Registered number: 3076698 (England and Wales)

Lexon (UK) Limited

Report and Financial Statements

30 April 2016

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COMPANIES HOUSE

Directors
N T Sodha
P T Sodha
P Sonpal
A Sodha

Secretary
P Sonpal

Auditor
Mazars LLP
45 Church Street
Birmingham
B3 2RT

Banker
National Westminster Bank plc
Redditch
Worcestershire

Registered office
Unit 18, Oxleasow Road
Moons Moat East
Redditch
Worcestershire
B98 0RE

Strategic report

Results and dividends

The consolidated profit for the year, after taxation, amounted to £9.462m (2015: £6.620m). Dividends of £2k per ordinary share (total £2m) were paid during the year (2015: £1k, totalling £1m).

The group's key financial performance indicators during the year were as follows:

	2016 £'000	2015 £'000	Change %
Group turnover	**200,046**	149,040	34.2%
Gross profit	**39,570**	26,854	47.4%
Gross profit %	**19.8%**	18.0%	
Operating profit	**13,315**	8,205	61.7%
Net cash inflow from operating activities	**10,094**	1,650	511.8%
Current ratio	**1.20**	1.34	(10.4%)
Quick ratio	**0.79**	0.99	(20.2%)
Equity shareholders funds	**35,728**	28,183	26.9%

The directors consider the performance in 2016 was as expected and the underlying business remains strong.

The products purchased and sold by the group have minimal environmental impact.

Principal risks and uncertainties

The directors consider the following principal risks and uncertainties are applicable to the group's operations:

Competitive risks

Largely owing to the nature of the general market risks, Lexon faces strong competition. Lexon puts strong emphasis on its excellent service levels and competitive pricing to its customer base to maintain its position within the market.

Within the retail pharmacy sector, the directors anticipate no change in competitive risk to the pharmacy licences and sites acquired.

Legislative risks

Risk within pharmaceutical industry is controlled by the Medicines and Healthcare products Regulatory Agency (MHRA) who fully support our licences to continue our trading operations.

Financial instrument risks

The group has established a risk and financial management framework whose primary objectives are to ensure sufficient working capital exists and to monitor the management of risk.

Use of derivatives

Where appropriate, the group uses forward foreign currency options to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in foreign currency.

Strategic report

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, interest rate risk, liquidity risk and exchange risk.

The group has defined policies and procedures which set out specific guidelines to manage credit risk, interest rate risk, liquidity risk and exchange risk and the circumstances when it would be appropriate to use financial instruments to manage these.

The group holds regular monthly meetings attended by various directors or their representatives to discuss the current and future financial risks facing the company in accordance with the group's policies and appropriate decisions are made based on the market and business information available.

Price risk
This arises on inventory purchases but the group aims to minimise risk through holding as little stock as possible, monitoring stock turn and reviewing prices regularly.

Credit risk
This is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Lexon's credit policies aim to avoid this within its wholesale operation via the use of risk management tools and continuous monitoring of credit limits and trading patterns. Retail credit risk is minimal because the primary trade debtor is the Prescription Pricing Authority (PPA), which reimburses pharmacies for NHS prescriptions issued.

Liquidity risk
This arises when an entity encounters difficulty in meeting obligations. The group aims to mitigate risk by focusing on its working capital cycle, and working to continuously reduce debtor and inventory days. The group also manages liquidity risk via a short term loan and long term debt.

Cash flow risk
This is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The group manages this risk through the use of its short term loan facility.

Future developments

The directors are looking to build on the strong results achieved in the financial year ending April 2016.

By order of the board

P. Sonpal
Director
3 October 2016

Directors' report

The directors present their consolidated report and financial statements for the year ended 30 April 2016.

Principal activities and review of the business

The principal activity of the company during the year continues to be the wholesale of pharmaceuticals to retail outlets. The company also produces its own labelled products to sell on to other pharmaceutical wholesalers and chemists. There have not been any significant changes in the company's activities in the year under review. The directors are not aware, as at the date of this report, of any likely major changes in the company's principal activities in the next year.

