9PT

30 September 2020

DAY LEWIS PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £000	2019 £000
Turnover	4	420,574	423,751
Cost of sales		(312,073)	(314,505)
Gross profit		108,501	109,246
Administrative expenses		(87,247)	(92,338)
Impairment of pharmacy licences		276	(1,525)
Other operating income	5	383	435
Operating profit	6	21,913	15,818
Income from other participating interests		396	224
Loss on disposal of subsidiary, associates and unincorporated businesses		(2,183)	(665)
Interest receivable and similar income	10	265	324
Interest payable and similar expenses	11	(4,492)	(5,102)
Profit before tax		15,899	10,599
Tax on profit	12	(5,714)	(2,706)
Profit for the financial year		10,185	7,893
Profit for the year attributable to:			
Non-controlling interests		199	82
Owners of the parent		9,986	7,811
		10,185	7,893

There were no recognised gains and losses for 2020 or 2019 other than those included in the consolidated profit and loss account.

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £000	2019 £000
Profit for the financial year		10,185	7,893
Other comprehensive income		-	-
Total comprehensive income for the year		10,185	7,893
Profit for the year attributable to:			
Non-controlling interest		199	82
Owners of the parent Company		9,986	7,811
		10,185	7,893
Total comprehensive income attributable to:			
Non-controlling interest		199	82
Owners of the parent Company		9,986	7,811
		10,185	7,893

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC
REGISTERED NUMBER:01202866

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	173,130	174,686
Tangible assets	14	19,511	18,648
Investments	15	11,180	15,247
		<u>203,821</u>	<u>208,581</u>
Current assets			
Stocks	16	49,064	39,628
Debtors: amounts falling due within one year	17	68,901	58,879
Cash at bank and in hand	18	9,453	16,296
		<u>127,418</u>	<u>114,803</u>
Creditors: amounts falling due within one year	19	(201,015)	(87,924)
Net current (liabilities)/assets		<u>(73,597)</u>	<u>26,879</u>
Total assets less current liabilities		<u>130,224</u>	<u>235,460</u>
Creditors: amounts falling due after more than one year	20	(945)	(119,003)
Provisions for liabilities			
Deferred taxation	24	(20,205)	(17,692)
Net assets		<u>109,074</u>	<u>98,765</u>
Capital and reserves			
Called up share capital	25	100	100
Share premium account	26	418	418
Capital redemption reserve	26	1,694	1,694
Merger reserve	26	757	757
Profit and loss account	26	105,584	95,598
Equity attributable to owners of the parent Company		<u>108,553</u>	<u>98,567</u>
Non-controlling interests	29	521	198
		<u>109,074</u>	<u>98,765</u>

DAY LEWIS PLC
REGISTERED NUMBER:01202866

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2020

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



Mr J C Patel
Director

Date: 29 September 2020

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC
REGISTERED NUMBER:01202866

COMPANY BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	133,493	135,569
Tangible assets	14	11,629	11,416
Investments	15	19,742	20,226
		<u>164,864</u>	<u>167,211</u>
Current assets			
Stocks	16	11,163	11,003
Debtors: amounts falling due within one year	17	98,792	76,318
Cash at bank and in hand	18	-	3,400
		<u>109,955</u>	<u>90,721</u>
Creditors: amounts falling due within one year	19	(180,916)	(52,748)
Net current (liabilities)/assets		<u>(70,961)</u>	<u>37,973</u>
Total assets less current liabilities		<u>93,903</u>	<u>205,184</u>
Creditors: amounts falling due after more than one year	20	(773)	(116,000)
Provisions for liabilities			
Deferred taxation	24	(15,572)	(13,778)
Net assets		<u>77,558</u>	<u>75,406</u>
Capital and reserves			
Called up share capital	25	100	100
Share premium account	26	418	418
Profit and loss account	26	77,040	74,888
		<u>77,558</u>	<u>75,406</u>

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



Mr J C Patel
Director

Date: 29 September 2020

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital	Share premium account	Capital contribution reserve	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019	100	418	1,694	757	95,598	98,567	197	98,764
Comprehensive income for the year								
Profit for the year	-	-	-	-	9,986	9,986	199	10,185
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	9,986	9,986	199	10,185
Dividends: Non Equity capital	-	-	-	-	-	-	(100)	(100)
Disposal of non-controlling interests	-	-	-	-	-	-	225	225
Total transactions with owners	-	-	-	-	-	-	125	125
At 31 March 2020	100	418	1,694	757	105,584	108,553	521	109,074

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	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	Non- controlling interests £000	Total equity £000
At 1 April 2018	100	418	1,694	757	88,565	91,534	390	91,924
Comprehensive income for the year								
Profit for the year	-	-	-	-	7,811	7,811	82	7,893
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	7,811	7,811	82	7,893
Dividends: Non Equity capital	-	-	-	-	-	-	(125)	(125)
Acquisition of non-controlling interests without a change in control	-	-	-	-	(778)	(778)	(150)	(928)
Total transactions with owners	-	-	-	-	(778)	(778)	(275)	(1,053)
At 31 March 2019	100	418	1,694	757	95,598	98,567	197	98,764

