

Parent for 04747975

Registered number: 01202866

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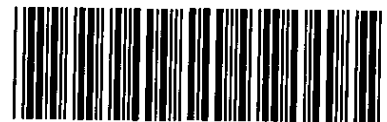
## DAY LEWIS PLC

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### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Gleadless Valley Pharmacy Ltd - Parent company audit exemption note, please see page number 50

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**DAY LEWIS PLC**

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**COMPANY INFORMATION**

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<b>Directors</b>	Mr K C Patel Jnr (Jay) Mr J C Patel Jnr (Sam) Mr P J Glover Miss H Patel Mr C C Edwards
<b>Company secretary</b>	Mr A R Patel
<b>Registered number</b>	01202866
<b>Registered office</b>	2 Peterwood Way Croydon Surrey CR0 4UQ
<b>Independent auditor</b>	KPMG LLP, Statutory Auditor Chartered Accountants 1 Forest Gate Brighton Road Crawley RH11 9PT

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

<b>Banker</b>	National Westminster Bank Plc 89 Mount Pleasant Road Tunbridge Wells Kent TN1 1PX
<b>Solicitor</b>	Cripps LLP 23 Kings Hill Avenue West Malling Kent ME19 4UA

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**DAY LEWIS PLC**

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## DAY LEWIS PLC

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

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#### Business review

Day Lewis is the UK's second largest independent pharmacy chain, with 262 pharmacies owned or managed (at 31 March 2021) across England.

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

The English pharmacy sector represents a secure, growing market, underpinned by an increasing need for dispensing of prescription drugs and a government that wants to see community pharmacies expand and improve the range of services they offer to relieve the burden on an overstretched NHS.

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

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

The year to 31 March 2021 was dominated by the impact of the COVID-19 pandemic. With additional prescriptions written during March 2020, many for longer periods of treatment as GPs brought forward future prescribing, dispensing decreased nationally over the financial year to 31 March 2021 by 2.7% (versus 1.9% increase in the year to March 2020). Day Lewis continued to outperform the market with the group dispensing 22.4m prescriptions which is a 1.1% decrease from the prior year (23.1m in the year to 31 March 2020).

The COVID-19 pandemic added significant levels of stress and challenge to the business throughout the financial year. Day Lewis retail pharmacies remained open throughout the pandemic and hence management had to ensure safety in the workplace for all employees. The Directors of Day Lewis would like to thank colleagues for their efforts during the COVID-19 pandemic. The staff resilience, commitment and overall care for the customers has been hugely appreciated during the challenging times.

With increased raw drug pricing following stock shortages at the start of the COVID-19 pandemic, Government reimbursement increased accordingly. Pharmacies experienced a sharp reduction in additional patient services performed during this time as face-to-face consultations were not possible, although this was offset by a very strong flu vaccination season. Day Lewis also saw strong retail (over-the-counter) sales during the year with strong Personal Protective Equipment (PPE) sales.

The COVID-19 pandemic also saw increased associated costs of doing business, some of which were directly compensated for by the Government. Increased staff costs were the main concern with cover for shielding or COVID positive tested colleagues as well as overtime to cover additional opening required during Public Holidays as per Government guidance. The Directors of Day Lewis were pleased that the Government gave additional support through Business Rates holidays and Retail Hospitality and Leisure Grants. Day Lewis received its share of the £370m Pharmacy Funding loan (£7.8m) which was part of the Government response to the COVID-19 pandemic. This is expected to be fully repaid in the financial year to 31 March 2022.

Careful control of other administration expenses in Day Lewis during the period has seen Operating Profit increase to £24.6m in the year to 31 March 2021 (£21.9m in the year to 31 March 2020).

With the inherent supply risks during the COVID-19 pandemic foreseen by Day Lewis, the Group prudently chose to hold a higher level of stock both before and during the pandemic to protect its supply chain. This was a successful policy and during the current year the group has managed to reduce stock holding as the challenge has eased.

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## DAY LEWIS PLC

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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In July 2020 Day Lewis signed up to a new Pharmacy Earlier Payment Scheme (PEPS) which was funded by Greensill Capital. Greensill Capital filed for insolvency in March 2021 which has placed this scheme in question although finance has come directly from the NHS BSA. In September 2021 a new Pharmacy Funding Agreement was agreed between the Pharmacy Industry and the NHS including earlier settlements of amounts owed, very similar to the previous PEPS. Day Lewis also continued to improve the ageing of its third-party debtor book, and with the reduction in stock holding and PEPs benefit has enabled a significant reduction in working capital during the financial year.

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 disposing of pharmacies with exceptionally low footfall. These strategies have resulted in a reduction of net debt by £47m in the financial year.

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.

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.

During the financial year Day Lewis continued to integrate EM Pharma into the group. It was a challenging year for EM Pharma with many retailers closed for large periods of the year due to lockdowns, but new sales opportunities and efficiencies within the Group continue to develop.

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

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## DAY LEWIS PLC

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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#### 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 & C" has continued through the current financial year. Category M & C was introduced with the new pharmacy contract in 2005 and allows the retail pharmacy industry to retain an amount of £800m of generic procurement profit annually. The system is therefore used retrospectively by the Department of Health to claw back surplus procurement profits or reimburse any shortfall. Through a continual business review process and monitoring of the business environment, the Directors of the company and the wider group seek to mitigate these potential risks.

##### Liquidity risk

In September 2020, the company entered into a new long-term financing agreement with its banks. A Revolving Credit Facility (RCF) of £125m being agreed until at least 2023, with options to extend to 2025. Despite the insolvency of Greensill Capital and questions over the future of the Pharmacy Early Payment Scheme the Directors believe the company has sufficient current and future cash reserves and facilities available to meet its liabilities including financing obligations for at least twelve months from the signing of these financial statements.

There is significant headroom in the banking covenants at 31 March 2021. At the year end £75m (2020: £117m) of the £125m facility was drawn down and additionally there were cash balances in the business of £12.8m (2020: £9.5m).

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

##### Interest rate risk

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

##### 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. The COVID-19 pandemic has seen fluctuations in raw drug prices which has required pharmacy funding to keep pace. With additional revenue received by the pharmacy industry during the COVID-19 pandemic there is an expectation of clawback returning in the financial year to 31 March 2022

Brexit had minimal impact on the Group. Day Lewis is better placed to service its patients as it is less reliant on third party wholesalers than the majority of pharmacy contractors. The process of importing stock to the UK from the EU has been well supported by the UK Government. While sales to the EU have been curtailed post Brexit, the strengthening of the Pound has opened opportunities in other markets around the world. Post Brexit recruitment challenges have been mitigated with Pharmacists being included on the Shortage Occupation List for sponsored immigration visas.