Research & development

The group incurred expenditure relating to research & development of £1.619m (2015: £1.064m).

Directors

The directors set out below have held office during the whole of the period from 1 May 2015 to the date of this report unless otherwise stated:

N T Sodha
P T Sodha
P Sonpal
A Sodha

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all the Company's directors.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

Employee involvement

The Directors support the participation of employees in the activities of the Group, encourage employees to become involved in the pursuit of safety, efficiency and high performance, and provide employees with regular communication on the Group's plans, performance and programmes.

Donations

During the year, the group made charitable donations totalling £200 (2015: £1,000).

Directors' report

Statement as to disclosure of information to the auditor

In the case of each of the persons who are directors of the company at the date when this report was approved:

* so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and
* each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

Auditor

Mazars LLP will continue in office in accordance with CA 2006 s487(2).

By order of the board

P. Sonpal
Director
3 October 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and 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 satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

* select suitable accounting policies and then apply them consistently;
* make 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; and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and 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.

Independent auditor's report
to the members of Lexon (UK) Limited

We have audited the financial statements of Lexon (UK) Limited for the year ended 30 April 2016 which comprise the Consolidated income statement, the Statement of comprehensive income, the Consolidated statement of financial position, the Company statement of financial position, the Group and Company statement of changes in equity, the Consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept 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.

Ian Holder (Senior Statutory Auditor)
For and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

14 October 2016

Consolidated income statement
for the year ended 30 April 2016

	Notes	2016 £'000	2015 £ '000
Turnover	5		
Continuing activities		**199,834**	140,544
Acquisitions		**212**	8,496
		200,046	149,040
Cost of sales		**(160,476)**	(122,186)
Gross profit		**39,570**	26,854
Distribution costs		**(19,388)**	(13,156)
Administrative expenses		**(7,040)**	(5,587)
Other operating income		**173**	94
Operating profit	6		
Continuing activities		**13,323**	7,674
Acquisitions		**(8)**	531
		13,315	8,205
Interest payable and similar charges	9	**(998)**	(562)
Profit on ordinary activities before taxation		**12,317**	7,643
Tax on profit on ordinary activities	10	**(2,805)**	(1,023)
Profit for the financial year		**9,512**	6,620
Attributable to minority interest - equity		**(50)**	(30)
Attributable to parent		**9,462**	6,590

Statement of comprehensive income

Exchange translation differences on consolidation		**83**	(78)
Total comprehensive income		**9,545**	**6,512**

Consolidated statement of financial position
at 30 April 2016

	Notes	*2016* *£'000*	*2015* *£'000*
Fixed assets			
Intangible assets	11	**24,320**	23,211
Tangible assets	12	**9,266**	9,797
Investments	13	**9**	42
		33,595	33,050
Current assets			
Stocks	14	**23,594**	19,483
Debtors	15	**43,628**	35,673
Cash at bank		**1,891**	3,842
		69,113	58,998
Creditors: amounts falling due within one year	16	**(57,611)**	(51,758)
Net current assets		**11,502**	7,240
Total assets less current liabilities		**45,097**	40,290
Creditors: amounts falling due after more than one year	17	**(9,172)**	(11,670)
Provision for liabilities and charges	19	**(171)**	(411)
Net assets		**35,754**	28,209
Capital and reserves			
Called up share capital	20	**-**	-
Profit and loss account		**35,728**	28,183
Equity shareholders' funds		**35,728**	28,183
Minority interest		**26**	26
		35,754	28,209

The financial statements were approved and authorised for issue by the Board of Directors on 3 October 2016 and were signed on its behalf by:

P. Sonpal
Director

Registered number: 3076698

Company statement of financial position
at 30 April 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	11	**3,709**	2,837
Tangible assets	12	**6,016**	6,742
Investments	13	**16,510**	16,510
		26,235	26,089
Current assets			
Stocks	14	**19,581**	15,861
Debtors	15	**50,228**	44,420
Cash at bank		-	288
		69,809	60,569
Creditors: amounts falling due within one year	16	**(51,877)**	(47,046)
Net current assets		**17,932**	13,523
Total assets less current liabilities		**44,167**	39,612
Creditors: amounts falling due after more than one year	17	**(9,172)**	(11,670)
Provision for liabilities and charges	19	**(130)**	(229)
Net assets		**34,865**	27,713
Capital and reserves			
Called up share capital	20	-	-
Profit and loss account		**34,865**	27,713
Equity shareholders' funds		**34,865**	27,713

The financial statements were approved and authorised for issue by the Board of Directors on 3 October 2016 and were signed on its behalf by:

P. Sonpal
Director

Registered number: 3076698

Statement of changes in equity
at 30 April 2016

Group

	Share capital	Profit & loss account	Total
	£'000	*£'000*	*£'000*
At 1 May 2014	-	22,671	22,671
Comprehensive income for the year			
Profit for the year	-	6,590	6,590
Other comprehensive for the year			
Exchange transition differences on consolidation		(78)	(78)
Total comprehensive income for the year	-	6,512	6,512
Dividends paid	-	(1,000)	(1,000)
At 1 May 2015	-	28,183	28,183
Comprehensive income for the year			
Profit for the year	-	9,462	9,462
Other comprehensive for the year			
Exchange transition differences on consolidation	-	83	83
Total comprehensive income for the year	-	9,545	9,545
Dividends paid	-	(2,000)	(2,000)
At 30 April 2016	-	**35,728**	**35,728**

Statement of changes in equity
at 30 April 2016

Company

	Share capital	Profit & loss account	Total
	£'000	*£'000*	*£'000*
At 1 May 2014	-	22,191	22,191
Comprehensive income for the year			
Profit for the year	-	6,522	6,522
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	6,522	6,522
Dividends paid	-	(1,000)	(1,000)
At 1 May 2015	-	27,713	27,713
Comprehensive income for the year			
Profit for the year	-	9,152	9,152
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	9,152	9,152
Dividend paid	-	(2,000)	(2,000)
At 30 April 2016	-	**34,865**	**34,865**

Consolidated statement of cash flows
for the year ended 30 April 2016

	2016		2015	
	£'000	*£'000*	*£'000*	*£'000*
CASH FLOW FROM OPERATING ACTIVITIES				
Profit for the financial year		**9,512**		6,620
Adjustments for:				
Depreciation of tangible assets	**1,483**		1,344	
Amortisation of intangible assets	**2,537**		1,251	
Profit on disposal of tangible assets	**(20)**		(21)	
Loss on disposal of intangible assets	**552**		17	
Interest paid	**998**		562	
Taxation	**2,805**		1,023	
Increase in trade and other receivables	**(8,094)**		(2,560)	
Increase in inventories	**(4,036)**		(1,833)	
Increase in trade payables	**4,357**		(4,753)	
		582		(4,970)
Cash from operations		**10,094**		1,650
Income taxes paid		**(1,614)**		(1,641)
Net cash generated from operating activities		**8,480**		9
Investing activities				
Proceeds from sale of intangible and tangible fixed assets	**56**		73	
Purchases of tangible fixed assets	**(915)**		(726)	
Purchases of intangible fixed assets	**(1,679)**		(1,366)	
Purchases of subsidiary undertaking	**(1,958)**		(16,505)	
Net cash acquired with subsidiary undertaking	**117**		2	
Purchase of trade and assets	**(700)**		-	
Net cash from investing activities		**(5,079)**		(18,555)
Financing activities				
Dividends paid to non-controlling interests	**(50)**		(33)	
Dividends paid	**(2,000)**		(1,000)	
Interest paid	**(998)**		(562)	
Net movement on short term advances and bank loans	**(2,307)**		23,709	
Net cash from financing activities		**(5,355)**		22,147
Net (decrease)/increase in cash and cash equivalents		**(1,954)**		3,601
Effect of exchange rates on cash and cash equivalents		**3**		(7)
Cash and cash equivalents at beginning of year		**3,842**		248
Cash and cash equivalents at the end of year		**1,891**		3,842

