

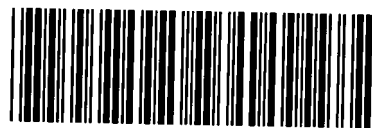
Registered No. 02288928

L.Rowland & Company (Retail) Limited

Report and Financial Statements

31 January 2018

FRIDAY



A12 *A793M6Y0* #313
29/06/2018
COMPANIES HOUSE

Company information

Directors

S W Anderson (appointed 1 October 2017)
K J Black
J Chiwara
I C Cowan
J D'Arcy (resigned 31 January 2018)
K R Hudson
M MacRury
P J Smith (resigned 1 October 2017)

Secretary

M P Blakeman

Auditors

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3EY

Registered Office

Rivington Road
Whitehouse Industrial Estate
Runcorn
Cheshire
WA7 3DJ

Strategic report

The Directors present their strategic report for the year ended 31 January 2018.

Business review

The main business of the Company is the operation of retail pharmacies throughout England, Scotland and Wales, under the Rowlands Pharmacy brand.

During the year the Company incurred a loss on ordinary activities of £10.7million (2017: profit of £5.1 million).

The fall in underlying profitability compared to the previous year is principally due to changes in funding for pharmacy by the NHS including reductions in the reimbursement prices for certain generic products during the year ("Category M"), reduced dispensing fees and lower establishment payments.

During the year 5 existing stores were relocated and a further 12 stores were refitted. The refits are designed to improve accessibility to a range of healthcare services and products in their local communities.

Key performance indicators

Management uses a range of key performance indicators to monitor and manage the business, the most relevant are discussed below.

	2018 £'000	2017 £'000	Change %
Turnover	494,070	503,826	(1.94)
Gross Margin %	27.03%	29.24%	(2.21)
Personnel costs	78,883	77,583	1.68
Operating profit	1,659	18,522	(91.04)
(Loss)/profit on ordinary activities after taxation	(10,664)	5,079	(309.96)
Average number of employees	4,770	4,923	(3.10)

Turnover for the year ended 31 January 2018 was £494.1m (2017: £503.8m) a decrease of 1.94%. The decrease in turnover principally reflects the impact of the decreases in drug reimbursement prices and reduced dispensing fees due to funding cuts implemented by the NHS, partly offset by the effect of prior year acquisitions.

Gross margin for the year ended 31 January 2018 decreased slightly to 27.03% compared with 29.24% in the previous year principally due to the funding cuts noted.

In a large retail network staff costs are a key expense, and are therefore managed closely. Average staff numbers have increased during the year principally due to a branch staffing re-profiling project. The increase in personnel costs also reflects inflationary pay rises and the impact of the introduction of the National Living Wage.

Management uses a range of key performance indicators to monitor and manage the business, the most relevant being turnover, gross profit margin and operating profit which are discussed in the Business review above.

Strategic report (continued)

Key risks and uncertainties

The Company operates in a highly regulated market, and significant changes to those regulations may have a significant impact on the business, adverse or otherwise. Examples of changes in regulations that may have a significant impact on the business are changes to the Control of Entry Regulations or changes to the NHS Pharmacy Contract.

Management constantly review pending or potential changes to regulations and take appropriate action to minimise any adverse impact to the business.

Government changes to the pharmacy remuneration structure, such as the Category M mechanism or adjustments to fees paid for dispensing services, have a direct impact on the profitability of the business. Such changes are regularly monitored, but are often only announced with a short notice period. The business monitors these impacts at an individual pharmacy level.

Financial risk management policies

The directors have reviewed the financial risk management objectives and policies of the Company. The Company does not as a regular policy enter into hedging instruments, as there is not believed to be any material exposure. It also does not enter into any speculative financial instruments. Appropriate trade terms are negotiated with suppliers and customers and management review these terms and the relationships with suppliers and customers and manage any exposure on normal trade terms.

The Company participates in the group's centralised treasury arrangements and so shares financing arrangements with its parent and fellow subsidiaries, which mitigates any liquidity risk in the Company.

The company operates an Asset Backed Securitisation Scheme (see note16) which reduces cash flow risk for those debts sold under the terms of the scheme.

By order of the Board



K R Hudson
Director
28 March 2018

Directors' report

Registered No. 00288928

The directors present their report for the year ended 31 January 2018.

Directors

The directors who held office during the year were as follows:

S W Anderson (appointed 1 October 2017)

K J Black

J Chiwara

I C Cowan

J D'Arcy (resigned 31 January 2018)

K R Hudson

M MacRury

P J Smith (resigned 31 October 2017)

Dividends

The directors do not recommend the payment of a dividend (2017: £nil).

Future developments

The Company intends to continue to operate retail pharmacies throughout England, Scotland and Wales.

Financial instruments

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 to set out information related to Financial Risk Management Policies in its Strategic Report.

Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Going concern

The Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to note 2 for details.

