
DAY LEWIS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

THURSDAY



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27/09/2018
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DAY LEWIS PLC

COMPANY INFORMATION

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

DAY LEWIS PLC

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DAY LEWIS PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

Business review

Day Lewis is the UK's second largest independent pharmacy chain, with 312 pharmacies owned or managed at year end across the country. 20 pharmacies have been added in the year through 3rd party acquisitions. Two pharmacies have been sold.

A key acquisition during the year was the purchase of the Community Pharmacies UK group, which comprises of 18 health centre pharmacies. The majority of these pharmacies are open for extended hours and are jointly owned with the doctors that they are respectively co-located with.

The Day Lewis group once again had positive like-for-like prescription items growth compared to an overall industry national decline.

The group was founded in 1975 by Kirit Patel and his brother JC Patel and the business remains a family owned entity, now managed by Kirit's children, Kirit Patel Jnr, Jayanti Patel Jnr and Rupa Patel. Day Lewis has developed strong relationships across the market and has unique insight and influence on factors affecting the pharmacy sector.

Day Lewis has an outstanding reputation across the industry picking up amongst others the following awards.

- Investors in People Gold 2017
- Ranked 49 in the Top Track 250 List 2017
- Clinical Services of the year – Chemist and Druggist 2016
- Team Innovation Award – Recognition of Excellence Awards 2017

Retail pharmacy

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

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

The group's pharmacies are typically located in local communities, in or near health centres and GP surgeries, helping to deliver increased footfall amongst customers, develop strong relationships with the local healthcare community and build 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 at least 70% of the group's dispensing activities.

Prescription dispensing across the country has now stagnated with a 0.2% decline in prescriptions during the year ended 31 March 2018 at a national level. Day Lewis's broad portfolio of attractively located stores, strength of brand and knowledgeable and experienced staff means that the business has maintained its position in the market and can continue driving its retail business going forward. During the year under review, Day Lewis plc dispensed 22.7m prescriptions.

There was a further reduction in the overall NHS funding contract for pharmacy in 2017/18 to £2,592m down from £2,687m in 2016/17. At the same time, the contract was changed to increase the proportion of NHS pharmacy expenditure on pharmacy allocated to services and quality, such as the introduction of Quality Payments (QP) scheme. During the year, Day Lewis achieved the maximum QP claim in every pharmacy.

The group maximises margin through central purchasing of stock and onward distribution to its retail pharmacies and wholesale customers from its automated distribution centre in Croydon, Surrey.

DAY LEWIS PLC

The group's long term objectives are:

Driving growth

- Increase in branch performance and number of branches
- Opportunities for growth in international markets particularly in the EU
- Expanding geographical footprints in UK market
- Diversifying investment into other pharmacy related sectors

Enhancing margins

- Purchasing mix of medicines between generic and branded products
- Efficient stock control
- Increases in professional services income

Principal risks and uncertainties

Principal risks and uncertainties and risk management objectives and policies

Price risk

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

Liquidity risk

The company refinanced its banking facilities with 5 UK banks in 2016, giving it further access to capital. An RCF facility of £160M (reduced to £150M post year end) has been agreed for a term to February 2021. There is significant headroom in the banking covenants at the year-end. Of the £150M available in the facility, £129M (2017: £125M) was drawn-down as at 31 March 2018 with available cash balances in the business of £17.3M (2017: £8.2M). The Directors believe the company has sufficient current and future cash reserves and facilities available for it to meet its liabilities including financing obligations for at least twelve months from the signing of the financial statements.

The Directors' assessment of the group's and the company's ability to adopt the going concern basis of accounting is set out in note 2 on page 22.

Interest rate risk

The group has interest rate swap agreements in place to limit the risk of higher interest rates being payable on the group's loans which were not otherwise at a fixed rate. The instrument is a plain vanilla swap, which was effective from January 2018 until February 2021 and is for a total fixed amount of £100m of debt at a fixed rate of 1.099%.

Cash flow risk

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

DAY LEWIS PLC

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 Department of Health. Exposure to credit risk on wholesale customers is mitigated through credit insurance taken out on the wholesales debtors book. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies..

Financial key performance indicators

Turnover in the year increased by 3.9% to £397.3m (2017: £382.3m). The increase in turnover was as a result of acquisitions of new branches, increases in the distribution and overseas businesses.

Gross profit increased by £6.3m to £106.7m (2017: £99.8m). The percentage gross margin increased by 0.7% to 26.8% (2017: 26.1%).

The total administrative costs increased by £7.6m to £86.6m (2017: £79m). The business has invested in its group infrastructure function during the year to support the future growth plans.

Overall these actions have enabled the Group to achieve an operating profit of £19.7m (2017: £20.5m)

Net debt has decreased by £6m to £119m (2017: £125m). Gearing ratio (multiple of shareholders funds to Net debt) has decreased to 1.3 (2017: 1.5)

During the year, the company dispensed 22.7m prescriptions.

The number of branches has grown this year from 294 to 312, an increase of 18 pharmacies during the year. The geographical footprint of the Group in the UK now extends from the south west to the northern counties.

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



Mr J C Patel Jnr
Director

Date: 27 September 2018

DAY LEWIS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

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 attributable to the owners, after taxation and minority interests, amounted to £14,000,000 (2017 - £14,511,000).

The Directors recommend a final dividend of £2.0m to be paid for the year (2017: £2.0m).

Directors

The directors who served during the year were:

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

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

Political contributions

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

Employee involvement

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.

Other information

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

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, KPMG LLP, Statutory Auditor will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



Mr J C Patel Jnr
Director

Date: 27 September 2018

2 Peterwood Way
Croydon
Surrey
CR0 4UQ

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

Opinion

We have audited the financial statement of Day Lewis Plc ("the Company") for the year ended 31 March 2018, which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statement:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statement and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities


Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement.

A further description of our responsibilities for the audit of the financial statement is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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

T.S. 