Notes to the financial statements

For the year ending 30 April 2016

1. General information

Lexon (UK) Limited is a company limited by shares, incorporated in England and Wales. Its registered office is 18 Oxleasow Rd, Redditch B98 0RE. The Group operates within the UK and sells primarily to the UK.

2. Statement of compliance

The financial statements of Lexon (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

(a) Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 25.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and amortised. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. The parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The parent Company's profit for the year was £9,152,000 (2015: £6,522,000).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

(b) Going concern

The financial statements have been prepared on a going concern basis. The Company's and Group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report. The Company's and Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company and Group should be able to manage business risk successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements
For the year ending 30 April 2016

3. Summary of significant accounting policies (continued)

(c) Foreign currency
(i) Functional and presentation currency

The Group's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss 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 profit and loss account within 'finance (expense) / income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses)/gains'.

(d) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

(i) Sale of goods
Revenue from the sale of goods is recognised when all of the following conditions are satisfied:
- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the amount of revenue can be measured reliably; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(e) Intangible fixed assets - Goodwill
Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets acquired. Goodwill is capitalised and is written off in equal annual instalments over its estimated economic life of 10 years. Goodwill is reviewed for impairment.

(f) Intangible fixed assets – Pharmaceutical licenses
Pharmaceutical licenses are included in the balance sheet at the cost of the applications and are amortised over the term of the license. The carrying value is also reviewed for impairment where the cost of the license fee cannot be recovered by future sales of the product. The annual costs of renewing the licenses are posted to the profit and loss account in the period that they become due.

(g) Fixed assets
All fixed assets are initially recorded at cost.

Notes to the financial statements
For the year ending 30 April 2016

3. Summary of significant accounting policies (continued)

(h) Depreciation
Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold land & buildings	- 2-20% straight line
Tenant's improvement to property	- 2% straight line
Plant & machinery	- 10-25% straight line
Office furniture & fittings	- 15% reducing balance
Motor vehicles	- 25% straight line
Computer equipment	- 25% straight line

(i) Stocks
Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

(j) Hire purchase agreements
Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group profit and loss account on a straight line basis.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the hire purchase contracts and represent constant proportion of the balance of capital repayments outstanding.

(k) Current taxation
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(l) Deferred taxation
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date with certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the financial statements
For the year ending 30 April 2016

3. Summary of significant accounting policies (continued)

(m) *Financial instruments*
The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Notes to the financial statements

For the year ending 30 April 2016

3. Summary of significant accounting policies (continued)

(n) Operating leases

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Company is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

This liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(o) Pension costs

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

(p) Investments

Other investments and investments in subsidiary undertakings held as fixed assets are stated at cost. Investments are reviewed for impairment. Dividends received from investments are brought to account in the profit and loss account when received.

(q) Research and development expenditure

Expenditure on research and development is written off against profits on ordinary activities as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the income statement as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

(r) Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Notes to the financial statements
For the year ending 30 April 2016

3. Summary of significant accounting policies (continued)

(s) Provisions for liabilities
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of property plant and equipment and the depreciation accounting policy note above for the useful economic lives for each class of asset.

Development expenditure
Development expenditure is capitalised in accordance with the accounting policy given above. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Goodwill and intangible assets
The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

5. Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year. An analysis of turnover by geographical market is given below.