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2019	100	418	74,888	75,406
Comprehensive income for the year				
Profit for the year	-	-	2,152	2,152
	-	-	2,152	2,152
Total comprehensive income for the year				
	-	-	-	-
Total transactions with owners				
	-	-	-	-
At 31 March 2020	100	418	77,040	77,558

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2018	100	418	22,477	22,995
Comprehensive income for the year				
Profit for the year	-	-	52,411	52,411
	-	-	52,411	52,411
Total comprehensive income for the year				
	-	-	-	-
Total transactions with owners				
	-	-	-	-
At 31 March 2019	100	418	74,888	75,406

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020 £000	2019 £000
Cash flows from operating activities		
Profit for the financial year	10,185	7,893
Adjustments for:		
Amortisation of intangible assets	2,427	2,154
Depreciation of tangible assets	2,611	2,270
Impairments of fixed assets	(276)	1,525
Loss on disposal of tangible assets	80	100
Loss on disposal of subsidiary, associates and unincorporated businesses	2,183	665
Amortisation of intangible assets held in associates	320	97
Interest payable and similar charges	4,492	5,102
Interest receivable and similar income	(265)	(324)
Taxation charge	5,714	2,706
(Increase) in stocks	(9,284)	(474)
(Increase)/decrease in debtors	(9,676)	6,356
(Decrease) in creditors	(4,349)	(3,508)
Share of operating profit in associates	(396)	(224)
Corporation tax paid	(4,315)	(3,620)
Net cash generated from operating activities	(549)	20,718
Cash flows from investing activities		
Purchase of intangible fixed assets	(249)	(64)
Purchase of tangible fixed assets	(3,506)	(3,540)
Sale of tangible fixed assets	9	185
New loans to associates	-	(597)
Associates loans repaid	284	144
Purchase of subsidiary undertakings and unincorporated businesses	(1,233)	(543)
Sale of unincorporated businesses	1,545	1,840
Sale of investment in subsidiary	(89)	-
Sale of fixed asset investments	1,880	-
Purchase of share of non-controlling interest	-	(928)
Purchase of share in associates	-	(14)
Interest received	265	324
HP interest paid	(147)	(9)
Associates interest received	488	224
Net cash from investing activities	(753)	(2,978)

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £000	2019 £000
Cash flows from financing activities		
Net movement on the revolving credit facility	901	(13,297)
Invoice financing	(3,173)	(203)
Repayment of other loans	-	(200)
New finance leases	1,067	(362)
Non controlling interest dividends paid	(100)	(125)
Interest paid	(4,236)	(4,543)
Net cash used in financing activities	(5,541)	(18,730)
Net (decrease) in cash and cash equivalents	(6,843)	(990)
Cash and cash equivalents at beginning of year	16,296	17,286
Cash and cash equivalents at the end of year	9,453	16,296
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	9,453	16,296
	9,453	16,296

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2020**

	At 1 April 2019 £000	Cash flows £000	Acquisition and disposal of subsidiaries £000	New finance leases £000	Other non- cash changes £000	At 31 March 2020 £000
Cash at bank and in hand	16,296	(6,848)	5	-	-	9,453
Debt due after 1 year	(118,785)	-	-	-	118,626	(159)
Debt due within 1 year	(3,611)	2,280	-	-	(118,626)	(119,957)
Finance leases	(191)	345	-	(1,412)	-	(1,258)
	<u>(106,291)</u>	<u>(4,223)</u>	<u>5</u>	<u>(1,412)</u>	<u>-</u>	<u>(111,921)</u>

The notes on pages 22 to 62 form part of these financial statements.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Day Lewis Plc (the "Company") is a public limited company by shares and incorporated, domiciled and registered in England in the United Kingdom. The address of the registered office is given on 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 3.

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 parent 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 parent 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 a second time;

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a third time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12
- Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

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 01 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.

2.3 Going concern

In assessing the validity of the going concern basis, the Directors have prepared financial forecasts for the period until 31 December 2021. In doing so they have considered the level of bank facilities available to the Company and the Group, and its compliance with bank covenant tests both during the period and for the period ahead. During September 2020, the company refinanced its banking facility with 4 banks and now have in place a RCF facility of £125m until at least 2023.

The Directors have assessed the impact of COVID-19 on the business, which has been limited. Based on their examination of its revenue sources, funding arrangements and operational soundness, they do not expect the impact of the current COVID-19 pandemic to present any risk of material degradation of the entity's revenue and margins within the next twelve months.

Having considered the Company's financial forecasts and investment and financing commitments for the year until 31 December 2021, the Directors believe the company has sufficient current and future cash reserves and facilities available for it to meet its liabilities including financing obligations for at least twelve months from the signing of the financial statements.

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 annual financial statements.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.4 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied to retail and wholesales market, 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 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 Group's share of its 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.