Timothy Rush (Senior Statutory Auditor)

for and on behalf of

KPMG LLP, Statutory Auditor

Chartered Accountants

1 Forest Gate
Brighton Road
Crawley
RH11 9PT

27 September 2018

DAY LEWIS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Turnover	4	397,376	382,320
Cost of sales		(290,711)	(282,562)
Gross profit		106,665	99,758
Administrative expenses		(86,644)	(78,965)
Impairment of pharmacy licences		(931)	(676)
Other operating income	5	610	424
Operating profit	6	19,700	20,541
Income from investment		-	209
Share of profit of associates		135	141
Loss on disposal of subsidiary and unincorporated businesses		(42)	-
Interest receivable and similar income	10	1,667	152
Interest payable and similar expenses	11	(4,014)	(4,849)
Profit before tax		17,446	16,194
Tax on profit	12	(3,552)	(1,545)
Profit for the financial year		13,894	14,649
Profit for the year attributable to:			
Non-controlling interests		(106)	138
Owners of the parent		14,000	14,511
		13,894	14,649

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated profit and loss account.

The notes on pages 19 to 58 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Profit for the financial year		13,894	14,649
Other comprehensive income		-	-
Total comprehensive income for the year		13,894	14,649
Profit for the year attributable to:			
Non-controlling interest		(106)	138
Owners of the parent Company		14,000	14,511
		13,894	14,649
Total comprehensive income attributable to:			
Non-controlling interest		(106)	138
Owners of the parent Company		14,000	14,511
		13,894	14,649

The notes on pages 19 to 58 form part of these financial statements.

DAY LEWIS PLC
REGISTERED NUMBER: 01202866

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	14	180,327	178,269
Tangible assets	15	17,559	17,864
Investments	16	14,877	3,601
		<u>212,763</u>	<u>199,734</u>
Current assets			
Stocks	17	39,118	38,105
Debtors: amounts falling due within one year	18	64,578	68,359
Cash at bank and in hand	19	17,286	8,254
		<u>120,982</u>	<u>114,718</u>
Creditors: amounts falling due within one year	20	(91,779)	(89,035)
Net current asset		<u>29,203</u>	<u>25,683</u>
Total assets less current liabilities		<u>241,966</u>	<u>225,417</u>
Creditors: amounts falling due after more than one year	21	(132,009)	(127,872)
Provisions for liabilities			
Deferred taxation	25	(18,033)	(17,332)
Net assets		<u><u>91,924</u></u>	<u><u>80,213</u></u>
Capital and reserves			
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	88,565	76,600
Equity attributable to owners of the parent Company		<u>91,534</u>	<u>79,569</u>
Non-controlling interests		390	644
		<u><u>91,924</u></u>	<u><u>80,213</u></u>

DAY LEWIS PLC
REGISTERED NUMBER: 01202866

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2018

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



Mr J C Patel Jnr
Director

Date: 27 September 2018

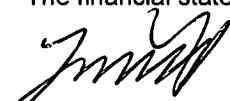
The notes on pages 19 to 58 form part of these financial statements.

DAY LEWIS PLC
REGISTERED NUMBER: 01202866

COMPANY BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	14	141,516	137,908
Tangible assets	15	10,346	11,249
Investments	16	24,349	26,889
		<u>176,211</u>	<u>176,046</u>
Current assets			
Stocks	17	11,784	11,926
Debtors: amounts falling due within one year	18	61,268	166,984
Cash at bank and in hand	19	2,079	3,919
		<u>75,131</u>	<u>182,829</u>
Creditors: amounts falling due within one year	20	(85,530)	(195,400)
Net current liabilities		<u>(10,399)</u>	<u>(12,571)</u>
Total assets less current liabilities		<u>165,812</u>	<u>163,475</u>
Creditors: amounts falling due after more than one year	21	(129,000)	(125,000)
Provisions for liabilities			
Deferred taxation	25	(13,817)	(12,928)
Net assets		<u><u>22,995</u></u>	<u><u>25,547</u></u>
Capital and reserves			
Called up share capital	26	100	100
Share premium account	27	418	418
Profit and loss account	27	22,477	25,029
		<u><u>22,995</u></u>	<u><u>25,547</u></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
Director

Date: 27 September 2018

The notes on pages 19 to 58 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called up share capital	Share premium account	Capital contribution reserve	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2017	100	418	1,694	757	76,600	79,569	644	80,213
Comprehensive income for the year								
Profit for the year	-	-	-	-	14,000	14,000	(106)	13,894
Total comprehensive income for the year	-	-	-	-	14,000	14,000	(106)	13,894
Dividends: Equity capital	-	-	-	-	(2,000)	(2,000)	-	(2,000)
Dividends: Non Equity capital	-	-	-	-	-	-	(100)	(100)
Acquisition of non-controlling interests without a change in control	-	-	-	-	(35)	(35)	(48)	(83)
Total transactions with owners	-	-	-	-	(2,035)	(2,035)	(148)	(2,183)
At 31 March 2018	100	418	1,694	757	88,565	91,534	390	91,924

The notes on pages 19 to 58 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital	Share premium account	Capital contribution reserve	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2016	100	418	1,694	757	64,531	67,500	943	68,443
Comprehensive income for the year								
Profit for the year	-	-	-	-	14,511	14,511	138	14,649
Total comprehensive income for the year	-	-	-	-	14,511	14,511	138	14,649
Dividends: Equity capital	-	-	-	-	(2,000)	(2,000)	-	(2,000)
Dividends: Non Equity capital	-	-	-	-	-	-	(100)	(100)
Acquisition of non-controlling interests without a change in control	-	-	-	-	(442)	(442)	(337)	(779)
Total transactions with owners	-	-	-	-	(2,442)	(2,442)	(437)	(2,879)
At 31 March 2017	100	418	1,694	757	76,600	79,569	644	80,213

The notes on pages 19 to 58 form part of these financial statements.