	2016	*2015*
	£'000	*£'000*
United Kingdom	**195,836**	146,566
Rest of the world	**4,210**	2,474
	200,046	149,040

Notes to the financial statements
For the year ending 30 April 2016

6. Operating profit
This is stated after charging/(crediting):

	2016 £'000	2015 £'000
Auditor's remuneration:		
Fees payable to the Company's auditors for the audit of the Company's financial statements	**22**	20
Fees payable to the Company's auditors for other services to the Group		
- Audit of the Company's subsidiary pursuant to legislation	**27**	25
Total audit fees	**49**	45
Other services pursuant to legislation		
- Tax Services	**15**	19
- Other Services	**3**	2
Total non-audit fees	**18**	21
Depreciation of owned fixed assets	**1,483**	1,344
Amortisation of pharmaceutical licenses and development costs	**237**	127
Amortisation of goodwill	**2,300**	1,124
	4,020	2,595
Operating lease rentals - plant and machinery	**1**	3
- land and buildings	**165**	214
Loss on disposal of pharmaceutical licenses	**18**	17
Expenditure relating to research and development	**1,619**	1,064
Profit on disposal of tangible fixed assets	**(20)**	(21)

7. Staff costs

	2016 £'000	2015 £'000
Wages and salaries	**12,533**	9,304
Social security costs	**889**	690
Staff pension contributions (Note 21)	**198**	128
	13,620	10,122

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

	2016 No.	2015 No.
Sales & Distribution	**775**	528
Management	**45**	36
	820	564

Notes to the financial statements

For the year ending 30 April 2016

8. Directors' emoluments

	2016 £'000	2015 £ '000
Emoluments	**245**	231

The aggregate of emoluments of the highest paid director for the year were £96,347 (2015: £96,426).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,000 (2015: £6,000).

During the year retirement benefits were accruing to 2 directors (2015: 3) in respect of defined contribution pension schemes.

9. Interest payable and similar charges

	2016 £'000	2015 £ '000
Bank interest payable	**425**	425
Other bank and credit charges	**574**	137
	999	562

Notes to the financial statements
For the year ending 30 April 2016

10. Tax on profit on ordinary activities
(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2016 *£'000*	*2015* *£'000*
Current tax:		
UK corporation tax	**2,972**	1,341
Tax under/(over) provided in previous years	**80**	(330)
Total current tax	**3,052**	1,011
Deferred tax:		
Origination and reversal of timing differences (Note 19)	**(247)**	12
Tax on profit on ordinary activities	**2,805**	1,023

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20.00% (2015: 20.92%). The differences are reconciled below:

	2016 *£'000*	*2015* *£'000*
Profit on ordinary activities before taxation	**12,317**	7,643
Profit on ordinary activities multiplied by standard rate of corporation tax of 20.00% (2015: 20.92%)	**2,463**	1,599
Expenses not deductible for tax purposes	**9**	71
Income not taxable for tax purposes	**-**	(31)
Fixed asset timing differences	**274**	56
Other short term timing differences	**(21)**	(135)
Additional deduction for R&D expenditure	**-**	(207)
Adjustments in respect of prior years	**80**	(330)
Total current tax	**2,805**	1,023

(c) Deferred tax

	2016 *£'000*	*2015* *£'000*
Capital allowances in advance of depreciation	**220**	407
Other short term timing differences	**(49)**	4
Provision for deferred taxation (Note 19)	**171**	411

Notes to the financial statements

For the year ending 30 April 2016

11. Intangible fixed assets

Group

	Development costs £'000	*Goodwill £'000*	*Pharmaceutical Licenses £'000*	*Total £'000*
Cost:				
At 1 May 2015	2,436	24,747	1,616	28,799
Additions	1,396	2,537	283	4,216
Disposals	(523)	-	(67)	(590)
At 30 April 2016	3,309	27,284	1,832	32,425
Amortisation:				
At 1 May 2015	51	4,373	1,164	5,588
Provided during the year	107	2,300	130	2,537
Disposals	-	-	(20)	(20)
At 30 April 2016	158	6,673	1,274	8,105
Net book value:				
At 30 April 2016	**3,151**	**20,611**	**558**	**24,320**
At 30 April 2015	2,385	20,374	452	23,211