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

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

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 so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property	- straight line over fifty years
Leasehold property	- over period of lease
Plant and machinery	- 33.3% straightline
Motor vehicles	- 25% per annum reducing balance
Fixtures, fittings and equipment	- 15% per annum 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 profit or loss.

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.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

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 accounts, 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 or 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.

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.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.13 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.14 Finance costs

Finance costs are charged to profit or loss 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.

2.15 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution 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.

2.17 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 profit or loss.

2.18 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.

2.19 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.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.20 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.

2.21 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.

2.22 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.

2.23 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 profit or loss 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 profit or loss within 'other operating income'.

2.24 Financial instruments

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.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.24 Financial instruments (continued)

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.

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 profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.25 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 2020

3. Judgments 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 retail pharmacy license is impaired requires an estimation of the value in use of the cash-generating units to which retail pharmacy license has been allocated. During this financial year we have changed our judgment on what basis CGUs are formed from Acquisition & Geographical location to CGUs managed by Retail Pharmacist Managers. The impairment value is based on applicable discount rate and turnaround plan for cash-generating units that may have been impaired. The carrying amount of retail pharmacy license at the balance sheet date was £169m (2019: £171m) after an impairment gain of £276K (2019: £1,525K loss) was recognised during the year 2020.

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 retail pharmacy licences have a long life of 100 years and therefore are 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:

	2020 £000	2019 £000
United Kingdom	400,787	399,906
Rest of the world	19,787	23,845
	<u>420,574</u>	<u>423,751</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 2020**

5. Other operating income

	2020	2019
	£000	£000
Other operating income	-	65
Net rents receivable	383	370
	383	<u>435</u>

6. Operating profit

The operating profit is stated after charging:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets	2,611	2,270
Amortisation of intangible assets, including goodwill	2,427	2,154
Impairment of intangible assets	(276)	1,525
Loss on disposal of fixed assets	80	100
Exchange differences	81	(44)
Other operating lease rentals	8,721	8,897
Defined contribution pension cost	1,228	935

7. Auditor's remuneration

	2020	2019
	£000	£000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	130	120

Fees payable to the Group's auditor and its associates in respect of:

All other assurance services	5	5
	5	<u>5</u>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Employees

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

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Wages and salaries	48,961	47,755	37,662	36,525
Social security costs	3,721	3,771	2,780	2,830
Cost of defined contribution scheme	1,228	935	1,015	754
	53,910	52,461	41,457	40,109

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

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Management and pharmacists	714	811	711	740
Sales assistants	1,425	1,308	1,387	1,165
Distribution staff	212	201	212	201
	2,351	2,320	2,310	2,106

9. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	566	592
Company contributions to defined contribution pension schemes	87	85
	653	677

During the year retirement benefits were accruing to 3 directors (2019 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £204K (2019 - £208K).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2019 - £NIL).

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

10. Interest receivable

	2020 £000	2019 £000
Share of associates' interest receivable	264	286
Other interest receivable	1	38
	<u>265</u>	<u>324</u>

11. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest payable	4,147	4,481
Other interest payable	89	53
Finance leases and hire purchase contracts	147	9
Net change in fair value of interest rate swap	109	559
	<u>4,492</u>	<u>5,102</u>

12. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	3,459	2,544
Adjustments in respect of previous periods	(104)	566
Total current tax	<u>3,355</u>	<u>3,110</u>
Deferred tax		
Origination and reversal of timing differences	447	(414)
Changes to tax rates	1,852	-
Prior year adjustment	60	10
Total deferred tax	<u>2,359</u>	<u>(404)</u>
Taxation on profit on ordinary activities	<u>5,714</u>	<u>2,706</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	15,899	10,599
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	3,021	2,014
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	598	466
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	343	344
Adjustments to tax charge in respect of prior periods	(104)	566
Other tax adjustments	(54)	(330)
Deferred tax not recognised previously	(2)	(364)
Deferred tax prior year adjustment	60	10
Tax rate changes	1,852	-
Total tax charge for the year	5,714	2,706

Factors that may affect future tax charges

At Budget 2020, the government announced that the Corporation Tax main rate for the years starting 01 April 2020 and 2021 would remain at 19%.

The deferred tax liability at the balance sheet date has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Intangible assets

Group

	Retail Pharmacy Licences £000	Pharma Product Development £000	Brands, licences and trademarks £000	Goodwill £000	Negative goodwill £000
Cost					
At 1 April 2019	181,572	56	263	9,924	(315)
Additions	510	230	-	1,577	-
Disposals	(3,363)	-	-	-	-
On acquisition of subsidiaries	547	-	-	-	-
At 31 March 2020	179,266	286	263	11,501	(315)
Amortisation					
At 1 April 2019	10,247	-	57	6,797	(287)
Charge for the year on owned assets	1,813	48	23	571	(28)
On disposals	(154)	-	-	-	-
Impairment charge	788	-	-	-	-
Impairment charge reversed	(1,064)	-	-	-	-
Impairment losses written back	(940)	-	-	-	-
At 31 March 2020	10,690	48	80	7,368	(315)
Net book value					
At 31 March 2020	168,576	238	183	4,133	-
At 31 March 2019	171,325	56	206	3,127	(28)