Directors' liabilities

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors' report (continued)

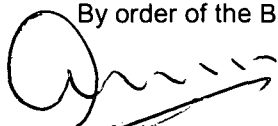
Disclosure of information to the auditors

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

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'M P Blakeman', with a large initial 'M' and a stylized 'P'.

M P Blakeman
Company Secretary
28 March 2018

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of L.Rowland & Company (Retail) Limited

We have audited the financial statements of L.Rowland & Company (Retail) Limited for the year ended 31 January 2018 which comprise the Income Statement, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 25 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework."

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report

to the members of L.Rowland & Company (Retail) Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Independent auditor's report

to the members of L.Rowland & Company (Retail) Limited (continued)

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 statements.

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

Ernst & Young LLP

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
28 March 2018

Income statement

for the year ended 31 January 2018

	Notes	2018 £000	2017 £000
Turnover	3	494,070	503,826
Cost of sales		<u>(360,536)</u>	<u>(356,500)</u>
Gross Profit		133,534	147,326
Distribution costs		(23,034)	(22,203)
Administrative expenses		(108,914)	(106,934)
Goodwill impairment		(704)	(1,043)
Licence impairment		(683)	(1,275)
Other operating income		<u>1,460</u>	<u>2,651</u>
Operating Profit	4	1,659	18,522
Income from shares in subsidiary undertakings	5	2,945	19,649
Write down of investments in subsidiary undertakings	5	(3,988)	(19,542)
Income from investments		-	40
Interest payable and similar charges	9	<u>(13,276)</u>	<u>(14,192)</u>
(Loss)/profit on ordinary activities before taxation		(12,660)	4,477
Tax credit	10	<u>1,996</u>	<u>602</u>
(Loss)/profit for the financial year	22	<u><u>(10,664)</u></u>	<u><u>5,079</u></u>

All activities are derived from continuing operations.

Statement of comprehensive income

for the year ended 31 January 2018

	Notes	2018 £000	2017 £000
(Loss)/profit for the financial year and total comprehensive (loss)/ income for the year	22	<u><u>(10,664)</u></u>	<u><u>5,079</u></u>

Balance sheet

at 31 January 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Intangible assets	11	345,269	346,333
Tangible assets	12	23,643	22,121
Investments	13	6,932	10,782
		<u>375,844</u>	<u>379,236</u>
Current assets			
Stocks	14	35,841	37,296
Trade and other receivables	16	102,032	101,278
Cash at bank and in hand		515	576
		<u>138,388</u>	<u>139,150</u>
Creditors: amounts falling due within one year			
Trade creditors	17	24,391	19,866
Financial liabilities	17	22,201	25,186
Amounts owed to group undertakings	17	354,813	349,387
Income tax payable		143	1,105
Other taxes and social security		1,693	1,708
Other creditors, accruals and deferred income		11,046	10,464
		<u>414,287</u>	<u>407,716</u>
Net current liabilities	18	(275,899)	(268,566)
Total assets less current liabilities		99,945	110,670
Provisions for liabilities	19	(36,575)	(36,636)
Net assets		<u>63,370</u>	<u>74,034</u>
Capital and reserves			
Called up share capital	20	1	1
Retained earnings	22	63,369	74,033
Total equity		<u>63,370</u>	<u>74,034</u>

The financial statements were approved by the board of directors and authorised for issue on 28 March 2018



K R Hudson

Director

Registered no: 02288928

Statement of changes in equity

at 31 January 2018

	<i>Note</i>	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 February 2017		1	74,033	74,034
Loss for the year and total comprehensive loss for the year		-	(10,664)	(10,664)
At 31 January 2018		1	63,369	63,370

Notes to the financial statements

at 31 January 2018

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of L.Rowland & Company (Retail) Limited for the year ended 31 January 2018 were authorised for issue by the board of directors on 28 March 2018. L.Rowland & Company (Retail) Limited is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill (see note 2.5).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of PHOENIX Pharma SE. Accordingly, these financial statements are individual entity financial statements.

The results of L.Rowland & Company (Retail) Limited are included in the consolidated financial statements of PHOENIX Pharma SE which are available from Pfingstweidstrasse 10-12, 68199 Mannheim, Germany.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- (f) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- (g) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*; and
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the financial statements

at 31 January 2018

2. Accounting policies (continued)

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Going concern

The directors, having assessed the responses of the directors of the Company's parent Phoenix Medical Supplies Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Phoenix Medical Supplies group to continue as a going concern or its ability to continue with the current financing arrangements. Details of their considerations are set out in the basis of preparation note of Phoenix Medical Supplies Limited statutory accounts for the year ended 31 January 2018.

The directors have received confirmation from the intermediate parent company, Phoenix Medical Supplies Limited, that it will make available for at least a period of twelve months from the date of signing these financial statements, the necessary funds required in order to enable the Company to meet its liabilities.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Phoenix Medical Supplies Limited, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budget data extrapolated at an assumed growth rate and may not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the assets performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units, including sensitivity analysis, are disclosed in note 11.

