

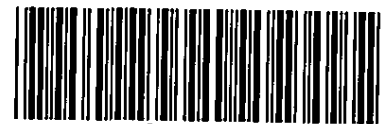
Pills Limited

Directors' Report and financial statements

Registered number SC271830

For the period ended 11 January 2010

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Directors' report

The Directors present their report and financial statements for the period ended 11 January 2010.

Principal activities

The Company ceased trading in January 2009. All trade and assets were hived up to the parent, National Co-operative Chemists Limited on 11 January 2009.

Business review

The results for the period are set out on page 6 of the financial statements. The Company made a profit before taxation of £nil (*period ended 10 January 2009: profit of £436,694*).

Parent Key Performance Indicators

In addition to monitoring revenue and profitability of the Company, the Directors also monitor a number of key performance indicators of the Co-operative Group ("the group"). These include financial performance, growth in and engagement of members of the group, growing customer loyalty and corporate reputation of the group. Further details on these key measures can be found on pages 24-25 of the group's annual report.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to trends in consumer spending and damage to our reputation or brand. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 26-29 of the group's annual report which does not form part of this report.

Dividend

The Directors do not recommend the payment of a dividend (2009: £nil).

Directors

The Directors who held office during the period were as follows:

J B Nuttall

A J Smith (appointed as a Director on 10 March 2009)

J D Brocklehurst (resigned as a Director on 10 March 2009)

G Farquhar (resigned as a Director on 24 July 2009)

Employees

Employees are provided with business specific communication and these are supported by two corporate publications: *Magma* magazine and *Us* magazine. All managers are kept informed about the group's performance through annual, interim and social accountability reports, management bulletins and Newline, the electronic weekly new service.

The Company's policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment terms

The group Code on Business Conduct sets out the Society's and its subsidiaries' relationships with its suppliers and its undertaking to pay its suppliers on time and according to agreed terms of trade.

Going concern

The financial statements have not been prepared on a going concern basis due to the Company ceasing to trade. The Company is in the process of being wound up.

Directors' Report *(continued)*

Corporate responsibility and the environment

The Company closely follows the group's corporate responsibility and environmental policies. The Co-operative Group provides a sustainable development section in its annual report. This can be found on pages 17-20. In addition, the group's Sustainability Report, which will be published towards the latter half 2010, describes how the group manages its social, ethical and environmental impact.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period or prior period.

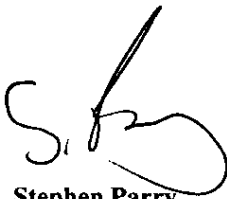
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



Stephen Parry
Secretary

Registered Office:
Robert Owen House
87 Bath Street
Glasgow
G2 2EE

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The Directors are responsible for preparing 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 financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Pills Limited

We have audited the financial statements of Pills Limited for the period ended 11 January 2010 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope1.KNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 11 January 2010 and of its result for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Pills Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



21 March 2011

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

Income statement*for the period ended 11 January 2010*

	<i>Notes</i>	For period ended 11 January 2010 £	For the period ended 10 January 2009 £
Revenue		-	4,433,341
Cost of sales		-	(3,152,609)
		<hr/>	<hr/>
Gross profit		-	1,280,732
Administrative expenses		-	(844,038)
		<hr/>	<hr/>
Operating profit		-	436,694
		<hr/>	<hr/>
Profit before taxation	2	-	436,694
Taxation		-	-
		<hr/>	<hr/>
Profit for the period		-	436,694
		<hr/> <hr/>	<hr/> <hr/>

The company ceased trading in January 2009. All trade and assets were hived up to the parent company, National Co-operative Chemists Limited on 11 January 2009.

Statement of comprehensive income

The Company has no other items of comprehensive income in the current period or prior period other than those included in the income statement shown above.

Balance sheet
At 11 January 2010

	Notes	As at 11 January 2010 £	As at 11 January 2010 £	As at 10 January 2009 £	As at 10 January 2009 £
Non-current assets					
Property, plant and equipment	3	-		16,360	
Intangible assets	4	-		-	
Investments	5	-		-	
Total non-current assets			-		16,360
Current assets					
Inventories	6	-		226,125	
Trade and other receivables	7	-		844,830	
Cash and cash equivalents		-		1,446,413	
Total current assets			-		2,517,368
Total assets			-		2,533,728
Non-current liabilities					
Trade and other payables	8	(2,086,129)		-	
Total non-current liabilities			(2,086,129)		-
Current liabilities					
Trade and other payables	8	-		(4,619,857)	
Total current liabilities			-		(4,619,857)
Total liabilities			(2,086,129)		(4,619,857)
Equity					
Called up share capital	9		100		100
Retained earnings			(2,086,229)		(2,086,229)
Total equity			(2,086,129)		(2,086,129)

The notes on pages 10 to 15 form part of these financial statements.