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Intangible assets (continued)

	Total £000
Cost	
At 1 April 2019	191,500
Additions	2,317
Disposals	(3,363)
On acquisition of subsidiaries	547
At 31 March 2020	191,001
Amortisation	
At 1 April 2019	16,814
Charge for the year on owned assets	2,427
On disposals	(154)
Impairment charge	788
Impairment charge reversed	(1,064)
Impairment losses written back	(940)
At 31 March 2020	17,871
Net book value	
At 31 March 2020	173,130
At 31 March 2019	174,686

Impairment losses are recognised in the profit and loss account. These relate to eight pharmacies where disposal proceeds in the forthcoming year are less than the carrying value of that pharmacy.

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

13. Intangible assets (continued)

Company

	Retail Pharmacy Licences £000	Pharma Product Development £000	Total £000
Cost			
At 1 April 2019	145,035	56	145,091
Additions	510	230	740
Disposals	(2,880)	-	(2,880)
At 31 March 2020	142,665	286	142,951
Amortisation			
At 1 April 2019	9,522	-	9,522
Charge for the year	1,432	48	1,480
On disposals	(132)	-	(132)
Impairment charge	592	-	592
Impairment charge reversed	(1,064)	-	(1,064)
Impairment losses written back	(940)	-	(940)
At 31 March 2020	9,410	48	9,458
Net book value			
At 31 March 2020	133,255	238	133,493
At 31 March 2019	135,513	56	135,569

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

14. Tangible fixed assets

Group

	Freehold property £000	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000
Cost					
At 1 April 2019	5,782	6,665	(101)	1,028	24,734
Additions	224	514	319	128	2,359
Acquisition of subsidiary	-	-	33	-	-
Disposals	-	-	-	(15)	-
Disposal of subsidiary	-	(38)	-	-	(278)
At 31 March 2020	<u>6,006</u>	<u>7,141</u>	<u>251</u>	<u>1,141</u>	<u>26,815</u>
Depreciation					
At 1 April 2019	290	4,074	(279)	649	14,726
Charge for the year on owned assets	13	409	111	127	1,951
Disposals	-	-	-	(11)	-
Disposal of subsidiary	-	(38)	-	-	(179)
At 31 March 2020	<u>303</u>	<u>4,445</u>	<u>(168)</u>	<u>765</u>	<u>16,498</u>
Net book value					
At 31 March 2020	<u>5,703</u>	<u>2,696</u>	<u>419</u>	<u>376</u>	<u>10,317</u>
At 31 March 2019	<u>5,492</u>	<u>2,591</u>	<u>178</u>	<u>379</u>	<u>10,008</u>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

14. Tangible fixed assets (continued)

	Total £000
Cost	
At 1 April 2019	38,108
Additions	3,544
Acquisition of subsidiary	33
Disposals	(15)
Disposal of subsidiary	(316)
At 31 March 2020	<u>41,354</u>
Depreciation	
At 1 April 2019	19,460
Charge for the year on owned assets	2,611
Disposals	(11)
Disposal of subsidiary	(217)
At 31 March 2020	<u>21,843</u>
Net book value	
At 31 March 2020	<u>19,511</u>
At 31 March 2019	<u>18,648</u>

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

	2020 £000	2019 £000
Plant and machinery	5	21
Motor vehicles	27	42
Furniture, fittings and equipment	838	621
	<u>870</u>	<u>684</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Tangible fixed assets (continued)

Company

	Freehold property £000	Leasehold property £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 1 April 2019	685	4,709	893	18,188	24,475
Additions	-	469	68	1,970	2,507
Disposals	(100)	-	(15)	-	(115)
Disposal of subsidiary	-	(35)	-	(223)	(258)
At 31 March 2020	585	5,143	946	19,935	26,609
Depreciation					
At 1 April 2019	128	2,460	554	9,917	13,059
Charge for the year on owned assets	13	346	101	1,049	2,109
Disposals	-	-	(11)	-	(11)
Disposal of subsidiary	-	(35)	-	(142)	(177)
At 31 March 2020	141	2,771	644	11,424	14,980
Net book value					
At 31 March 2020	444	2,372	302	8,511	11,629
At 31 March 2019	557	2,249	339	8,271	11,416

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

	2020 £000	2019 £000
Motor vehicles	27	42
Furniture, fittings and equipment	838	621
	865	663

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. 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 2019	2,802	264	2,649	9,726	15,441
Disposals	(3,538)	-	(284)	-	(3,822)
Transfers intra group	304	-	-	(140)	164
Share of profit/(loss)	(92)	-	-	-	(92)
At 31 March 2020	(524)	264	2,365	9,586	11,691
Impairment					
At 1 April 2019	-	-	-	194	194
Charge for the period	-	-	-	320	320
Impairment on disposals	-	-	-	(3)	(3)
At 31 March 2020	-	-	-	511	511
Net book value					
At 31 March 2020	(524)	264	2,365	9,075	11,180
At 31 March 2019	2,802	264	2,649	9,532	15,247