DAY LEWIS PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2017	100	418	25,029	25,547
Comprehensive income for the year				
Loss for the year	-	-	(552)	(552)
Total comprehensive income for the year	-	-	(552)	(552)
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(2,000)	(2,000)
Total transactions with owners	-	-	(2,000)	(2,000)
At 31 March 2018	100	418	22,477	22,995

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2016	100	418	9,959	10,477
Comprehensive income for the year				
Profit for the year	-	-	17,070	17,070
Total comprehensive income for the year	-	-	17,070	17,070
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(2,000)	(2,000)
Total transactions with owners	-	-	(2,000)	(2,000)
At 31 March 2017	100	418	25,029	25,547

The notes on pages 19 to 58 form part of these financial statements.

DAY LEWIS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	13,894	14,649
Adjustments for:		
Amortisation of intangible assets	2,168	2,069
Depreciation of tangible assets	2,495	2,502
Impairments of intangible assets	931	676
Loss on disposal of tangible assets	82	113
Loss on disposal of subsidiary and unincorporated businesses	42	-
Amortisation of intangible assets held in associates	97	-
Interest payable and similar expense	4,014	4,849
Interest receivable and similar income	(1,667)	(152)
Taxation charge	3,552	1,545
(Increase)/decrease in stocks	(652)	2,960
Decrease/(increase) in debtors	6,225	(7,936)
(Decrease)/increase in creditors	(1,726)	7,211
Share of operating profit in associates	(135)	(141)
Corporation tax paid	(3,021)	(721)
Net cash generated from operating activities	26,299	27,624
Cash flows from investing activities		
Purchase of intangible fixed assets	(20)	(18)
Purchase of tangible fixed assets	(2,387)	(8,107)
Sale of tangible fixed assets	122	-
New loans to associates	(2,196)	(1)
Associates loans repaid	-	14
Purchase of unlisted and other investments	(4)	(81)
Sale of unlisted and other investments	-	30
Purchase of subsidiary undertakings and unincorporated business	(6,236)	(18,140)
Sale of unincorporated business	1,113	-
Sale of investment in subsidiary	945	-
Purchase of share in associates	(8,211)	-
Interest received	289	152
HP interest paid	(12)	(5)
Income from investments	-	209
Net cash from investing activities	(16,597)	(25,947)

DAY LEWIS PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £000	2017 £000
Cash flows from financing activities		
Net movement on the revolving credit facility	4,172	13,341
Invoice financing	(69)	186
Repayment of other loans	(210)	(848)
Repayment of finance leases	(449)	(506)
Dividends paid	-	(2,000)
Non controlling interest dividends paid	(100)	(100)
Interest paid	(4,014)	(3,365)
Net cash used in financing activities	<u>(670)</u>	<u>6,708</u>
Net increase in cash and cash equivalents	<u>9,032</u>	<u>8,385</u>
Cash and cash equivalents at beginning of year	8,254	(131)
Cash and cash equivalents at the end of year	<u><u>17,286</u></u>	<u><u>8,254</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	17,286	8,254
	<u><u>17,286</u></u>	<u><u>8,254</u></u>

The notes on pages 19 to 58 form part of these financial statements.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 functional currency of Day Lewis Plc is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling and rounded to nearest £'000.

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

The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;

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

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

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

The following principal accounting policies have been applied:

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.2 Basis of consolidation

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

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2014.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

The company is entitled to merger relief by Section 612 of the Companies Act 2006 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of the following subsidiary: Cradlecrest Limited

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

2.3 Going concern

In assessing the validity of the going concern basis, the Directors have 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. The Group has passed all covenants during the period under review. Having considered the Company's financial budget, investment and financing commitments and cash flow commitment requirements for the year until 30 September 2019, the Board expects to continue to meet all financial covenants as well as ensuring that liabilities are settled as they fall due.

Having considered the above, the Board 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 wholesales market, NHS, private prescriptions and counter services during the year, exclusive of Value Added Tax and trade discounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.5 Intangible assets

Retail Pharmacy Licences

The difference between amounts paid on the acquisition of a 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.

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

Depreciation is provided on the following basis:

Freehold property	- straight line over fifty years
Leasehold property	- over period of lease
Plant and machinery	- 33.3% 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 Consolidated Profit and Loss Account.

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 2018**

2. Accounting policies (continued)

2.9 Associates and joint ventures

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

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

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

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

2.10 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Profit and Loss Account 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 the Consolidated Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.12 Interest income

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

2.13 Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.14 Borrowing costs

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

2.15 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 the Consolidated Profit and Loss Account 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.

2.16 Stocks

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

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

2.17 Debtors

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

2.18 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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.20 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 Consolidated Profit and Loss Account 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.

2.21 Invoice financing

The group uses invoice financing for the majority of the invoices of East Midlands Pharma Limited, a subsidiary company with full recourse in favour of the financing company. Amounts received from the financing company are recognised separately as current liabilities on the balance sheet. The finance charges together with other costs are recognised on an accruals basis and included in the profit and loss account as finance charges.

2.22 Onerous leases

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

2.23 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.24 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

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

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

2.25 Dividends

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.26 Current and deferred taxation

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

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

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

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

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

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

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

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

Critical judgements in applying the company's accounting policies

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

Key source of estimation uncertainty - impairment of retail pharmacy licences

Determining whether retail pharmacy license is impaired requires an estimation of the value in use of the cash-generating units to which retail pharmacy license has been allocated. 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 £177m (2017: £174m) after an impairment loss of £931K (2017: £676K) was recognised during the year 2018.

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

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

4. Turnover

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

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	378,550	369,333
Rest of the world	18,826	12,987
	<u>397,376</u>	<u>382,320</u>

Turnover is not disclosed by activity due to commercial reasons.