These financial statements were approved by the Board of Directors on 18.02.11 and were signed on its behalf by:



A J Smith
Director

Statement of changes in equity

For the period ended 2 January 2010

	Called up share capital £	Retained earnings £	Total equity £
Balance at 10 January 2009	100	(2,086,229)	(2,086,129)
Profit for the period	-	-	-
Balance at 11 January 2010	100	(2,086,229)	(2,086,129)

For the period ended 10 January 2009

	Called up share capital £	Retained earnings £	Total equity £
Balance at 4 December 2007 (unaudited)	100	(2,522,923)	(2,522,823)
Profit for the period	-	436,694	436,694
Balance at 10 January 2009	100	(2,086,229)	(2,086,129)

All items are shown net of tax.

Cash flow statement

For the period ended 11 January 2010

	Notes	For the period ended 11 January 2010 £	For the period ended 10 January 2009 £
Profit before taxation		-	436,694
Adjustments for non-cash items and changes in working capital		-	-
Depreciation		-	437
Impairment of intangible assets		-	1,165,940
Impairment of property, plant and equipment		-	86,381
Impairment of investments		-	130,772
		<hr/>	<hr/>
Operating profit before changes in working capital		-	1,820,224
Increase in inventories		-	(34,729)
Increase in trade and other receivables		-	(527,157)
Increase in trade and other payables		-	184,483
		<hr/>	<hr/>
Cash generated from operations		-	1,442,821
Net cash from investing activities		-	-
Net cash from financing activities		-	-
		<hr/>	<hr/>
Net increase in cash and cash equivalents		-	1,442,821
Cash and cash equivalents at 10 January 2009		-	3,592
		<hr/>	<hr/>
Cash and cash equivalents at 11 January 2010		-	1,446,413
		<hr/>	<hr/>

Notes

1 Accounting policies

Reporting entity

Pills Limited is a Company domiciled in Scotland. The address of the Company's registered office is Robert Owen House, 87 Bath Street, Glasgow, G2 2EE.

Basis of preparation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it is a wholly owned subsidiary of Co-operative Group Limited, a society incorporated in England and Wales. These financial statements present information about the company as an individual undertaking only. The accounting policies set out below, have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Going concern

The financial statements have not been prepared on a going concern basis due to the Company ceasing to trade. The Company is in the process of being wound up.

Accounting date

The financial statements for the Company are made up for the 51 weeks to 11 January 2010. This financial period's figures below are headed 2010 and the corresponding figures for the previous period (58 weeks ended 10 January 2009) are headed 2009 below. The year end date was changed to create a more coherent reporting deadline structure for the Group. Therefore, the comparative amounts are not entirely comparable as they are based on a longer period.

Standards, amendments and interpretations issued but not yet effective

The Company has not early adopted the following accounting standards:

IFRS 3 Business Combinations (2008)

The most significant amendments relate to:

- Acquiring a controlling interest, but a majority stake only;
- Accounting for changes in stake; and
- Accounting for the price paid.

The scope of IFRS 3 has widened to bring certain transactions that were not within the scope of IFRS 3 (2004) into scope. The Company will apply the revised IFRS 3 from 3 January 2010. This will impact on the accounting for all future business combinations. The new standard is effective for accounting periods beginning on 1 July 2009.

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

This standard requires accounting for changes in ownership interests in a subsidiary that occurs without loss of control, to be recognised as an equity transaction. When control of a subsidiary is lost, any interest retained in the

Notes (continued)

1 Accounting policies (continued)

former subsidiary will be measured at fair value with the gain or loss recognised in the income statement. The amendment is effective for accounting periods beginning on 1 July 2009.

Other standards and interpretations issued but not yet effective

In November 2008, the IASB issued IFRIC 17 *Distribution of non-cash Assets to Owners*, with an effective date for all periods beginning on or after 1 July 2009. This will not have an effect on the Company's financial statements.

In March 2009, the IASB amended IAS 39 *Financial Instruments: Recognition and Measurement* with effective date for all periods beginning on or after 1 July 2009. The Company will apply this amendment from 3 January 2010. The amendments are unlikely to have a material impact on the Company's financial statements.

In April 2009, the IASB issued *Improvements to IFRSs 2009*, which comprises 15 amendments to 12 standards. Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective from 1 January 2010. The amendments are unlikely to have a material impact on the Company's financial statements.

2 Profit before taxation

Auditors' remuneration of £500 (2009: £500) is borne by the ultimate parent undertaking.

Directors' remuneration in respect of services provided to the Company were £nil (for the period ended 10 January 2009: £nil).