The long-term impacts of the COVID-19 pandemic remain to be seen. GPs interactions with patients have

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## DAY LEWIS PLC

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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changed with less face-to-face consultations and this will especially impact Day Lewis pharmacies based in GP surgeries. Prescribing dynamics and customer circumstances have also changed during the pandemic and Day Lewis expect these changes to continue to drive customer requirements in the future.

#### Cash flow risk

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

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

#### Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The credit risk on trade and other receivables is limited as the majority of the Group's retail exposure is with the Department of Health. Exposure to credit risk on wholesale customers is mitigated through credit insurance taken out on the wholesale 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

Items dispensed in the year dropped to 22.4m (2020: 23.1m) driven by the higher prescribing in March 2020 at the outbreak of the COVID-19 pandemic;

Turnover in the year increased by 1.4% to £426.2m (2020: £420.5m).

Gross profit increased by £2.8m to £111.2m (2020: £108.4m). The percentage gross margin increased by 0.3% to 26.1% (2020: 25.8%).

The total administrative costs increased by £0.3m to £87.5m (2020: £87.2m). A key driver for this has been the increase in costs of operating Pharmacies during the COVID pandemic although this has been offset by the Business Rates holidays.

Overall these actions have enabled the Group to achieve an operating profit of £24.6m (2020: £21.9m)

Net debt has decreased by £47m to £65m (2020: £112m) as a result of improved cash inflow from Pharmacy Earlier Payment Scheme (PEPS), improved profitability, increased management focus on working capital and a pause in Pharmacy investments.

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## DAY LEWIS PLC

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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#### **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.

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

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

The Executive Directors are also supported by a group of senior advisors with expertise in Finance, Banking, Commercial, HR, IT and Legal giving a wide range of insight and experience.

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

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 have 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 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



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**DAY LEWIS PLC**

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2021**

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and the support office raise money through fund-raising activities such as cake sales, raffles and recently throwing pies at directors. Over the last 5 years Day Lewis has donated over £500,000 to various charities.

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

In 2019 Day Lewis became founder patrons of 'Legacy', an OnSide Youth Zone providing a 21st century youth club in Croydon. Legacy 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 Jnr (Sam)**  
Director

Date: 20 September 2021

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## DAY LEWIS PLC

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

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The directors present their report and the financial statements for the year ended 31 March 2021.

#### 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; the financial statements on the going concern basis.
- 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 £17,958k (2020 - £9,986k).

The Directors recommend a final dividend of £nil to be paid for the year (2020: £nil)

#### Directors

The directors who served during the year were:

Mr K C Patel Jnr (Jay)  
Mr J C Patel Jnr (Sam)  
Mr P J Glover

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## DAY LEWIS PLC

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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Miss H Patel  
Mr C C Edwards

#### 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.

#### Disabled employees

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

#### Greenhouse gas emissions, energy consumption and energy efficiency action

The Group's greenhouse gas emissions and energy consumption are as follows:

	2021	2020
Emissions resulting from activities for which the Group is responsible involving the combustion of gas and consumption of fuel for the purposes of transport (in tonnes of CO2 equivalent)	590	724
Emissions resulting from the purchase of the electricity by the Group for its own use, including the purposes of transport (in tonnes of CO2 equivalent)	924	924
Energy consumed from activities for which the Group is responsible involving the combustion of gas, and the consumption of fuel for the purposes of transport, and the annual quantity of energy consumed resulting from the purchase of electricity by the Group for its own use, including for the purposes of transport, in kWh	<u>6,558,065</u>	<u>6,884,958</u>

#### Business metric used

The business metric used for this document is number of sites. The number of sites in 2020/21 was 188. The number of sites in 2019/20 was 187.

#### Statement

Day Lewis have a long-standing commitment to reducing carbon emissions from our operations and have been improving energy efficiency and minimising fuel use.

The usage of motor vehicles has been reduced by encouraging staff to travel by train and other public transport modes where possible. In addition, we continue to have 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.

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## DAY LEWIS PLC

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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Due to the pandemic the business has encouraged staff to work from home where possible which has reduced travel throughout the business. Furthermore, there has been a conscious effort to ensure all heating/cooling systems were set correctly (timelocks and temperatures) and to ensure no systems were left on overnight or when not required. Day Lewis 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.

#### Intensity ratio

The intensity ratio for Day Lewis is the total carbon used (using Scopes 1 and 2 data only), 1,514,322 kg CO<sub>2</sub>e divided by the business metric 188 sites, giving an Intensity Ratio of 8,055 Kg CO<sub>2</sub>e / site (2020: 8,811 Kg CO<sub>2</sub>e). Electricity carbon usage has increased slightly but gas and transport have reduced year on year. The major reduction is gas which has reduced by 54%. The number of sites in the group has increased from 187 in 2020 to 188 in 2021.

#### 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.

#### Statement of corporate governance arrangements

The Company, not having listed equity shares, is not subject to the UK Financial Reporting Council's UK Corporate Governance Code (the 'Governance Code') and the Directors therefore do not believe that the Governance Code is applicable to the Company. The corporate governance structure of how the Directors operate and interact with each other and with the Company's owners is explained in the Directors' statement of compliance with duty to promote the success of the Group.

#### 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.

#### 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 Jnr (Sam)

Director

Date: 20 September 2021

2 Peterwood Way

Croydon

Surrey

CR0 4UC

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

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### Opinion

We have audited the financial statements of Day Lewis Plc ("the company") for the year ended 31 March 2021 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 2021 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 used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- Significant reduction in revenue
- Ability to repay Government loans/NHS clawbacks
- Inability to comply with their covenants.

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

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

Our conclusions based on this work.

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

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

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

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

### **Fraud and breaches of laws and regulations – ability to detect**

#### **Identifying and responding to risks of material misstatement due to fraud**

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

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

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

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that wholesale revenue is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

#### **We performed procedures including:**

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected postings to revenue and cash accounts.
- Testing the operating effectiveness of related controls to revenue to match invoice to order and dispatch notes and assess that the revenue recognition was being carried out at the appropriate time
- Assessing whether sales transactions either side of the balance sheet date as well as credit notes issued after year end are recognised in the correct period by vouching a sample of transactions to despatch note to ensure the revenue recognition point was reached for sales recognised in each period.