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. Other operating income

	2018	2017
	£000	£000
Other operating income	224	241
Net rents receivable	386	183
	<u>610</u>	<u>424</u>

6. Operating profit

The operating profit is stated after charging:

	2018	2017
	£000	£000
Depreciation of tangible fixed assets	2,495	2,502
Amortisation of intangible assets, including goodwill	2,168	2,069
Impairment of intangible assets	931	676
Loss on disposal of fixed assets	82	113
Exchange differences	75	70
Other operating lease rentals	8,748	6,862
Defined contribution pension cost	<u>817</u>	<u>651</u>

7. Auditor's remuneration

	2018	2017
	£000	£000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>116</u>	<u>100</u>
Fees payable to the Group's auditor and its associates in respect of:		
All other assurance services	<u>5</u>	<u>-</u>
	<u>5</u>	<u>-</u>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. Employees

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

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Wages and salaries	48,257	<i>44,022</i>	36,553	<i>33,669</i>
Social security costs	4,106	<i>3,702</i>	3,074	<i>2,772</i>
Cost of defined contribution scheme	817	<i>651</i>	672	<i>571</i>
	53,180	<i>48,375</i>	40,299	<i>37,012</i>

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

	Group 2018 No.	<i>Group 2017 No.</i>	Company 2018 No.	<i>Company 2017 No.</i>
Management and pharmacists	501	<i>433</i>	410	<i>368</i>
Sales assistants	1,803	<i>1,642</i>	1,564	<i>1,450</i>
Distribution staff	197	<i>185</i>	197	<i>185</i>
	2,501	<i>2,260</i>	2,171	<i>2,003</i>

9. Directors' remuneration

	2018 £000	<i>2017 £000</i>
Directors' emoluments	555	<i>685</i>
Company contributions to defined contribution pension schemes	85	<i>85</i>
	640	<i>770</i>

During the year retirement benefits were accruing to 3 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £193K (2017 - £173K).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £NIL).

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. Interest receivable

	2018	2017
	£000	£000
Net change in fair value of interest rate swap	1,378	-
Share of associates' interest receivable	110	-
Other interest receivable	179	152
	<u>1,667</u>	<u>152</u>

11. Interest payable and similar expenses

	2018	2017
	£000	£000
Bank interest payable	3,930	3,299
Other interest payable	72	66
Finance leases and hire purchase contracts	12	5
Net change in fair value of interest rate swap	-	1,479
	<u>4,014</u>	<u>4,849</u>

12. Taxation

	2018	2017
	£000	£000
Corporation tax		
Current tax on profits for the year	3,732	3,364
Adjustments in respect of previous periods	(222)	(15)
Total current tax	<u>3,510</u>	<u>3,349</u>
Deferred tax		
Origination and reversal of timing differences	(9)	791
Changes to tax rates	-	(842)
Prior year adjustment	51	(1,753)
Total deferred tax	<u>42</u>	<u>(1,804)</u>
Taxation on profit on ordinary activities	<u>3,552</u>	<u>1,545</u>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	17,445	16,194
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	3,315	3,239
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	147	92
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	110	467
Adjustments to tax charge in respect of prior periods	(222)	(15)
Non-taxable income	83	-
Other tax adjustments	86	508
Deferred tax not recognised previously	(18)	(151)
Deferred tax prior year adjustment	51	(1,753)
Tax rate changes	-	(842)
Total tax charge for the year	3,552	1,545

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% from 18% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly.

The deferred tax liability at the balance sheet date has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

13. Dividends

	2018 £000	2017 £000
Final dividends	2,000	2,000
	2,000	2,000

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

14. Intangible assets

Group

	Retail Pharmacy Licences £000	Brands, licences and trademarks £000	Goodwill £000	Negative goodwill £000	Total £000
Cost					
At 1 April 2017	179,030	235	9,924	(315)	188,874
Additions	-	20	-	-	20
Transfer from associates	516	-	-	-	516
Disposals	(2)	-	-	-	(2)
On acquisition of subsidiaries	7,078	-	-	-	7,078
On disposal of subsidiaries and unincorporated businesses	(2,929)	-	-	-	(2,929)
At 31 March 2018	183,693	255	9,924	(315)	193,557
Amortisation					
At 1 April 2017	5,003	12	5,813	(223)	10,605
Charge for the year	1,686	22	492	(32)	2,168
On disposal of subsidiaries and unincorporated businesses	(474)	-	-	-	(474)
Impairment charge	931	-	-	-	931
At 31 March 2018	7,146	34	6,305	(255)	13,230
Net book value					
At 31 March 2018	176,547	221	3,619	(60)	180,327
At 31 March 2017	174,027	223	4,111	(92)	178,269

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

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

14. Intangible assets (continued)

Company

	Retail Pharmacy Licences £000
Cost	
At 1 April 2017	141,606
On acquisition of subsidiaries	7,510
On disposal of unincorporated businesses	(1,960)
At 31 March 2018	<u>147,156</u>
Amortisation	
At 1 April 2017	3,698
Charge for the year	1,472
On disposal of unincorporated businesses	(461)
Impairment charge	931
At 31 March 2018	<u>5,640</u>
Net book value	
At 31 March 2018	<u><u>141,516</u></u>
At 31 March 2017	<u><u>137,908</u></u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Tangible fixed assets

Group

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000
Cost or valuation				
At 1 April 2017	3,468	7,996	376	849
Additions	-	296	118	214
Acquisition of subsidiary	-	77	-	15
Disposals	-	(175)	-	(18)
Disposal of subsidiary and unincorporated businesses	-	(50)	-	-
Transfers between classes	2,214	(2,214)	-	-
At 31 March 2018	5,682	5,930	494	1,060
Depreciation				
At 1 April 2017	164	3,532	148	466
Charge for the year on owned assets	114	397	110	145
Charge for the year on financed assets	-	-	41	-
Disposals	-	(18)	-	(5)
Disposal of subsidiary and unincorporated businesses	-	(3)	-	-
At 31 March 2018	278	3,908	299	606
Net book value				
At 31 March 2018	5,404	2,022	195	454
At 31 March 2017	3,304	4,464	228	383

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Tangible fixed assets (continued)