During the year the Group acquired all the share capital of Oakwood (Birstall) Limited. The book value and fair value to the Group at the date of acquisition were as follows:

<u>Net assets acquired</u>	Book Value and fair value to Group *£'000*
Tangible fixed assets	53
Debtors	150
Stock	75
Cash	117
Creditors: less than one year	(244)
Corporation tax	(23)
Provisions for liabilities – deferred tax	(7)
Net assets	121
100% share acquired	121
Goodwill arising	1,837
Consideration	1,958
Discharged by:	
Cash	1,958

The trade and assets of Oakwood (Birstall) Limited were transferred to Pure Health Medical Limited after acquisition.

Notes to the financial statements
For the year ending 30 April 2016

11. Intangible fixed assets (continued)

Oakwood (Birstall) Limited recorded a profit after taxation of £81,228 for the period ended 29 February 2016. The summarised profit and loss account for the period from 1 May 2015 to 29 February 2016 (the date of acquisition) shown on the basis of accounting policies of Oakwood (Birstall) Limited prior to acquisition was as follows:

	£'000
Turnover	**1,377**
Cost of sales	(1,183)
Gross profit	**194**
Administrative expenses	(93)
Profit on ordinary activities before taxation	**101**
Tax on profit on ordinary activities	(20)
Profit on ordinary activities after taxation	**81**

In addition to the above the Group acquired all the trade and assets of an unincorporated business for £600,000 plus the net assets, generating goodwill of £600,000. The Group also incurred £100,000 to change the licencing hours of a pharmacy, which has also been capitalised within goodwill.

Goodwill is being amortised over the directors' estimate of its useful economic life of 10 years.

Included in Pharmaceutical Licenses are amounts of £70,283 (2015: £89,595) relating to applications that have been applied for but not yet granted at the year end.

Company

	Development costs £'000	*Goodwill £'000*	*Pharmaceutical Licenses £'000*	*Total £'000*
Cost:				
At 1 May 2015	2,436	10	1,616	4,062
Additions	1,396	-	283	1,679
Disposals	(523)	-	(67)	(590)
At 30 April 2016	3,309	10	1,832	5,151
Amortisation:				
At 1 May 2015	51	10	1,164	1,225
Provided during the year	107	-	130	237
Disposals	-	-	(20)	(20)
At 30 April 2016	158	10	1,274	1,442
Net book value:				
At 30 April 2016	**3,151**	-	**558**	**3,709**
At 30 April 2015	2,385	-	452	2,837

Notes to the financial statements
For the year ending 30 April 2016

12. Tangible fixed assets
Group

	Leasehold property £'000	*Freehold property £'000*	*Plant and machinery £ '000*	*Fixtures and fittings £'000*	*Motor vehicles £ '000*	*Total £ '000*
Cost:						
At 1 May 2015	740	6,524	3,953	4,084	1,376	16,677
Exchange adjustments	-	-	3	1	3	7
Acquired on acquisition	-	-	-	154	8	162
Additions	-	300	73	157	385	915
Disposals	-	-	-	(215)	(196)	(411)
At 30 April 2016	740	6,824	4,029	4,181	1,576	17,350
Depreciation:						
At 1 May 2015	189	747	2,669	2,689	586	6,880
Exchange adjustments	-	-	3	1	1	5
Acquired on acquisition	-	-	-	104	5	109
Charge for the year	65	147	634	282	355	1,483
Disposals	-	-	-	(215)	(178)	(393)
At 30 April 2016	254	894	3,306	2,861	769	8,084
Net book value:						
At 30 April 2016	**486**	**5,930**	**723**	**1,320**	**807**	**9,266**
At 30 April 2015	551	5,777	1,284	1,395	790	9,797