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

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

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

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management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

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

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

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

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

### Strategic report and directors' report

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

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

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

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

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

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

### **Auditors' responsibilities**

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

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

20 September 2021



DAY LEWIS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £000	2020 £000
Turnover	4	426,242	420,498
Cost of sales		(315,016)	(312,073)
<b>Gross profit</b>		<b>111,226</b>	<b>108,425</b>
Administrative expenses		(87,527)	(87,171)
Reversal of impairment of pharmacy licences		446	276
Other operating income	5	414	383
<b>Operating profit</b>	6	<b>24,559</b>	<b>21,913</b>
Income from other participating interests		624	396
Loss on disposal of subsidiary, associates and unincorporated businesses		(356)	(2,183)
Interest receivable and similar income	10	1,551	265
Interest payable and similar expenses	11	(3,396)	(4,492)
<b>Profit before tax</b>		<b>22,982</b>	<b>15,899</b>
Tax on profit	12	(4,759)	(5,714)
<b>Profit for the financial year</b>		<b>18,223</b>	<b>10,185</b>
<b>Profit for the year attributable to:</b>			
Non-controlling interests		265	199
Owners of the parent		17,958	9,986
		<b>18,223</b>	<b>10,185</b>

There were no recognised gains and losses for 2021 or 2020 other than those included in the consolidated profit and loss account.

The notes on pages 25 to 66 form part of these financial statements.

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DAY LEWIS PLC

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2021

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	Note	2021 £000	2020 £000
Profit for the financial year		18,223	10,185
<i>Other comprehensive income</i>		-	-
<b>Total comprehensive income for the year</b>		<b>18,223</b>	<b>10,185</b>
<b>Profit for the year attributable to:</b>			
Non-controlling interest		265	199
Owners of the parent Company		17,958	9,986
		<b>18,223</b>	<b>10,185</b>

The notes on pages 25 to 66 form part of these financial statements.

**DAY LEWIS PLC**  
**REGISTERED NUMBER:01202866**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2021**

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	13	172,644	173,130
Tangible assets	14	20,385	19,511
Investments	15	12,356	11,180
		<u>205,385</u>	<u>203,821</u>
<b>Current assets</b>			
Stocks	16	42,131	49,064
Debtors: amounts falling due within one year	17	46,043	68,126
Cash at bank and in hand	18	12,810	9,453
		<u>100,984</u>	<u>126,643</u>
Creditors: amounts falling due within one year	19	(73,527)	(198,033)
<b>Net current assets/(liabilities)</b>		<u>27,457</u>	<u>(71,390)</u>
<b>Total assets less current liabilities</b>		<u>232,842</u>	<u>132,431</u>
Creditors: amounts falling due after more than one year	20	(77,976)	(945)
<b>Provisions for liabilities</b>			
Deferred taxation	24	(20,891)	(20,205)
Other provisions	25	(6,778)	(2,207)
<b>Net assets</b>		<u>127,197</u>	<u>109,074</u>
<b>Capital and reserves</b>			
Called up share capital	26	100	100
Share premium account	27	418	418
Capital redemption reserve	27	1,694	1,694
Merger reserve	27	757	757
Profit and loss account	27	123,542	105,584
<b>Equity attributable to owners of the parent Company</b>		<u>126,511</u>	<u>108,553</u>
Non-controlling interests	30	686	521
		<u>127,197</u>	<u>109,074</u>

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DAY LEWIS PLC  
REGISTERED NUMBER:01202866

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CONSOLIDATED BALANCE SHEET (CONTINUED)  
AS AT 31 MARCH 2021

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



Mr J C Patel Jnr (Sam)  
Director

Date: 20 September 2021

The notes on pages 25 to 66 form part of these financial statements.

**DAY LEWIS PLC**  
**REGISTERED NUMBER:01202866**

**COMPANY BALANCE SHEET**  
**AS AT 31 MARCH 2021**

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	13	134,298	133,493
Tangible assets	14	12,359	11,629
Investments	15	20,147	19,742
		<u>166,804</u>	<u>164,864</u>
<b>Current assets</b>			
Stocks	16	10,672	11,163
Debtors: amounts falling due within one year	17	52,377	98,017
Cash at bank and in hand	18	2,281	-
		<u>65,330</u>	<u>109,180</u>
Creditors: amounts falling due within one year	19	(49,265)	(176,341)
<b>Net current assets/(liabilities)</b>		<u>16,065</u>	<u>(67,161)</u>
<b>Total assets less current liabilities</b>		<u>182,869</u>	<u>97,703</u>
Creditors: amounts falling due after more than one year	20	(75,312)	(773)
<b>Provisions for liabilities</b>			
Deferred taxation	24	(16,210)	(15,572)
Other provisions	25	(7,114)	(3,800)
<b>Net assets</b>		<u>84,233</u>	<u>77,558</u>
<b>Capital and reserves</b>			
Called up share capital	26	100	100
Share premium account	27	418	418
Profit and loss account	27	83,715	77,040
		<u>84,233</u>	<u>77,558</u>

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

  
Mr J C Patel Jnr (Sam)

Director

Date: 20 September 2021

The notes on pages 25 to 66 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2021

	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 2020	100	418	1,694	757	105,584	108,553	521	109,074
Comprehensive income for the year	-	-	-	-	17,958	17,958	265	18,223
Profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	17,958	17,958	265	18,223
Dividends: Non Equity capital	-	-	-	-	-	-	(100)	(100)
Total transactions with owners	-	-	-	-	-	-	(100)	(100)
At 31 March 2021	100	418	1,694	757	123,542	126,511	686	127,197

The notes on pages 25 to 66 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 £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 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)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	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 25 to 66 form part of these financial statements.

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DAY LEWIS PLC

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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2021

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	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2020	100	418	77,040	77,558
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	6,675	6,675
	-	-	6,675	6,675
<b>Total comprehensive income for the year</b>				
	-	-	-	-
<b>Total transactions with owners</b>				
	-	-	-	-
At 31 March 2021	100	418	83,715	84,233

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

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

The notes on pages 25 to 66 form part of these financial statements.



DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2021

	2021 £000	2020 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	18,223	10,185
<b>Adjustments for:</b>		
Amortisation of intangible assets	2,358	2,427
Depreciation of tangible assets	2,684	2,611
Impairments of fixed assets	(446)	(276)
Loss on disposal of tangible assets	152	80
Loss on disposal of subsidiary, associates and unincorporated businesses	356	2,183
Amortisation of intangible assets held in associates	57	320
Interest paid	3,396	4,492
Interest received	(1,551)	(265)
Taxation charge	4,759	5,714
Decrease/(increase) in stocks	6,984	(9,284)
Decrease/(increase) in debtors	22,927	(8,901)
(Decrease) in creditors	(13,084)	(5,124)
Increase in provisions	4,571	-
Government grant received	7,858	-
Share of operating profit in associates	(624)	(396)
Corporation tax paid	(3,597)	(4,315)
<b>Net cash generated from operating activities</b>	<b>55,023</b>	<b>(549)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(437)	(249)
Purchase of tangible fixed assets	(3,839)	(3,506)
Sale of tangible fixed assets	7	9
Associates loans repaid	1,049	284
Purchase of unlisted and other investments	(2,492)	-
Purchase of subsidiary undertakings and unincorporated businesses	(2,346)	(1,233)
Sale of unincorporated businesses	2,036	1,545
Sale of trade investments	-	(89)
Sale of fixed asset investments	-	1,880
Interest received	187	265
HP interest paid	(32)	(147)
Associates income received	375	488
<b>Net cash from investing activities</b>	<b>(5,492)</b>	<b>(753)</b>

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DAY LEWIS PLC

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2021

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	2021 £000	2020 £000
<b>Cash flows from financing activities</b>		
Net movement on the revolving credit facility	(42,237)	901
Invoice financing	-	(3,173)
Repayment of/new finance leases	(473)	1,067
Non controlling interest dividends paid	(100)	(100)
Interest paid	(3,364)	(4,236)
<b>Net cash used in financing activities</b>	<b>(46,174)</b>	<b>(5,541)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,357</b>	<b>(6,843)</b>
Cash and cash equivalents at beginning of year	9,453	16,296
<b>Cash and cash equivalents at the end of year</b>	<b>12,810</b>	<b>9,453</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	12,810	9,453
	<b>12,810</b>	<b>9,453</b>

The notes on pages 25 to 66 form part of these financial statements.

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**DAY LEWIS PLC**

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**CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 MARCH 2021**

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	At 1 April 2020 £000	Cash flows £000	Acquisition and disposal of subsidiaries £000	Other non- cash changes £000	At 31 March 2021 £000
Cash at bank and in hand	9,453	3,368	(11)	-	12,810
Debt due after 1 year	(159)	(2,502)	-	(75,000)	(77,661)
Debt due within 1 year	(119,957)	44,738	-	75,000	(219)
Finance leases	(1,258)	473	-	-	(785)
Financial instruments	-	-	-	596	596
	<u>(111,921)</u>	<u>46,077</u>	<u>(11)</u>	<u>596</u>	<u>(65,259)</u>

The notes on pages 25 to 66 form part of these financial statements.

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## DAY LEWIS PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 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 third 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.

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## DAY LEWIS PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 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.

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## DAY LEWIS PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 2. Accounting policies (continued)

##### 2.3 Going concern

In assessing the validity of the going concern basis, and taking account of reasonably plausible downsides, the Directors have prepared financial forecasts for the period until 31 March 2023. 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. In September 2020, the company refinanced its finance facility with 4 banks and now have in place a RCF facility of £125m until at least September 2023.

The Directors have assessed that the impact of the COVID-19 pandemic on the business 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 pandemic to present any risk of material degradation of the entity's revenue and margins within the next twelve months. The downside scenario assumes no growth in the next year and no additional funding from Government.

Having considered the Company's financial forecasts and investment and financing commitments for the year until 31 March 2023 (including the downside scenario), the Directors believe the company has sufficient current and future cash reserves and facilities available for it to meet its liabilities including financing obligations whilst in compliance with its banking covenants for at least eighteen 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.

##### 2.4 Turnover

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

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## DAY LEWIS PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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## 2. Accounting policies (continued)

### 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

### 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.

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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**2. Accounting policies (continued)**

**2.7 Tangible fixed assets**

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

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

Depreciation is provided on the following basis:

Freehold property	- Straight-line over fifty years
Leasehold property	- Over period of lease
Plant and machinery	- 33.3% straight line
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 the profit and 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**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 and loss, other comprehensive income and equity of the associate. The Consolidated Profit and Loss Account includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Balance Sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

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

**2.10 Operating leases: the Group as lessee**

Rentals paid under operating leases are charged to the profit and 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.

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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**2. Accounting policies (continued)**

**2.13 Government grants**

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

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

**2.14 Interest income**

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

**2.15 Finance costs**

Finance costs are charged to the profit and 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.

**2.16 Borrowing costs**

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

**2.17 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.

**2.18 Stocks**

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

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

**2.19 Debtors**

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

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**2. Accounting policies (continued)**

**2.20 Cash and cash equivalents**

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

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

**2.21 Creditors**

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

**2.22 Provisions for liabilities**

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

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

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

**2.23 Onerous leases**

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

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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2. Accounting policies (continued)

2.24 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and 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 the profit and loss within 'other operating income'.

2.25 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.

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.

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## DAY LEWIS PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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## 2. Accounting policies (continued)

### 2.25 Financial instruments (continued)

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

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

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

### 2.26 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.

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## DAY LEWIS PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

##### **Critical judgements in applying the company's accounting policies**

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

##### **Key source of estimation uncertainty - impairment of retail pharmacy licences**

Determining whether the values of retail pharmacy licenses are impaired requires an estimation of the value in use of the cash-generating units to which retail pharmacy licenses have been allocated. During this financial year the Directors have reassessed on what basis CGUs are formed to a higher sub regional level. 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 £168m (2020: £169m) after a gain of £446k (2020: £(276)k loss) was recognised during the year

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

The directors believe that the right for dispensing UK NHS prescriptions, being the pharmacy licence which is attached to a particular pharmacy, have 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:*

	2021 £000	2020 £000
United Kingdom	412,100	400,711
Rest of the world	14,142	19,787
	<u>426,242</u>	<u>420,498</u>

Turnover is not disclosed by activity due to commercial reasons.