	Fixtures, fittings and equipment £000	Total £000
Cost or valuation		
At 1 April 2017	21,082	33,771
Additions	1,759	2,387
Acquisition of subsidiary	44	136
Disposals	-	(193)
Disposal of subsidiary and unincorporated businesses	(155)	(205)
Transfers between classes	-	-
At 31 March 2018	<u>22,730</u>	<u>35,896</u>
Depreciation		
At 1 April 2017	11,597	15,907
Charge for the year on owned assets	1,688	2,454
Charge for the year on financed assets	-	41
Disposals	-	(23)
Disposal of subsidiary and unincorporated businesses	(39)	(42)
At 31 March 2018	<u>13,246</u>	<u>18,337</u>
Net book value		
At 31 March 2018	<u>9,484</u>	<u>17,559</u>
At 31 March 2017	<u>9,485</u>	<u>17,864</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Tangible fixed assets (continued)

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

	2018 £000	2017 £000
Plant and machinery	41	35
Motor vehicles	56	74
Furniture, fittings and equipment	730	859
	<u>827</u>	<u>968</u>

Company

	Freehold property £000	Leasehold property £000	Motor vehicles £000	Fixtures, fittings and equipment £000
Cost or valuation				
At 1 April 2017	585	4,221	695	15,426
Additions	-	345	169	1,202
Acquisition of subsidiary	-	4	15	34
Disposals	-	(707)	(18)	-
Disposal of unincorporated businesses	-	-	-	(151)
At 31 March 2018	<u>585</u>	<u>3,863</u>	<u>861</u>	<u>16,511</u>
Depreciation				
At 1 April 2017	58	1,891	337	7,392
Charge for the year on owned assets	58	332	128	1,374
Disposals	-	(52)	(5)	-
Disposal of unincorporated businesses	-	-	-	(39)
At 31 March 2018	<u>116</u>	<u>2,171</u>	<u>460</u>	<u>8,727</u>
Net book value				
At 31 March 2018	<u>469</u>	<u>1,692</u>	<u>401</u>	<u>7,784</u>
At 31 March 2017	<u>527</u>	<u>2,330</u>	<u>358</u>	<u>8,034</u>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Tangible fixed assets (continued)

	Total £000
Cost or valuation	
At 1 April 2017	20,927
Additions	1,716
Acquisition of subsidiary	53
Disposals	(725)
Disposal of unincorporated businesses	(151)
At 31 March 2018	<u>21,820</u>
Depreciation	
At 1 April 2017	9,678
Charge for the year on owned assets	1,892
Disposals	(57)
Disposal of unincorporated businesses	(39)
At 31 March 2018	<u>11,474</u>
Net book value	
At 31 March 2018	<u><u>10,346</u></u>
At 31 March 2017	<u><u>11,249</u></u>

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

	2018 £000	2017 £000
Motor vehicles	56	74
Furniture, fittings and equipment	730	859
	<u><u>786</u></u>	<u><u>933</u></u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16. Fixed asset investments

Group

	Investments in associates £000	Loans to associates £000	Retail pharmacy licences in associates (net of deferred tax) £000	Unlisted investments £000	Total £000
Cost or valuation					
At 1 April 2017	3,341	-	-	260	3,601
Additions	(688)	2,196	10,154	4	11,666
Transfer to group company	-	-	(428)	-	(428)
Share of profit/(loss)	135	-	-	-	135
At 31 March 2018	2,788	2,196	9,726	264	14,974
Impairment					
Charge for the period	-	-	97	-	97
At 31 March 2018	-	-	97	-	97
Net book value					
At 31 March 2018	2,788	2,196	9,629	264	14,877
At 31 March 2017	3,341	-	-	260	3,601

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. Fixed asset investments (continued)

Participating interests

Associates

Name	Registered office	Class of shares	Holding	Principal activity
AMG Healthcare Limited	Selsdon House, 1st Floor 212-220 Addington Road, South Croydon, Surrey, CR2 8LD	Ordinary B shares of £0.1 each	19.70%	Retail pharmacies
Arlington Road Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Camberley Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Crewkerne Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Denmark Street Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Felixstowe Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Finchampstead Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Gale Farm Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Harrogate Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Haslemere Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Hope Farm Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Nailsea Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Newton Place Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Priory Fields Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Readesmoor Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
Somerset Gardens Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy
South Kirkby Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	30%	Retail pharmacy
Stockton Heath Healthcare LLP	2 Peterwood Way, Croydon, CR0 4UQ	Partnership	50%	Retail pharmacy

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000	Unlisted investments £000	Total £000
Cost or valuation			
At 1 April 2017	29,312	324	29,636
Additions	13,934	4	13,938
Disposals	(1,003)	-	(1,003)
Amounts written off	(15,475)	-	(15,475)
At 31 March 2018	<u>26,768</u>	<u>328</u>	<u>27,096</u>
Impairment			
At 1 April 2017	2,747	-	2,747
At 31 March 2018	<u>2,747</u>	<u>-</u>	<u>2,747</u>
Net book value			
At 31 March 2018	<u>24,021</u>	<u>328</u>	<u>24,349</u>
At 31 March 2017	<u>26,565</u>	<u>324</u>	<u>26,889</u>

The amounts written off relate to companies acquired, with trade and assets hived up to Day Lewis PLC in the year to 31 March 2017. In the year to 31 March 2018 Day Lewis PLC received a dividend from these acquired companies therefore reducing their net assets and leading to the investment write off in the companies.

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

17. Stocks

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Finished goods and goods for resale	39,118	<i>38,105</i>	11,784	<i>11,926</i>
	39,118	<i>38,105</i>	11,784	<i>11,926</i>

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 £291,291K (2017 - £282,562K).