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000	Unlisted investments £000	Total £000
Cost			
At 1 April 2019	22,645	328	22,973
Additions	72	-	72
Amounts written off	(556)	-	(556)
At 31 March 2020	<u>22,161</u>	<u>328</u>	<u>22,489</u>
Impairment			
At 1 April 2019	2,747	-	2,747
At 31 March 2020	<u>2,747</u>	<u>-</u>	<u>2,747</u>
Net book value			
At 31 March 2020	<u>19,414</u>	<u>328</u>	<u>19,742</u>
At 31 March 2019	<u>19,898</u>	<u>328</u>	<u>20,226</u>

The amounts written off relate to companies acquired, with trade and assets hived up to Day Lewis PLC in the year to 31 March 2019. In the year to 31 March 2020 Day Lewis PLC received a dividend from these acquired companies therefore reducing their net assets and leading to the investment of the companies being written off.

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15. Fixed asset investments (continued)

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Day Lewis Chemists Limited	Dormant	Ordinary shares £1 each	100%
Day Lewis Medical Limited	Distribution of Pharmaceuticals	Ordinary shares £1 each	100%
Cradlecrest Limited	Distribution of Pharmaceuticals	Ordinary shares £1 each	100%
Leach and Burton Limited	Retail Pharmacies	Ordinary shares £1 each	100%
Tayzana Limited	Retail Pharmacies	Ordinary shares £1 each	51%
Medi Options Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
Healthcare Drugstores Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
East Midlands Pharma Limited	Pharmaceutical products and medical services	Ordinary shares £1 each	100%
Narrowcliff Medical Services Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
Stargazer Drug Stores Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
Newlands Pharmacies Limited	Dormant	Ordinary shares £1 each	100%
Keyshare Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
Willow Tree Health Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
Gleadless Valley Pharmacy Limited	Dormant	Ordinary shares £1 each	100%
Liptrots (Calverley) Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
Day Lewis Properties Limited	Investment properties	Ordinary shares £1 each	100%
Drury's Pharmacy Limited	Dormant	Ordinary shares £1 each	100%
Una Murray Limited	Dormant	Ordinary shares £1 each	100%
Gnosall Healthcare Limited	Dormant	Ordinary shares £1 each	100%
APM Healthcare Limited	Holding investment in pharmacy companies	Ordinary shares £0.1 each	100%
Ramsay Enterprises Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
Readesmoor Healthcare LLP	Dormant	Partnership	50%

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Fixed asset investments (continued)

Direct subsidiary undertakings (continued)

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 and East Midlands Pharma Limited are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

Name	Share capital and reserves £000	Profit/(Loss) £000
Day Lewis Chemists Limited	-	-
Day Lewis Medical Limited	21,638	6,928
Cradlecrest Limited	3,942	274
Leach and Burton Limited	580	108
Tayzana Limited	771	322
Medi Options Limited	(1,162)	(1,162)
Healthcare Drugstores Limited	(1,284)	(3)
East Midlands Pharma Limited	72	(185)
Narrowcliff Medical Services Limited	(1,362)	2
Stargazer Drug Stores Limited	7	(19)
Willow Tree Health Limited	-	-
Gleadless Valley Pharmacy Limited	-	-
Liptrots (Calverley) Limited	-	-
Day Lewis Properties Ltd	579	230
Drury's Pharmacy Limited	1	-
Una Murray Limited	-	-
Gnosall Healthcare Limited	-	-
APM Healthcare Ltd	571	11
Ramsay Enterprises Limited	1	504
Ramsay Pharmacy Limited	1	(22)
Readesmoor Healthcare LLP	(607)	-

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15. Fixed asset investments (continued)**Indirect subsidiary undertakings**

The following were indirect subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
ABC Drug Stores Limited	Retail Pharmacies	Ordinary shares £1 each	100%
Community Stores Limited	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
H. Carson Limited	Dormant	Ordinary shares £1 each	100%
S.Kaye & Son Limited	Dormant	Ordinary shares £1 each	100%
Cape Holdings Limited	Retail Pharmacies	Ordinary shares £1 each	51%
R.S. Marsden (Chemist) Limited	Dormant	Ordinary shares £1 each	100%
Budget Pharma UK Limited	Dormant	Ordinary shares £1 each	100%
Pollenase Limited	Dormant	Ordinary shares £1 each	100%
Sem Pharma Limited	Dormant	Ordinary shares £1 each	100%
HQEM Pharma Limited	Dormant	Ordinary shares £1 each	100%
HQEMP Limited	Dormant	Ordinary shares £1 each	100%
Liptrots (Farsley) Limited	Dormant	Ordinary shares £1 each	100%
Community Pharmacies (UK) Ltd	Holding investment in pharmacy companies	Ordinary shares £1 each	100%
Ramsay Pharmacy Limited	Dormant	Ordinary shares £1 each	100%
Harlequin BPI Limited	Manufacture of basic pharmaceutical products	Ordinary shares £1 each	100%
Readesmoor Healthcare LLP	Dormant	Partnership	50%

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 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 indirect subsidiary undertakings have been consolidated in the group financial statements.