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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5. Other operating income

	2021 £000	2020 £000
Other operating income	5	-
Net rents receivable	395	383
Insurance claims receivable	14	-
	<u>414</u>	<u>383</u>

6. Operating profit

The operating profit is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	2,684	2,611
Amortisation of intangible assets, including goodwill	2,358	2,427
Impairment of intangible assets	(446)	(276)
Loss on disposal of fixed assets	152	80
Exchange differences	(7)	81
Other operating lease rentals	8,728	8,721
Defined contribution pension cost	<u>1,262</u>	<u>1,228</u>

7. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>140</u>	<u>130</u>
Fees payable to the Group's auditor and its associates in respect of:		
All other assurance services	<u>-</u>	<u>5</u>
	<u>-</u>	<u>5</u>

**DAY LEWIS PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**8. Employees**

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

	<b>Group 2021 £000</b>	<b>Group 2020 £000</b>	<b>Company 2021 £000</b>	<b>Company 2020 £000</b>
Wages and salaries	51,528	48,885	40,063	37,662
Social security costs	4,117	3,706	3,289	2,780
Cost of defined contribution scheme	1,262	1,228	998	1,015
	<b>56,907</b>	<b>53,819</b>	<b>44,350</b>	<b>41,457</b>

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

	<b>Group 2021 No.</b>	<b>Group 2020 No.</b>	<b>Company 2021 No.</b>	<b>Company 2020 No.</b>
Management and pharmacists	493	714	471	711
Sales assistants	1,667	1,425	1,664	1,387
Distribution staff	297	212	216	212
	<b>2,457</b>	<b>2,351</b>	<b>2,351</b>	<b>2,310</b>

During the year, 244 pharmacists were reclassified as sales assistants.

**9. Directors' remuneration**

	<b>2021 £000</b>	<b>2020 £000</b>
Directors' emoluments	622	566
Company contributions to defined contribution pension schemes	15	87
	<b>637</b>	<b>653</b>

During the year retirement benefits were accruing to 3 directors (2020 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £198k (2020 - £204k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2020 - £nil).



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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**10. Interest receivable**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Net changes in fair value of interest rate swap	1,364	-
Share of associates' interest receivable	126	264
Other interest receivable	61	1
	<u>1,551</u>	<u>265</u>

**11. Interest payable and similar expenses**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	3,344	4,147
Other interest payable	20	89
Finance leases and hire purchase contracts	32	147
Net changes in fair value of interest rate swap	-	109
	<u>3,396</u>	<u>4,492</u>

**12. Taxation**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	4,295	3,459
Adjustments in respect of previous periods	35	(104)
<b>Total current tax</b>	<u>4,330</u>	<u>3,355</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	412	447
Changes to tax rates	-	1,852
Prior year adjustment	17	60
<b>Total deferred tax</b>	<u>429</u>	<u>2,359</u>
<b>Taxation on profit on ordinary activities</b>	<u>4,759</u>	<u>5,714</u>

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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12. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	22,982	15,899
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	4,367	3,021
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	187	598
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	218	343
Adjustments to tax charge in respect of prior periods	35	(104)
Other tax adjustments	(41)	(54)
Deferred tax not recognised previously	(24)	(2)
Deferred tax prior year adjustment	17	60
Tax rate changes	-	1,852
<b>Total tax charge for the year</b>	<b>4,759</b>	<b>5,714</b>

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset/(liability) as at 31 March 2021 was calculated at 19% (2020: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly and increase the deferred tax liability by £6.6m.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

13. Intangible assets

Group

	Retail Pharmacy Licences £000	Pharma Product Development £000	Brands, licences and trademarks £000	Goodwill £000	Negative goodwill £000
<b>Cost</b>					
At 1 April 2020	179,266	286	263	11,501	(315)
Additions	165	272	-	-	-
Disposals	(4,550)	-	-	-	-
On acquisition of subsidiaries	3,231	-	-	-	-
At 31 March 2021	178,112	558	263	11,501	(315)
<b>Amortisation</b>					
At 1 April 2020	10,690	48	80	7,368	(315)
Charge for the year on owned assets	1,797	108	23	430	-
On disposals	(283)	-	-	-	-
Impairment charge	15	-	-	-	-
Impairment charge reversed	(461)	-	-	-	-
Impairment losses on disposals	(2,025)	-	-	-	-
At 31 March 2021	9,733	156	103	7,798	(315)
<b>Net book value</b>					
At 31 March 2021	168,379	402	160	3,703	-
At 31 March 2020	168,576	238	183	4,133	-

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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13. Intangible assets (continued)

	Total £000
<b>Cost</b>	
At 1 April 2020	191,001
Additions	437
Disposals	(4,550)
On acquisition of subsidiaries	3,231
At 31 March 2021	<u>190,119</u>
<b>Amortisation</b>	
At 1 April 2020	17,871
Charge for the year on owned assets	2,358
On disposals	(283)
Impairment charge	15
Impairment charge reversed	(461)
Impairment losses on disposals	(2,025)
At 31 March 2021	<u>17,475</u>
<b>Net book value</b>	
At 31 March 2021	<u>172,644</u>
At 31 March 2020	<u>173,130</u>

Impairment loss recognised in the profit and loss account. This relates to one pharmacy where the disposal proceeds were less than the carrying value.

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**13. Intangible assets (continued)**

**Company**

	Retail Pharmacy Licences £000	Pharma Product Development £000	Total £000
<b>Cost</b>			
At 1 April 2020	142,665	286	142,951
Additions	2,026	272	2,298
Disposals	(4,550)	-	(4,550)
On acquisition of subsidiaries	2,014	-	2,014
At 31 March 2021	<u>142,155</u>	<u>558</u>	<u>142,713</u>
<b>Amortisation</b>			
At 1 April 2020	9,410	48	9,458
Charge for the year	1,406	108	1,514
On disposals	(282)	-	(282)
Impairment charge	15	-	15
Impairment charge reversed	(265)	-	(265)
Impairment losses on disposals	(2,025)	-	(2,025)
At 31 March 2021	<u>8,259</u>	<u>156</u>	<u>8,415</u>
<b>Net book value</b>			
At 31 March 2021	<u>133,896</u>	<u>402</u>	<u>134,298</u>
At 31 March 2020	<u>133,255</u>	<u>238</u>	<u>133,493</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

14. Tangible fixed assets

Group

	Freehold property £000	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000
<b>Cost</b>					
At 1 April 2020	6,006	7,141	251	1,141	26,815
Additions	-	16	1,278	20	2,525
Acquisition of subsidiary	-	28	-	-	-
Disposals	(120)	(2)	-	(43)	(216)
Disposal of unincorporated business	-	(40)	-	-	(342)
At 31 March 2021	5,886	7,143	1,529	1,118	28,782
<b>Depreciation</b>					
At 1 April 2020	303	4,445	(168)	765	16,498
Charge for the year on owned assets	-	380	230	95	1,979
Disposals	-	(33)	-	(34)	(155)
Disposal of unincorporated business	-	(17)	-	-	(215)
At 31 March 2021	303	4,775	62	826	18,107
<b>Net book value</b>					
At 31 March 2021	5,583	2,368	1,467	292	10,675
At 31 March 2020	5,703	2,696	419	376	10,317