18. Debtors

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Trade debtors	48,913	<i>53,317</i>	16,380	<i>15,292</i>
Amounts owed by group undertakings	-	-	34,090	<i>140,591</i>
Other debtors	11,861	<i>9,711</i>	8,669	<i>8,636</i>
Prepayments and accrued income	3,804	<i>5,331</i>	2,129	<i>2,465</i>
	64,578	<i>68,359</i>	61,268	<i>166,984</i>

19. Cash and cash equivalents

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Cash at bank and in hand	17,286	<i>8,254</i>	2,079	<i>3,919</i>
Less: bank overdrafts	-	-	(9,865)	<i>(2,604)</i>
	17,286	<i>8,254</i>	(7,786)	<i>1,315</i>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

20. Creditors: Amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Invoice financing	3,376	3,445	-	-
Bank overdrafts	-	-	9,865	2,604
Bank loans	533	502	-	-
Other loans	200	410	-	-
Trade creditors	61,839	59,137	26,156	23,456
Amounts owed to group undertakings	-	-	38,595	156,695
Amounts owed to other participating interests	8,375	8,375	-	-
Corporation tax	2,444	1,955	-	-
Other taxation and social security	1,296	1,230	966	869
Obligations under finance lease and hire purchase contracts	523	968	490	945
Other creditors	8,451	8,822	7,371	7,765
Accruals and deferred income	4,641	2,712	1,986	1,587
Financial instruments	101	1,479	101	1,479
	91,779	89,035	85,530	195,400

Bank overdrafts and loans due within one year and after more than one year amounting to £132,512,000 (2017: £128,340,000) as at the year end were secured as follows:

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

Fair value of assets and liabilities

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

Interest rate swap on notional amount of £100m of loan funding at a fixed rate of 1.099% until February 2021. As at 31 March 2018, the fair value of the swap is £101,157 liability (2017: £1,478,793 liability).

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Bank loans	131,979	<i>127,838</i>	129,000	<i>125,000</i>
Net obligations under finance leases and hire purchase contracts	30	<i>34</i>	-	<i>-</i>
	132,009	<i>127,872</i>	129,000	<i>125,000</i>

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

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

22. Loans

The invoice financing is secured on the trade debtors of the subsidiary company that it relates to.

The other loan of £200k (2017: £410k) carries interest at a rate of 3% per annum above the bank base rate and is secured against the assets of the company that it relates to.

The long term RCF facilities have a maturity date of 5 years ending February 2021. The drawn amount is reset monthly and repayable as a final bullet repayment of the outstanding balance due at the end of the term. The loan bears interest at varying rates ranging from 1.25% to 2.5% per annum above LIBOR depending on the financial leverage.

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Amounts falling due within one year				
Bank loans	533	502	-	-
Other loans	200	410	-	-
Invoice financing	3,376	3,445	-	-
	<u>4,109</u>	<u>4,357</u>	<u>-</u>	<u>-</u>
Amounts falling due 1-2 years				
Bank loans	194	185	-	-
	<u>194</u>	<u>185</u>	<u>-</u>	<u>-</u>
Amounts falling due 2-5 years				
Bank loans	131,785	127,654	129,000	125,000
	<u>131,785</u>	<u>127,654</u>	<u>129,000</u>	<u>125,000</u>
	<u>136,088</u>	<u>132,196</u>	<u>129,000</u>	<u>125,000</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Within one year	523	968	490	945
Between 1-5 years	30	34	-	-
	<u>553</u>	<u>1,002</u>	<u>490</u>	<u>945</u>

The obligations under hire purchase agreements are secured against the assets to which they relate.

24. Financial instruments

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Financial assets				
Financial assets measured at fair value	17,286	8,254	2,079	3,919
Financial assets measured at amortised cost	60,774	63,028	59,093	164,519
	<u>78,060</u>	<u>71,282</u>	<u>61,172</u>	<u>168,438</u>
Financial liabilities				
Liabilities measured at fair value through profit or loss	(101)	(1,479)	(101)	(1,479)
Financial liabilities measured at amortised cost	(219,046)	(212,716)	(219,464)	(317,334)
	<u>(219,147)</u>	<u>(214,195)</u>	<u>(219,565)</u>	<u>(318,813)</u>

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

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

25. Deferred taxation

Group

	2018 £000	2017 £000
At beginning of year	(17,332)	(15,663)
Charged to profit or loss	(42)	1,804
Arising on business combinations	(1,079)	(3,473)
Removed on business disposals	420	-
At end of year	(18,033)	(17,332)

Company

	2018 £000	2017 £000
At beginning of year	(12,928)	(9,943)
Charged to profit or loss account	(153)	1,079
Arising on business combinations	(991)	(4,064)
Removed on business disposals	255	-
At end of year	(13,817)	(12,928)

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Accelerated capital allowances	(403)	(443)	(431)	(395)
Tax losses carried forward	62	135	-	-
Deferred tax on retail pharmacy licences	(17,692)	(17,024)	(13,386)	(12,533)
	(18,033)	(17,332)	(13,817)	(12,928)

26. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100	100

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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 (see note 30) at book value from a company wholly owned by its ultimate parent (Day Lewis Holdings Ltd). The difference between the book value and the fair value is treated as a capital contribution as merger accounting in this instance is not allowed.

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

28. Business combinations

The group acquired following businesses during the year.

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

1. Drury's Pharmacy Limited on 01 July 2017
2. Una Murray Limited on 01 August 2017
3. Gnosall Healthcare Limited on 01 November 2017

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

1. Pharmacy at Cleethorpes on 13 March 2017 (completed during the year)
2. Pharmacy at Grimsby on 13 March 2017 (completed during the year)

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

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustment £000	Fair value £000
Tangible	53	-	53
Intangible	1,677	5,401	7,078
	<u>1,730</u>	<u>5,401</u>	<u>7,131</u>
Stocks	259	-	259
Debtors	1,296	-	1,296
Cash at bank and in hand	151	-	151
Total assets	<u>3,436</u>	<u>5,401</u>	<u>8,837</u>
Liabilities			
Due within one year	(788)	-	(788)
Deferred tax on differences between fair value and tax bases	(3)	(988)	(991)
Total identifiable net assets	<u>2,645</u>	<u>4,413</u>	<u>7,058</u>
Total purchase consideration			<u>7,058</u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

28. Business combinations (continued)

Consideration

	£000
Cash	6,318
Cash and cash equivalents in subsidiary acquired	(151)
Acquisition cost	69
Non cash consideration	822
Total purchase consideration	7,058