All of the indirect subsidiary undertakings except ABC Drug Stores Limited are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts 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 2020

15. Fixed asset investments (continued)

Indirect subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 March 2020 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
ABC Drug Stores Limited	(93)	810
Community Stores Limited	-	-
H. Carson Limited	-	-
S.Kaye & Son Limited	2	-
Cape Holdings Limited	293	120
R.S. Marsden (Chemist) Limited	65	(1)
Budget Pharma UK Limited	-	-
Pollenase Limited	-	-
Sem Pharma Limited	-	-
HQEM Pharma Limited	-	-
HQEMP Limited	-	-
Liptrots (Farsley) Limited	-	-
Community Pharmacies (UK) Ltd	364	807
Ramsay Pharmacy Limited	1	(22)
Harlequin BPI Limited	19	(49)
Readesmoor Healthcare LLP	-	-

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15. Fixed asset investments (continued)

Associates

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%
Denmark Street Healthcare LLP	Retail pharmacy	Partnership	50%
Felixstowe Healthcare LLP	Retail pharmacy	Partnership	50%
Finchampstead 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%
Nailsea 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.

16. Stocks

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Raw materials and consumables	69	-	-	-
Finished goods and goods for resale	48,995	39,628	11,163	11,003
	49,064	39,628	11,163	11,003

The difference between 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 £312,073K (2019 - £314,505K).

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

17. Debtors

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade debtors	57,978	45,148	17,086	15,130
Amounts owed by group undertakings	-	-	74,785	50,844
Other debtors	7,094	6,671	4,813	3,936
Prepayments and accrued income	3,829	7,060	2,108	6,408
	<u>68,901</u>	<u>58,879</u>	<u>98,792</u>	<u>76,318</u>

18. Cash and cash equivalents

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash at bank and in hand	9,453	16,296	564	3,400
Less: bank overdrafts	-	-	(8,872)	-
	<u>9,453</u>	<u>16,296</u>	<u>(8,308)</u>	<u>3,400</u>

19. Creditors: Amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Invoice financing	-	3,173	-	-
Bank overdrafts	-	-	8,308	-
Bank loans	119,957	235	117,000	-
Trade creditors	62,205	63,609	21,864	27,852
Amounts owed to group undertakings	-	-	22,495	17,721
Amounts owed to other participating interests	6,375	8,375	-	-
Corporation tax	1,075	1,934	-	-
Other taxation and social security	1,372	1,264	970	940
Obligations under finance lease and hire purchase contracts	472	168	461	157
Other creditors	5,728	4,999	7,099	3,777
Accruals and deferred income	3,063	3,507	1,951	1,641
Financial instruments	768	660	768	660
	<u>201,015</u>	<u>87,924</u>	<u>180,916</u>	<u>52,748</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

19. Creditors: Amounts falling due within one year (continued)

Bank overdrafts and loans due within one year and after more than one year amounting to £120,116,000 (2019: £119,215,000) as at the year end were secured as follows:

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

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 instruments existed at year end.

Interest rate swap on notional amount of £100m of loan funding at a fixed rate of 1.099% until February 2021. As at 31 March 2020, the fair value of the swap is £768,897 liability (2019: £660,174 liability).

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

	Group 2020 £000	<i>Group 2019 £000</i>	Company 2020 £000	<i>Company 2019 £000</i>
Bank loans	159	118,980	-	116,000
Net obligations under finance leases and hire purchase contracts	786	23	773	-
	945	<i>119,003</i>	773	<i>116,000</i>

There are no loans falling due after more than 5 years.

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

21. Loans

The long term RCF facilities have a maturity date of 5 years ending February 2021. 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 at varying rates ranging from 1.25% to 2.5% per annum above LIBOR depending on the financial leverage.

	Group 2020 £000	<i>Group 2019 £000</i>	Company 2020 £000	<i>Company 2019 £000</i>
Amounts falling due within one year				
Bank loans	119,957	235	117,000	-
Invoice financing	-	3,173	-	-
	<u>119,957</u>	<u>3,408</u>	<u>117,000</u>	<u>-</u>
Amounts falling due 1-2 years				
Bank loans	41	118,826	-	116,000
	<u>41</u>	<u>118,826</u>	<u>-</u>	<u>116,000</u>
Amounts falling due 2-5 years				
Bank loans	118	151	-	-
	<u>118</u>	<u>154</u>	<u>-</u>	<u>-</u>
	<u><u>120,116</u></u>	<u><u>122,388</u></u>	<u><u>117,000</u></u>	<u><u>116,000</u></u>

22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2020 £000	<i>Group 2019 £000</i>	Company 2020 £000	<i>Company 2019 £000</i>
Within one year	472	168	461	157
Between 1-5 years	786	23	773	-
	<u>1,258</u>	<u>191</u>	<u>1,234</u>	<u>157</u>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