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**14. Tangible fixed assets (continued)**

	<b>Total £000</b>
<b>Cost</b>	
At 1 April 2020	41,354
Additions	3,839
Acquisition of subsidiary	28
Disposals	(381)
Disposal of unincorporated business	(382)
At 31 March 2021	<u>44,458</u>
<b>Depreciation</b>	
At 1 April 2020	21,843
Charge for the year on owned assets	2,684
Disposals	(222)
Disposal of unincorporated business	(232)
At 31 March 2021	<u>24,073</u>
<b>Net book value</b>	
At 31 March 2021	<u>20,385</u>
At 31 March 2020	<u>19,511</u>

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

	<b>2021 £000</b>	<b>2020 £000</b>
Plant and machinery	-	5
Motor vehicles	20	27
Furniture, fittings and equipment	692	838
	<u>712</u>	<u>870</u>

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**14. Tangible fixed assets (continued)**

**Company**

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000
<b>Cost</b>				
At 1 April 2020	585	5,143	-	946
Additions	-	7	1,138	20
Acquisition of subsidiary	-	28	-	-
Disposals	(120)	(2)	-	(43)
Disposal of unincorporated business	-	(40)	-	-
At 31 March 2021	<u>465</u>	<u>5,136</u>	<u>1,138</u>	<u>923</u>
<b>Depreciation</b>				
At 1 April 2020	141	2,771	-	644
Charge for the year on owned assets	-	317	44	77
Disposals	-	(33)	-	(34)
Disposal of unincorporated business	-	(17)	-	-
At 31 March 2021	<u>141</u>	<u>3,038</u>	<u>44</u>	<u>687</u>
<b>Net book value</b>				
At 31 March 2021	<u><u>324</u></u>	<u><u>2,098</u></u>	<u><u>1,094</u></u>	<u><u>236</u></u>
At 31 March 2020	<u><u>444</u></u>	<u><u>2,372</u></u>	<u><u>-</u></u>	<u><u>302</u></u>



**DAY LEWIS PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**14. Tangible fixed assets (continued)**

	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>		
At 1 April 2020	19,935	26,609
Additions	1,947	3,112
Acquisition of subsidiary	34	62
Disposals	(216)	(381)
Disposal of unincorporated business	(342)	(382)
At 31 March 2021	<u>21,358</u>	<u>29,020</u>
<b>Depreciation</b>		
At 1 April 2020	11,424	14,980
Charge for the year on owned assets	1,700	2,138
Disposals	(158)	(225)
Disposal of unincorporated business	(215)	(232)
At 31 March 2021	<u>12,751</u>	<u>16,661</u>
<b>Net book value</b>		
At 31 March 2021	<u>8,607</u>	<u>12,359</u>
At 31 March 2020	<u>8,511</u>	<u>11,629</u>

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

	2021 £000	2020 £000
Motor vehicles	20	27
Furniture, fittings and equipment	692	838
	<u>712</u>	<u>865</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

15. Fixed asset investments

Group

	Investments in associates £000	Unlisted investments £000	Loans to associates £000	Other fixed asset investments £000	Total £000
<b>Cost</b>					
At 1 April 2020	(524)	264	2,365	9,586	11,691
Additions	-	2,492	-	-	2,492
Disposals	-	-	(1,049)	-	(1,049)
Transfer to group	115	-	-	(574)	(459)
Share of profit	249	-	-	-	249
At 31 March 2021	(160)	2,756	1,316	9,012	12,924
<b>Impairment</b>					
At 1 April 2020	-	-	-	511	511
Charge for the period	-	-	-	57	57
At 31 March 2021	-	-	-	568	568
<b>Net book value</b>					
At 31 March 2021	(160)	2,756	1,316	8,444	12,356
At 31 March 2020	(524)	264	2,365	9,075	11,180

The unlisted investment addition during the year is a Loan Note convertible into equity at the end of loan term.

The Group acquired 50% share in an associate Nailsea Healthcare LLP on 01 February 2021 which was previously 50% indirectly owned by the group. On completion the assets and trade were hived up into Day Lewis plc.

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**15. Fixed asset investments (continued)**

**Company**

	Investments in subsidiary companies £000	Unlisted investments £000	Total £000
<b>Cost</b>			
At 1 April 2020	22,161	328	22,489
Additions	405	-	405
At 31 March 2021	<u>22,566</u>	<u>328</u>	<u>22,894</u>
<b>Impairment</b>			
At 1 April 2020	2,747	-	2,747
At 31 March 2021	<u>2,747</u>	<u>-</u>	<u>2,747</u>
<b>Net book value</b>			
At 31 March 2021	<u>19,819</u>	<u>328</u>	<u>20,147</u>
At 31 March 2020	<u>19,414</u>	<u>328</u>	<u>19,742</u>

The company acquired 50% share in Nailsea Healthcare LLP on 01 February 2021.

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DAY LEWIS PLC

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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%

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**15. Fixed asset investments (continued)**

**Direct subsidiary undertakings (continued)**

<b>Name</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Keyshare 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%
Nailsea Healthcare LLP	Dormant	Partnership	50%

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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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 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.

The aggregate of the share capital and reserves as at 31 March 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Share capital and reserves £000	Profit/(Loss) £000
Day Lewis Chemists Limited	-	-
Day Lewis Medical Limited	30,147	8,509
Cradlecrest Limited	4,357	415
Leach and Burton Limited	603	24
Tayzana Limited	907	340
Medi Options Limited	(1,119)	43
Healthcare Drugstores Limited	(1,284)	-
East Midlands Pharma Limited	(610)	(682)
Narrowcliff Medical Services Limited	-	-
Stargazer Drug Stores Limited	123	117
Newlands Pharmacies Limited	-	-
Keyshare Limited	1	64
Gleadless Valley Pharmacy Limited	-	-
Liptrots (Calverley) Limited	-	-
Day Lewis Properties Limited	904	325
Drury's Pharmacy Limited	1	-
Una Murray Limited	-	-
Gnosall Healthcare Limited	-	-
APM Healthcare Ltd	571	-
Ramsay Enterprises Limited	1	-
Readesmoor Healthcare LLP	-	607
Nailsea Healthcare LLP	874	1,210

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
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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%
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%
Poller ase 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%

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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15. Fixed asset investments (continued)

Indirect subsidiary undertakings (continued)

Name	Principal activity	Class of shares	Holding
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%
Naiisea 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.