Cash outflow on acquisition

	£000
Purchase consideration settled in cash, as above	6,318
Directly attributable costs	69
	6,387
Less: Cash and cash equivalents acquired	(151)
Net cash outflow on acquisition	6,236

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Major acquisition

On 01 July 2017 the Company acquired 100% of the share capital of APM Healthcare Limited. This entity has investment in 17 associates.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustment — £000	Fair value £000
Tangible	83	-	83
Investment in joint ventures and associates	(688)	10,154	9,466
	<u>(605)</u>	<u>10,154</u>	<u>9,549</u>
Stocks	56	-	56
Debtors	936	-	936
Cash at bank and in hand	574	-	574
Total assets	<u>961</u>	<u>10,154</u>	<u>11,115</u>
Liabilities			
Due within one year	(2,904)	-	(2,904)
Total identifiable net assets/(liabilities)	<u>(1,943)</u>	<u>10,154</u>	<u>8,211</u>

Consideration

	£000
Cash	8,683
Cash and cash equivalents in subsidiary acquired	(574)
Acquisition cost	102
	<u>8,211</u>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Cash outflow on acquisition

	£000
Purchase consideration settled in cash, as above	8,683
Directly attributable costs	102
	8,785
Less: Cash and cash equivalents acquired	(574)
Net cash outflow on acquisition	8,211

Acquisition of non-controlling interests

In September 2017 the Group acquired an additional 10% interest in Narrowcliff Medical Services Limited for £83,444 in cash, increasing its ownership from 80% to 90%. The carrying amount of Narrowcliff Medical Services's net assets in the Group's financial statements on the date of the acquisition was £,482,313. The Group recognised a decrease in non-controlling interests of £48,231 and a decrease in retained earnings of £35,213.

The following summarises the effect of changes in the Company's ownership interest in Narrowcliff Medical Services Limited

	2018 £000
Company's ownership interest at 1 April 2017	346
Effect of increase in Company's ownership interest	48
Share of comprehensive income	(19)
Company's ownership interest at 31 March 2018	375

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

29. Disposals

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

	£000
Cash proceeds	1,113
	<hr/>
	1,113
Net assets disposed of:	
Tangible fixed assets	112
Intangible fixed assets	1,499
Deferred tax	(255)
	<hr/>
	(1,356)
	<hr/>
Loss on disposal before tax	(243)
	<hr/>

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

	£000
Cash consideration	1,113
	<hr/>
Net inflow of cash	1,113
	<hr/>

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

During the year, the Group disposed of Garners Pharmacy Ltd, a subsidiary company. The net proceeds and profit on disposal is

	£000
Cash proceeds	1,205
	<u>1,205</u>
Net assets disposed of:	
Tangible fixed assets	51
Intangible fixed assets	956
Stocks	46
Debtors	212
Cash	260
Creditors	(356)
Deferred tax	(165)
	<u>(1,004)</u>
Profit on disposal before tax	<u><u>201</u></u>

The net inflow of cash in respect of the sale of Garners Pharmacy Limited is as follows:

	£000
Cash consideration	1,205
Cash transferred on disposal	(260)
Net inflow of cash	<u><u>945</u></u>

30. Non-controlling interests

	2018 £000	2017 £000
At beginning of year	644	943
Arising through business combinations	(48)	(337)
Profit for the year	(106)	138
Dividends paid	(100)	(100)
At end of year	<u><u>390</u></u>	<u><u>644</u></u>

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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 £816,542 (2017: £650,559).

32. Commitments under operating leases

At 31 March 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Not later than 1 year	6,576	<i>6,284</i>	4,530	<i>5,215</i>
Later than 1 year and not later than 5 years	21,965	<i>21,462</i>	14,938	<i>18,109</i>
Later than 5 years	28,572	<i>28,511</i>	19,796	<i>21,941</i>
	57,113	<i>56,257</i>	39,264	<i>45,265</i>

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 the executors of the Kirit Patel Estate and ultimate controlling party of the company.

Tayzana Limited £22,800 (2017: £22,800)

The following companies paid rent for premises owned by Q H Estates Limited, a company in which the executors of the Kirit Patel Estate, K C Patel Jnr and J C Patel Jnr have an interest:

Day Lewis Plc £450,058 (2017: £461,220)

Day Lewis Medical Limited £533,558 (2017: £560,698)

ABC Drug Stores Limited £14,200 (2017: £14,000)

In addition the group paid rentals to the following entities:

Day Lewis Pension Fund £323,782 (2017: £489,104)

Ms R Patel, K C Patel's daughter, £41,600 (2017: £41,600)

Loans:

Other debtors include an amount of £816,139 (2017: £705,647) due from Quickshop Limited, a company which is owned by Ms R Patel, K C Patel's daughter. Full provision of £816,139 (2017: £705,647) has been made against this debtor due to significant doubt over its ultimate recoverability. No interest is

DAY LEWIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

33. Related party transactions (continued)

receivable on this amount.

During the year, the group purchased goods totalling £101,455 (2017: £116,554) from Quadrant Pharmaceuticals. The executors of the Kirit Patel Estate has interest in this company. At the year end the balance outstanding to Quadrant Pharmaceuticals was £17,290 (2017: £8,470).

During the year funds of £807,602 were made available by the group to East Midlands Pharma Limited. The group sold goods totalling £7,494 (2017: £5,998) and purchased goods totalling £365,298 (2017: £280,929) from East Midlands Pharma Limited. The executors of the Kirit Patel Estate, K C Patel Jnr and J C Patel Jnr have an interest in this company. At the year end the balance outstanding from East Midlands Pharma Limited was £807,602 (2017: £47,654 owed).

During the year, the group purchased goods totalling £1,055,744 (2017: £1,105,064) from Maxearn Limited. The executors of the Kirit Patel Estate has a material interest in the company. At the year end the balance outstanding to Maxearn Limited was £226,869 (2017: £229,311).