23. Financial instruments

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Financial assets				
Financial assets measured at fair value	9,453	16,296	-	3,400
Financial assets measured at amortised cost	65,072	51,819	96,714	71,274
	74,525	68,115	96,714	74,674
Financial liabilities				
Liabilities measured at fair value through profit or loss	(768)	(660)	(768)	(660)
Financial liabilities measured at amortised cost	(198,099)	(202,760)	(178,970)	(166,448)
	(198,867)	(203,420)	(179,738)	(167,108)

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
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24. Deferred taxation

Group

	2020 £000	2019 £000
At beginning of year	(17,692)	(18,033)
Charged to profit or loss	(2,359)	404
Arising on business combinations	(105)	(63)
Removed on business disposals	(49)	-
At end of year	(20,205)	(17,692)

Company

	2020 £000	2019 £000
At beginning of year	(13,778)	(13,817)
Charged to profit or loss account	(1,793)	102
Arising on business combinations	(1)	(63)
At end of year	(15,572)	(13,778)

The provision for deferred taxation is made up as follows:

	Group 2020 £000	<i>Group 2019 £000</i>	Company 2020 £000	<i>Company 2019 £000</i>
Accelerated capital allowances	(392)	(381)	(345)	(400)
Tax losses carried forward	84	333	-	-
General provision	634	526	531	527
Deferred tax on retail pharmacy licences	(20,531)	(18,170)	(15,758)	(13,905)
	(20,205)	<i>(17,692)</i>	(15,572)	<i>(13,778)</i>

DAY LEWIS PLC

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FOR THE YEAR ENDED 31 MARCH 2020

25. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
100,000 (2019 - 100,000) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

26. 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.

There are no changes in statement of changes in equity and reserves at year end.

Group reserves includes reserves from parent company and subsidiary undertakings.

Company reserves are related to the parent company only.

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 is not allowed.

DAY LEWIS PLC

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27. Business combinations

The group acquired the following business during the year.

Acquisition of trade and assets of the following unincorporated businesses, using acquisition accounting.

1. Pharmacy at Oswestry on 16 April 2019
2. Pharmacy at Readesmoor on 01 November 2019

Details of assets and liabilities of above businesses acquired are summarised in table below.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustment £000	Fair value £000
Tangible	38	-	38
Intangible	4	487	491
	42	487	529
Stocks	41	-	41
Debtors	140	-	140
Cash at bank and in hand	19	-	19
Total assets	242	487	729
Due within one year	(849)	-	(849)
Total identifiable net liabilities	(607)	487	(120)
			(120)
Total purchase consideration			(120)
Consideration			£000
Cash			494
Cash and cash equivalents in unincorporated business acquired			(19)
Non cash consideration			(607)
Directly attributable costs			12
Total purchase consideration			(120)

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
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27. Business combinations (continued)

Cash outflow on acquisition

	£000
Purchase consideration settled in cash, as above	494
Directly attributable costs	12
	<u>506</u>
Less: Cash and cash equivalents acquired	(19)
Net cash outflow on acquisition	<u>487</u>

Major acquisition

Acquisition of 100% share capital of Harlequin BPI Limited

	Book value £000	Fair value adjustment £000	Fair value £000
Tangible	33	-	33
	<u>33</u>	<u>-</u>	<u>33</u>
Stocks	47	-	47
Debtors	8	-	8
Cash at bank and in hand	94	-	94
Total assets	<u>182</u>	<u>-</u>	<u>182</u>
Creditors			
Due within one year	(113)	-	(113)
Total identifiable net assets	<u>69</u>	<u>-</u>	<u>69</u>
Goodwill	-	1,577	1,577
	<u>69</u>	<u>1,577</u>	<u>1,646</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

27. Business combination (continued)

Consideration

	£000
Cash	829
Cash and cash equivalents in subsidiary acquired	(94)
Deferred consideration	900
Acquisition cost	11
Total purchase consideration	1,646

Cash outflow on acquisition

	£000
Purchase consideration settled in cash, as above	829
Directly attributable costs	11
	840
Less: Cash and cash equivalents acquired	(94)
Net cash outflow on acquisition	746

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
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28. Disposals

During the year, the Group disposed of nine of its pharmacies. The net proceeds and loss on disposal are

	£000
Cash proceeds	1,545
	1,545
Net assets disposed of:	
Tangible fixed assets	84
Intangible fixed assets	1,987
	(2,071)
Loss on disposal before tax	(526)

The net inflow of cash in respect of the sale of the nine disposed pharmacies is as follows:

	£000
Cash consideration	1,545
Net inflow of cash	1,545

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
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During the year, the Group disposed of Care @ Oxford Limited, a subsidiary company. The net proceeds and profit on disposal is

	£000
Cash proceeds	-
	-
Net assets disposed of:	
Tangible fixed assets	15
Intangible fixed assets	282
Stocks	63
Debtors	198
Cash	89
Creditors	(824)
Deferred tax	(49)
Non-controlling interest	225
	(1)
Profit on disposal before tax	
	1