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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**15. Fixed asset investments (continued)**

**Associates**

The following were associates of the Company.

<b>Name</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
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%
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**

	<b>Group 2021 £000</b>	<b>Group 2020 £000</b>	<b>Company 2021 £000</b>	<b>Company 2020 £000</b>
Raw materials and consumables	203	69	-	-
Finished goods and goods for resale	41,928	48,995	10,672	11,163
	<b>42,131</b>	<b>49,064</b>	<b>10,672</b>	<b>11,163</b>

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 £315,016k (2020 - £312,073k).

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
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17. Debtors

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade debtors	31,533	57,978	1,976	17,086
Amounts owed by group undertakings	-	-	43,325	74,785
Other debtors	6,517	6,319	4,114	4,038
Prepayments and accrued income	7,397	3,829	2,366	2,108
Financial instruments	596	-	596	-
	<u>46,043</u>	<u>68,126</u>	<u>52,377</u>	<u>98,017</u>

18. Cash and cash equivalents

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash at bank and in hand	12,810	9,453	2,281	564
Less: bank overdrafts	-	-	-	(8,872)
	<u>12,810</u>	<u>9,453</u>	<u>2,281</u>	<u>(8,308)</u>

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**19. Creditors: Amounts falling due within one year**

	<b>Group 2021 £000</b>	<b>Group 2020 £000</b>	<b>Company 2021 £000</b>	<b>Company 2020 £000</b>
Bank overdrafts	-	-	-	8,308
Bank loans	219	119,957	-	117,000
Trade creditors	50,817	62,205	19,222	21,864
Amounts owed to group undertakings	-	-	18,440	22,495
Amounts owed to other participating interests	3,375	6,375	-	-
Corporation tax	1,813	1,075	-	-
Other taxation and social security	1,630	1,372	1,145	970
Obligations under finance lease and hire purchase contracts	470	472	461	461
Other creditors	4,533	2,746	2,388	2,524
Government grant repayable	7,858	-	6,831	-
Accruals and deferred income	2,812	3,063	778	1,951
Financial instruments	-	768	-	768
	<b>73,527</b>	<b>198,033</b>	<b>49,265</b>	<b>176,341</b>

Bank overdrafts and loans due within one year and after more than one year amounting to £77,880,000 (2020: £120,116,000) 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.

An interest rate swap on a notional amount of £50m of loan funding (reducing to £40m in March 2023) at a fixed rate of 0.0880% until September 2025. As at 31 March 2021, the fair value of the swap is £595,936 asset (2020: £768,174 liability).

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS  
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20. Creditors: Amounts falling due after more than one year

	<b>Group 2021 £000</b>	<b>Group 2020 £000</b>	<b>Company 2021 £000</b>	<b>Company 2020 £000</b>
Bank loans	77,661	159	75,000	-
Net obligations under finance leases and hire purchase contracts	315	786	312	773
	<b>77,976</b>	<b>945</b>	<b>75,312</b>	<b>773</b>

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

21. Loans

The long term RCF facilities have a maturity date of 3 years ending September 2023, with options to extend to 2025. The drawn amount is reset monthly and repayable as a final bullet repayment of the outstanding balance due at the end of the term. The loan bears interest between 2.0% and 3.0% per annum above LIBOR depending on the financial leverage.

	<b>Group 2021 £000</b>	<b>Group 2020 £000</b>	<b>Company 2021 £000</b>	<b>Company 2020 £000</b>
<b>Amounts falling due within one year</b>				
Bank loans	219	119,957	-	117,000
	<b>219</b>	<b>119,957</b>	<b>-</b>	<b>117,000</b>
<b>Amounts falling due 1-2 years</b>				
Bank loans	207	41	-	-
	<b>207</b>	<b>41</b>	<b>-</b>	<b>-</b>
<b>Amounts falling due 2-5 years</b>				
Bank loans	77,454	118	75,000	-
	<b>77,454</b>	<b>118</b>	<b>75,000</b>	<b>-</b>
	<b>77,880</b>	<b>120,116</b>	<b>75,000</b>	<b>117,000</b>

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**22. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	<b>Group 2021 £000</b>	<b>Group 2020 £000</b>	<b>Company 2021 £000</b>	<b>Company 2020 £000</b>
Within one year	470	472	461	461
Between 1-5 years	315	786	312	773
	<u>785</u>	<u>1,258</u>	<u>773</u>	<u>1,234</u>

**23. Financial instruments**

	<b>Group 2021 £000</b>	<b>Group 2020 £000</b>	<b>Company 2021 £000</b>	<b>Company 2020 £000</b>
<b>Financial assets</b>				
Financial assets measured at fair value	12,810	9,453	2,281	-
Financial assets measured at amortised cost	45,447	65,072	51,781	96,714
Assets measured at fair value through profit and loss	596	-	596	-
	<u>58,853</u>	<u>74,525</u>	<u>54,658</u>	<u>96,714</u>
<b>Financial liabilities</b>				
Liabilities measured at fair value through profit and loss	-	(768)	-	(768)
Financial liabilities measured at amortised cost	(70,084)	(198,099)	(48,120)	(178,970)
	<u>(70,084)</u>	<u>(198,867)</u>	<u>(48,120)</u>	<u>(179,738)</u>

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

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS  
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24. Deferred taxation

Group

	2021 £000	2020 £000
At beginning of year	(20,205)	(17,692)
Charged to profit and loss	(429)	(2,359)
Arising on business combinations	(257)	(105)
Removed on business disposals	-	(49)
At end of year	<u>(20,891)</u>	<u>(20,205)</u>

Company

	2021 £000	2020 £000
At beginning of year	(15,572)	(13,778)
Charged to profit and loss account	(380)	(1,793)
Arising on business combinations	(258)	(1)
At end of year	<u>(16,210)</u>	<u>(15,572)</u>

The provision for deferred taxation is made up as follows:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Accelerated capital allowances	(419)	(392)	(354)	(345)
Tax losses carried forward	-	84	-	-
General provision	576	634	470	531
Deferred tax on retail pharmacy licences	(21,048)	(20,531)	(16,326)	(15,758)
	<u>(20,891)</u>	<u>(20,205)</u>	<u>(16,210)</u>	<u>(15,572)</u>

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**25. Provisions**

**Group**

	NHS reimbursement £000	Onerous leases £000	Others £000	Total £000
At 1 April 2020	1,180	1,027	-	2,207
Charged to profit and loss	3,520	751	300	4,571
<b>At 31 March 2021</b>	<b>4,700</b>	<b>1,778</b>	<b>300</b>	<b>6,778</b>

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

**Company**

	NHS reimbursement £000	Onerous leases £000	Others £000	Total £000
At 1 April 2020	1,023	1,007	1,770	3,800
Charged to profit and loss	2,994	627	(307)	3,314
<b>At 31 March 2021</b>	<b>4,017</b>	<b>1,634</b>	<b>1,463</b>	<b>7,114</b>

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

Others driven by provision for intercompany debt waiver.