During the year, the group purchased goods totalling £nil (2017: £379,930) from Swingward Limited. The executors of the Kirit Patel Estate has a material interest in the company. At the year end the balance outstanding to Swingward Limited was £nil (2017: £233).

During the year, the group sold goods totalling £12,957,606 (2017: £19,604,411) to Health Counter Limited, and recharged expenses of £166,835 (2017: £246,763). Health Counter Limited recharged £49,070 (2017: £290,920) 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 creditors as an amount owed by the group is £982,248 (2017: £1,508,363). Included in the debtors as an amount owed to the group is £1,426,276 (2017: £3,031,120).

During the year, the group made a contribution to the Day Lewis Pension Fund of £120,000 (2017: £120,000). The pension fund has been set up for the benefit of certain of the directors and their families.

As at 31 March 2018 Heversham Holdings Limited owed £10,332 (2016: £2,160) 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 Day Lewis Plc £1,999,997 (2017: £1,997,537) as at 31 March 2018, which substantially represents the unpaid dividend.

The group owed £8,375,056 (2017: £8,375,056) to Horizon Drugstores Limited, a company registered in Jersey and is a subsidiary of the ultimate parent company.

During the year, the group sold goods totalling £4,822,726 (2017: £nil) to the associates, recharged expenses of £179,444 (2017: £nil), management fees of £221,318 (2017: £nil) and interest £131,994 (2017: £nil). The associates recharged £348 (2017: £nil) to the group. Included in trade creditors as an amount owed to the group is £2,513,832 (2017: £nil). The associates owed £1,901,899 (2017: £nil) to the group in respect of loan made available.

34. Controlling party

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

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

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35. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Direct subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Day Lewis Chemists Limited	Ordinary shares £1 each	100 %	Dormant
Day Lewis Medical Limited	Ordinary shares £1 each	100 %	Distribution of Pharmaceuticals
Cradlecrest Limited	Ordinary shares £1 each	100 %	Distribution of Pharmaceuticals
Leach and Burton Limited	Ordinary shares £1 each	100 %	Retail Pharmacies
Tayzana Limited	Ordinary shares £1 each	100 %	Retail Pharmacies
Medi Options Limited	Ordinary shares £1 each	100 %	Holding investment in pharmacy companies
Healthcare Drugstores Limited	Ordinary shares £1 each	100 %	Holding investment in pharmacy companies
East Midlands Pharma Limited	Ordinary shares £1 each	75 %	Pharmaceutical products and medical services*
Narrowcliff Medical Services Limited	Ordinary shares £1 each	90 %	Holding investment in pharmacy companies**
Stargazer Drug Stores Limited	Ordinary shares £1 each	100 %	Holding investment in pharmacy companies
D & R Partners Limited	Ordinary shares £1 each	100 %	Dormant
AJH Pharm Limited	Ordinary shares £1 each	100 %	Dormant
JS Chemists Limited	Ordinary shares £1 each	100 %	Dormant
Newlands Pharmacies Limited	Ordinary shares £1 each	100 %	Dormant
Keyshare Limited	Ordinary shares £1 each	100 %	Holding investment in pharmacy companies
Church Street Pharmacy Limited	Ordinary shares £1 each	100 %	Dormant
Willow Tree Health Limited	Ordinary shares £1 each	100 %	Holding investment in pharmacy companies
Caxton Pharmacy Limited	Ordinary shares £1 each	100 %	Dormant
Gleadless Valley Pharmacy Limited	Ordinary shares £1 each	100 %	Dormant
Batten Holdings Limited	Ordinary shares £1 each	100 %	Holding investment in pharmacy companies
E & C Goran Limited	Ordinary shares £1 each	100 %	Dormant
Liptrots (Calverley) Limited	Ordinary shares £1 each	100 %	Holding investment in pharmacy companies
J S Langhorne Limited	Ordinary shares £1 each	100 %	Dormant
Day Lewis Properties Ltd	Ordinary shares £1 each	100 %	Investment properties
Newland Community Pharmacy Limited	Ordinary shares £1 each	100 %	Dormant
Drury's Pharmacy Limited	Ordinary shares £1 each	100 %	Dormant

DAY LEWIS PLC

**NOTES TO THE FINANCIAL STATEMENTS
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35. Subsidiary undertakings (continued)

Una Murray Limited	Ordinary shares £1 each	100 %	Dormant
Gnosall Healthcare Limited	Ordinary shares £1 each	100 %	Dormant
APM Healthcare Ltd	Ordinary shares £0.1 each	100 %	Holding investment in pharmacy companies

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.

* post year end shareholding increased to 95%

** post year end shareholding increased to 100%

Indirect Subsidiary undertakings

Name	Class of shares	Holding	Principal activity
ABC Drug Stores Limited	Ordinary shares £1 each	100 %	Retail Pharmacies Holding investment in pharmacy companies
Community Stores Limited	Ordinary shares £1 each	100 %	Dormant
H. Carson Limited	Ordinary shares £1 each	100 %	Dormant
S.Kaye & Son Limited	Ordinary shares £1 each	100 %	Retail Pharmacies**
Care @ Oxford Limited	Ordinary B shares £1 each	51 %	Retail Pharmacies
Cape Holdings Limited	Ordinary shares £1 each	51 %	Retail Pharmacies
R.S. Marsden (Chemist) Limited	Ordinary shares £1 each	100 %	Dormant
Budget Pharma UK Limited	Ordinary shares £1 each	100 %	Dormant
Pollenase Limited	Ordinary shares £1 each	100 %	Dormant
Siddys Limited	Ordinary shares £1 each	100 %	Dormant
Crosby Chemists Limited	Ordinary shares £1 each	100 %	Dormant
Liptrots (Farsley) Limited	Ordinary shares £1 each	100 %	Dormant
Barcelonetta Ventures Ltd	Ordinary shares £1 each	51 %	Dormant
Community Pharmacies (UK) Ltd	Ordinary shares £1 each	100 %	Holding investment in pharmacy companies