Notes to the financial statements
For the year ending 30 April 2016

12. Tangible fixed assets (continued)

Company

	Freehold property £'000	*Plant and machinery £'000*	*Fixtures and fittings £'000*	*Motor vehicles £'000*	*Total £'000*
Cost:					
At 1 May 2015	5,082	3,089	1,870	1,145	11,186
Additions	-	51	110	269	430
Disposals	-	-	-	(182)	(182)
At 30 April 2016	5,082	3,140	1,980	1,232	11,434
Depreciation:					
At 1 May 2015	673	1,877	1,345	549	4,444
Charge for the year	89	630	165	263	1,147
Disposals	-	-	-	(173)	(173)
At 30 April 2016	762	2,507	1,510	639	5,418
Net book value:					
At 30 April 2016	**4,320**	**633**	**470**	**593**	**6,016**
At 30 April 2015	4,409	1,212	525	596	6,742

Notes to the financial statements
For the year ending 30 April 2016

13. Investments

	£'000
Group	
At 30 April 2015	42
Investment loan transferred to debtors	(33)
At 30 April 2016	9

Company	*Investments in subsidiary undertakings £'000*	*Total £'000*
Cost:		
At 1 May 2015 and at 30 April 2016	16,510	16,510

Investments in subsidiary undertakings

The share capital of subsidiary undertakings is designated as ordinary shares. Unless stated, all shareholdings represent 100% of the equity and the voting rights.

Subsidiary undertaking	*Activity*	*Country of Incorporation*
Pure Health Medical Limited	Retail pharmacy	England and Wales
Healthnet Limited	App retailer	England and Wales
Lexon (Ireland) Pharmaceuticals Limited	Pharmaceutical wholesaler	Ireland
Chemist.net Limited*	Internet based pharmacy	England and Wales
Central Health Medical Limited* (50% shareholding)	Dormant	England and Wales
Dispex Limited	Services to dispensing doctors	England and Wales
Norchem Limited	Pharmaceutical wholesaler	England and Wales
C Spedding Limited*	Dormant	England and Wales
Norchem Healthcare Limited*	Retail pharmacy	England and Wales
David A Wilde Limited*	Dormant	England and Wales
Oakwood (Birstall) Ltd*	Dormant	England and Wales
Healthnet Homecare Limited	Domestic dispensing	England and Wales

* Held by a subsidiary undertaking

14. Stocks

	Group 2016 £'000	*Group 2015 £'000*	*Company 2016 £'000*	*Company 2015 £'000*
Finished goods	**23,594**	19,483	**19,581**	15,861

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

Notes to the financial statements
For the year ending 30 April 2016

15. Debtors

	Group 2016 £'000	*Group 2015 £'000*	*Company 2016 £'000*	*Company 2015 £'000*
Due within one year:				
Trade debtors	**40,306**	33,614	**33,080**	28,702
Other debtors	**944**	416	**905**	271
Prepayments and accrued income	**1,093**	1,236	**765**	929
Amounts owed by group companies	-	-	**14,192**	13,943
Amounts owed by associate	**1,286**	118	**1,286**	122
Corporation tax recoverable	-	289	-	453
	43,628	35,673	**50,228**	44,420

16. Creditors: amounts falling due within one year

	Group 2016 £'000	*Group 2015 £'000*	*Company 2016 £'000*	*Company 2015 £'000*
Bank overdraft	**59**	-	**20**	-
Bank loans	**2,498**	2,515	**2,498**	2,498
Other short term advances (Note 18)	**27,012**	26,869	**27,012**	26,869
Trade creditors	**20,406**	16,445	**17,642**	14,145
Amounts due to associated entity	**21**	8	**21**	8
Amounts due to group companies	-	-	**2**	273
Corporation tax	**1,172**	-	**741**	-
Other taxation and social security	**1,140**	598	**1,468**	761
Directors' loan account	**895**	585		585
Accruals and deferred income	**2,006**	1,901	**1,475**	1,582
Other creditors	**2,402**	2,837	**998**	325
	57,611	51,758	**51,877**	47,046

Other short term advances relate to amounts which are secured on the trade debtors of the group.