Notes (continued)

3 Property, plant and equipment

For the period ended 11 January 2010

	Fixtures and fittings £	Total £
Cost		
At 10 January 2009	19,761	19,761
Transfer to group undertakings	(19,761)	(19,761)
	<hr/>	<hr/>
At 11 January 2010	<hr/> - <hr/>	<hr/> - <hr/>
Depreciation		
At 10 January 2009	3,401	3,401
Charge for the period	-	-
Transfer to group undertakings	(3,401)	(3,401)
	<hr/>	<hr/>
At 11 January 2010	<hr/> - <hr/>	<hr/> - <hr/>
Net book value		
At 11 January 2010	<hr/> - <hr/>	<hr/> - <hr/>
At 10 January 2009	16,360	16,360
	<hr/>	<hr/>

For the period ended 10 January 2009

	Fixtures and fittings £	Total £
Cost		
At 4 December 2007 – (unaudited)	121,386	121,386
Impairment	(101,625)	(101,625)
	<hr/>	<hr/>
At 10 January 2009	<hr/> 19,761 <hr/>	<hr/> 19,761 <hr/>
Depreciation		
At 4 December 2007 – (unaudited)	18,208	18,208
Charge for period	437	437
Impairment	(15,244)	(15,244)
	<hr/>	<hr/>
At 10 January 2009	<hr/> 3,401 <hr/>	<hr/> 3,401 <hr/>
Net book value		
At 10 January 2009	<hr/> 16,360 <hr/>	<hr/> 16,360 <hr/>
At 4 December 2007 – (unaudited)	103,178	103,178
	<hr/>	<hr/>

Notes (continued)

4 Intangible assets

For the period ended 11 January 2010

	Licences £	Total £
<i>Cost</i>		
At 10 January 2009	1,202,000	1,202,000
Transfer to group undertakings	(1,202,000)	(1,202,000)
	<hr/>	<hr/>
At 11 January 2010	-	-
	<hr/>	<hr/>
<i>Amortisation</i>		
At 10 January 2009	1,202,000	1,202,000
Charge for the period	-	-
Transfer to group undertakings	(1,202,000)	(1,202,000)
	<hr/>	<hr/>
At 11 January 2010	-	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 11 January 2010	-	-
	<hr/>	<hr/>
At 10 January 2009	-	-
	<hr/>	<hr/>

For the period ended 10 January 2009

	Licences £	Total £
<i>Cost</i>		
At 4 December 2007 – (unaudited)	1,202,000	1,202,000
	<hr/>	<hr/>
At 10 January 2009	1,202,000	1,202,000
	<hr/>	<hr/>
<i>Amortisation</i>		
At 4 December 2007 – (unaudited)	36,060	36,060
Charge for the period	-	-
Impairment charge	1,165,940	1,165,940
	<hr/>	<hr/>
At 10 January 2009	1,202,000	1,202,000
	<hr/>	<hr/>
<i>Net book value</i>		
At 10 January 2009	-	-
	<hr/>	<hr/>
At 4 December 2007 – (unaudited)	1,165,940	1,165,940
	<hr/>	<hr/>

Notes (continued)

5 Investments

The Company held the following investments. These investments were transferred to National Co-operative Chemists Limited as part of the hive up of Pills Limited on 13 January 2009:

	Amount of investment £	Nature of share capital	Principal activity	Country of origin	% Ownership
Richardson & Son (Chemists) Limited	<i>nil</i>	<i>Original</i>	<i>Dormant</i>	<i>Scotland</i>	<i>100%</i>
WHCP (Dundee) Limited	<i>Nil</i>	<i>Original</i>	<i>Chemist</i>	<i>Scotland</i>	<i>33%</i>

6 Inventories

	2010 £	2009 £
Finished goods	-	226,125
	-	226,125

There is no material difference between the replacement cost of inventories and the amounts stated above.

7 Trade and other receivables

	2010 £	2009 £
<i>Current assets:</i>		
Trade receivables	-	844,830
	-	844,830

8 Trade and other payables

	2010 £	2009 £
<i>Non-current liabilities:</i>		
Amounts owed to group undertakings	2,086,129	-
<i>Current liabilities:</i>		
Trade creditors	-	548,609
Amounts owed to group undertakings	-	4,071,248
	-	4,619,857

The balance above is repayable on demand.

Notes (continued)

9 Called up share capital

	2010 £	2009 £
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

IFRIC 2 determines the features, which allow shares to be classified as equity capital.

10 Group entities

Control of the group

The Company is a wholly owned subsidiary of The Co-operative Group Limited, an Industrial and Provident Society registered in England and Wales. This is the smallest and largest group of which the Company is a member and for which consolidated accounts are prepared. A copy of the group accounts can be obtained from the Secretary, The Co-operative Group Limited, PO Box 53, New Century House, Manchester, M60 4ES.

11 Financial instruments and financial risk management

The Company is not exposed to any significant financial risk.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

12 Capital resources

Due to all the Company's trade and assets being hived up to the parent, National Co-operative Chemists Limited on 11 January 2009, the Company no longer has any objectives, policies or processes for managing capital.