The net inflow of cash in respect of the sale of Care @ Oxford Limited is as follows:

	£000
Cash consideration	-
Cash transferred on disposal	(89)
Net outflow of cash	(89)

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
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During the year, the Group disposed of an investment held in associated company AMG Healthcare Limited. The net proceeds and profit on disposal is

	£000
Cash proceeds	1,880
	<u>1,880</u>
Net assets disposed of:	
Investment	3,538
	<u>(3,538)</u>
Loss on disposal before tax	<u><u>(1,658)</u></u>

The net inflow of cash in respect of the sale of investment held in AMG Healthcare Limited is as follows:

	£000
Cash consideration	1,880
Net inflow of cash	<u><u>1,880</u></u>

29. Non-controlling interests

	2020 £000	2019 £000
At beginning of year	197	390
Arising through business combinations	-	(150)
Removed on disposal	225	-
Profit for the year	199	82
Dividends paid	(100)	(125)
At end of year	<u><u>521</u></u>	<u><u>197</u></u>

30. 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 £936,472 (2019: £816,542).

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

31. Commitments under operating leases

At 31 March 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group	<i>Group</i>	Company	<i>Company</i>
	2020	<i>2019</i>	2020	<i>2019</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Not later than 1 year	6,334	<i>6,695</i>	4,191	<i>4,436</i>
Later than 1 year and not later than 5 years	20,341	<i>21,464</i>	13,620	<i>14,339</i>
Later than 5 years	23,071	<i>25,586</i>	16,506	<i>18,076</i>
	49,746	<i>53,745</i>	34,317	<i>36,851</i>

32. Related party transactions

During the year the group had the following transactions with the directors and other related parties.

Rent:

The following companies paid rent for premises owned by the KCTP Will Trust and ultimate controlling party of the company.

Tayzana Limited £22,800 (2019: £22,800)

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 £454,770 (2019: £338,955)

Day Lewis Medical Limited £544,060 (2019: £542,168)

ABC Drug Stores Limited £14,215 (2019: £14,207)

In addition the group paid rentals to the following entities:

Day Lewis Pension Fund £272,596 (2019: £306,074)

Ms R Patel, K C Patel's daughter, £52,000 (2019: £52,000)

Loans:

Other debtors include an amount of £797,835 (2019: £819,843) due from Quickshop Limited, a company which is owned by Ms R Patel, K C Patel's daughter. A provision of £775,315 (2019: £775,315) has been made against this debtor due to significant doubt over its ultimate recoverability. No interest is receivable on this amount.

During the year, the group purchased goods totalling £149,265 (2019: £107,726) from Quadrant Pharmaceuticals. The KCTP Will Trust has interest in this company. At the year end the balance outstanding to Quadrant Pharmaceuticals was £2,150 (2019: £5,601).

During the year, the group purchased goods totalling £1,942,775 (2019: £1,172,883) from Maxearn Limited. The KCTP Will Trust has a material interest in the company. At the year end the balance

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

32. Related party transactions (continued)

outstanding to Maxearn Limited was £297,690 (2019: £265,993).

During the year, the group sold goods totalling £3,601,734 (2019: £3,470,434) to Health Counter Limited, and recharged expenses of £40,240 (2019: £197,904). Health Counter Limited recharged £nil (2019: £8,290) of expenses paid on behalf of the group. Health Counter Limited is a subsidiary of ultimate parent company, Day Lewis Holdings Limited and has common control. Included in the trade debtors as an amount owed to the group is £75,333 (2019: £543,454). Included in the creditors as an amount owed by the group is £14,220 (2019: £13,018 owed to).

During the year, the group made a contribution to the Day Lewis Pension Fund of £120,000 (2019: £120,000). The pension fund has been set up for the benefit of certain of the directors and their families.

As at 31 March 2020 Heversham Holdings Limited owed £5,542 (2019: £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 by the group £6,375,056 (2019: £18,086 owed to) as at 31 March 2020.

The group owed £nil (2019: £8,375,056) to Horizon Drugstores Limited, a company registered in Jersey and is a subsidiary of the ultimate parent company.

During the year, the group sold goods totalling £7,052,792 (2019: £6,700,091) to the associates, purchased goods totalling £214,791 (2019: £nil), recharged expenses of £449,860 (2019: £202,673), management fees of £232,413 (2019: £222,645) and interest £277,036 (2019: £340,739). The associates recharged £nil (2019: £nil) to the group. Included in trade creditors as an amount owed to the group is £1,163,876 (2019: £1,186,079). The associates owed £2,364,576 (2019: £2,498,692) to the group in respect of loan made available.

The group purchased goods of £1,351,470 (2019: £1,483,254) from Eaststone Limited, a company in which the KCTP Will Trust has a controlling interest. At the balance sheet date £125,721 (2019: £169,691) was payable to Eaststone Limited.

33. Controlling party

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

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