17. Creditors: amounts falling due after more than one year

	Group 2016 £'000	*Group 2015 £'000*	*Company 2016 £'000*	*Company 2015 £'000*
Bank loans	**9,172**	11,670	**9,172**	11,670

The bank loans and overdraft was secured by a floating charge on all the assets of the group.

Notes to the financial statements
For the year ending 30 April 2016

18. Loans

The group's and company's obligations are repayable as follows:

	2016 £'000	2015 £'000
Amounts repayable by instalments:		
In one year or less or on demand	**2,498**	2,515
In more than one year	**9,172**	11,670
	11,670	14,185
Amounts repayable other than by instalments:		
In one year or less or on demand	**27,012**	26,869
	38,682	41,054

19. Provisions for liabilities and charges

Group

	Deferred taxation £'000
At 1 May 2015	411
Acquired on acquisition	7
Profit and loss account movement arising during the year	(247)
At 30 April 2016	**171**

Company

	Deferred taxation £'000
At 1 May 2015	229
Profit and loss account movement arising during the year	(99)
At 30 April 2016	**130**

20. Share capital

		Authorised
	2016 £	2015 £
Ordinary shares of 10p each	100	100

	Allotted, called up and fully paid			
	2016			2015
	No.	£	No.	£
Ordinary shares of 10p each	1,000	100	1,000	100

Notes to the financial statements

For the year ending 30 April 2016

21. Pensions

The group operates a money purchase (defined contribution) pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The unpaid contributions outstanding at the year end, included in 'Other creditors' (Note 16), are £23,200 (2015: £13,561).

22. Commitments under operating leases

At 30 April 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

		2016		*2015*
	Land and buildings £ '000	*Other £ '000*	*Land and buildings £ '000*	*Other £ '000*
Not later than one year	**213**	**1**	163	1
Later than one year and not later than five years	**824**	**6**	611	1
Later than five years	**2,605**	**-**	2,118	-
	3,642	**7**	2,892	2

23. Dividends

	2016 £ '000	*2015 £ '000*
Paid on Ordinary shares of 10p each	**2,000**	1,000

Dividends paid to the directors and their related parties during the year were as follows:

	2016 £ '000	*2015 £ '000*
N T Sodha	**630**	315
P T Sodha	**520**	260
P Sonpal	**450**	225
A Sodha	**400**	200
	2,000	1,000

Notes to the financial statements

For the year ending 30 April 2016

24. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 30 April 2016, are as follows:

Related party	*Sales to related party £ '000*	*Purchases from related party £ '000*	*Amounts due from related party £ '000*	*Amounts owed to related party £ '000*
Knights Chemist Limited				
2016	**7,307**	**6**	**1,411**	-
2015	5,858	5	1,242	-
Asurex Limited (trading as Knights Fragrances)				
2016	**24**	**325**	**2**	**17**
2015	25	260	-	11
Mroso's Chemist				
2016	**19**	-	**4**	**1**
2015	23	-	4	-
LTT Pharma Limited				
2016	-	-	**86**	-
2015	-	210	118	-

Knights Chemist Limited
The company is owned and controlled by N T Sodha.

Asurex Limited (trading as Knights Fragrances Limited)
The company is owned and controlled by P T Sodha and trades under the name of Knights Fragrances.

Mroso's Chemist
A partnership controlled by P T Sodha.

LTT Pharma Limited
The company is owned and controlled by N T Sodha, P T Sodha, P Sonpal and A Sodha.

25. Transition to FRS102

The policies applied under the entity's previous accounting framework are not materially different to FRS102 and have not impacted on equity or profit or loss.