**26. Share capital**

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
100,000 (2020 - 100,000) Ordinary shares of £1.00 each	<b>100</b>	<b>100</b>

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**27. 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



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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**28. 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 Gipsy Hill on 01 December 2020
2. Pharmacy at Nailsea High Street on 01 February 2021
3. Pharmacy at Nailsea Collier Walk on 01 February 2021
4. Pharmacy at Nailsea Healthcare LLP on 01 February 2021 (Remaining 50% share acquired and hived up into Day Lewis plc)

**Recognised amounts of identifiable assets acquired and liabilities assumed**

	Book value £000	Fair value adjustments £000	Fair value £000
<b>Fixed Assets</b>			
Tangible	28	-	28
Intangible	16	3,215	3,231
	<u>44</u>	<u>3,215</u>	<u>3,259</u>
<b>Current Assets</b>			
Stocks	51	-	51
Debtors	248	-	248
Cash at bank and in hand	(11)	-	(11)
<b>Total Assets</b>	<u>332</u>	<u>3,215</u>	<u>3,547</u>
<b>Creditors</b>			
Due within one year	(564)	-	(564)
Deferred taxation	-	(257)	(257)
<b>Total identifiable net (liabilities)/assets</b>	<u>(232)</u>	<u>2,958</u>	<u>2,726</u>

**Consideration**

	£000
Cash	2,317
Cash and cash equivalents in unincorporated business acquired	11
Non cash consideration	380
Directly attributable costs	18
<b>Total purchase consideration</b>	<u>2,726</u>

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DAY LEWIS PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

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28. Business combinations (continued)

Cash outflow on acquisition

	£000
Purchase consideration settled in cash, as above	2,317
Directly attributable costs	18
	<u>2,335</u>
Less: Cash and cash equivalents acquired	11
Net cash outflow on acquisition	<u>2,346</u>

29. Disposals

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

	£000
Cash proceeds	2,036
	<u>2,036</u>
Net assets disposed of:	
Tangible fixed assets	150
Intangible fixed assets	2,242
	<u>(2,392)</u>
Loss on disposal before tax	<u>(356)</u>

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

	£000
Cash consideration	2,036
Net inflow of cash	<u>2,036</u>

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**30. Non-controlling interests**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	521	197
Removed on disposal	-	225
Profit for the year	265	199
Dividends paid	(100)	(100)
<b>At end of year</b>	<b>686</b>	<b>521</b>

**31. Pension commitments**

The Group operates two defined contributions pension schemes for the benefit of the eligible employees and directors. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £1,262k (2020: £1,228k).

**32. Commitments under operating leases**

At 31 March 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods.

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than 1 year	6,806	6,334	5,061	4,191
Later than 1 year and not later than 5 years	20,756	20,341	15,381	13,620
Later than 5 years	19,057	23,071	16,245	16,506
	<b>46,619</b>	<b>49,746</b>	<b>36,687</b>	<b>34,317</b>

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## DAY LEWIS PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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#### 33. 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 Q H Estates Limited, a company in which The KCTP Will Trust, K C Patel Jnr (Jay) and J C Patel Jnr (Sam) have an interest:

Day Lewis Plc £309,917 (2020: £454,770)

Day Lewis Medical Limited £545,377 (2020: £544,060)

ABC Drug Stores Limited £3,500 (2020: £14,215)

In addition the group paid rentals to the following entities:

Day Lewis Pension Fund £260,154 (2020: £272,596)

Ms R Patel, sister of Jay and Sam, £52,000 (2020: £52,000)

Tayzana Pension Fund £22,800 (2020: £22,800)

##### Loans:

Other debtors include an amount of £809,561 (2020: £797,835) due from Quick Shop Limited, a company which is owned by Ms R Patel, sister of Jay and Sam. A provision of £805,315 (2020: £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 £167,327 (2020: £149,265) from Quadrant Pharmaceuticals. The KCTP Will Trust has interest in this company. At the year end the balance outstanding to Quadrant Pharmaceuticals was £17,710 (2020: £2,150).

During the year, the group purchased goods totalling £1,689,037 (2020: £1,942,775) from Maxearn Limited. The KCTP Will Trust has a material interest in the company. At the year end the balance outstanding to Maxearn Limited was £30,207 (2020: £297,690).

During the year, the group sold goods totalling £3,609,059 (2020: £3,601,734) to Health Counter Limited, and recharged expenses of £199,636 (2020: £40,240). Health Counter Limited recharged £nil (2020: £nil) 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 £125,015 (2020: £75,333). Included in the creditors as an amount owed by the group is £3,544 (2020: £14,220).

During the year, the group made a contribution to the Day Lewis Pension Fund of £12,000 (2020: £120,000). The pension fund has been set up for the benefit of certain of the directors and their families.

As at 31 March 2021 Heversham Holdings Limited owed £5,542 (2020: £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 £3,375,056 (2020: £6,375,056) as at 31 March 2021, following a repayment of £3m during the year.

During the year, the group sold goods totalling £6,518,080 (2020: £7,052,792) to the associates, purchased goods totalling £91,636 (2020: £214,791), recharged expenses of £444,945 (2020: £449,860),

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**DAY LEWIS PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**33. Related party transactions (continued)**

management fees of £214,549 (2020: £232,413) and interest £165,385 (2020: £277,036). The associates recharged £nil (2020: £nil) to the group. Included in trade creditors as an amount owed to the group is £1,027,018 (2020: £1,163,876). The associates owed £1,315,365 (2020: £2,364,576) to the group in respect of loan made available.

The group purchased goods of £1,432,765 (2020: £1,351,470) from Eaststone Limited, a company in which the KCTP Will Trust has a controlling interest. At the balance sheet date £432,126 (2020: £125,721) was payable to Eaststone Limited.

**34. Controlling party**

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

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