Notes to the financial statements

at 31 January 2018

2. Accounting policies (continued)

2.5 Significant accounting policies

Intangible assets – goodwill and licences

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.

In respect of the acquisition of companies or businesses operating retail pharmacies, in the directors' opinion, any excess of the fair value of the consideration given in respect of acquisitions over the fair value of the identifiable assets and liabilities acquired consists of:

- an element in respect of the licence, representing the consideration paid to acquire the right to sell prescribed drugs in the retail outlets and;
- an element in respect of the goodwill, representing the consideration given over the fair value of the identifiable assets (including the value of the licence) and liabilities acquired.

The value of the licences acquired is presented as an intangible asset, separate from goodwill. The value of the licences at the date of acquisition is based on an assessment by the directors of the present value of future cash flows resulting from NHS turnover for each retail outlet. The licence does not attach to the specific freehold or leasehold property and exists in perpetuity. Accordingly, the directors consider the licences to have indefinite useful economic lives and no amortisation is charged. The carrying value of licences is subject to annual impairment tests for each retail outlet.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The profit for the year would have been £9,312,050 lower had goodwill been amortised in the year.

Intangible assets - software

Software includes IT software that is not integral to hardware purchased together with website development costs. Software is amortised on a straight line basis over 3 years.

Investments

Investments in subsidiaries and associates are shown at historic cost less provision for impairment.

Notes to the financial statements

at 31 January 2018

2. Accounting policies (continued)

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets or group of assets. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Tangible fixed assets

Tangible fixed assets, including investment properties, are stated at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold property	2% per annum
Leasehold property	term of lease
Fixtures, fittings and equipment	10%-33% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statements on a straight-line basis over the lease terms, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight line basis over the period of the lease, and is included within other operating income.

Notes to the financial statements

at 31 January 2018

2. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the product to its present location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Trade and other debtors

Trade and other debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash comprises cash at banks and in hand and short term deposits with an original maturity of three months or less.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established

Income taxes

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The Company is part of a UK group and accordingly may utilise the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other group companies in the UK. The group has a policy that payment is made or received for tax losses received from, or surrendered to, other group companies.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the financial statements

at 31 January 2018

2. Accounting policies (continued)

Pension costs and other post-retirement benefits

The Company participates in a defined benefit scheme and a defined contribution scheme.

For the defined contribution scheme, the amount charged to the income statement, in respect of pension costs and other post-retirement benefits, is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The defined benefit scheme is a group scheme, and it is funded, with the assets of the scheme being held separately from those of the Company, in separate trustee administered funds. In accordance with FRS 101, the Company accounts for the contributions to the defined benefit scheme, as if it were a defined contribution scheme, because it is not possible to identify the Company's share of the underlying assets and liabilities on a consistent and reasonable basis. The required disclosures for the entire defined benefit scheme are shown in note 24.

Debts subject to financing arrangements – asset backed securitisation scheme

In the year ended 31 January 2004, the Company along with Phoenix Healthcare Distribution Limited, entered into an agreement to sell trade debtors to an independent company (Scripts Limited). This agreement has been subject to various renegotiations and renewals since that date. The agreement has been renegotiated and renewed in November 2017 and extended until October 2019, with the option to further extend the scheme in the future.

Under the terms of the agreement with Scripts Limited the Company is not obliged to support any losses, other than to the limit of default reserves already deducted prior to receipt of the non-returnable proceeds under the agreement nor does it intend to do so. The funds received in respect of the sale and costs charged thereon are secured on the related trade debtors. Under this arrangement the Company has not transferred substantially all the risks and rewards associated with the debtor and as such recognises the gross trade debtor and corresponding liability due to Scripts Limited.

The interest payable in respect of this agreement has been borne by the intermediate parent company, Phoenix Medical Supplies Limited.

Notes to the financial statements

at 31 January 2018

3. Turnover

The Company's turnover and results were derived wholly from the Company's principal activity which is based solely in the United Kingdom.

4. Operating profit

This is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets: owned	3,835	4,255
Amortisation of intangible assets	194	194
Profit/(loss) on disposal of tangible fixed assets	(70)	24
Goodwill impairment	704	1,043
Impairment of licences	683	1,275
Cost of stocks recognised as an expense (included in cost of sales)	360,536	356,500
Operating lease rentals – minimum lease payments	11,870	11,947

5. Income from shares in subsidiary undertakings

The income from shares in subsidiary undertakings reflects dividends received from subsidiaries and the write down of investments in subsidiary undertaking reflects the reduction in the net assets of the subsidiary following the dividend payment.

6. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2018 £000	2017 £000
Audit of the financial statements	52	52

There were no non-audit fees paid to the auditor in either year.

Notes to the financial statements

at 31 January 2018

7. Directors' remuneration

	2018 £000	2017 £000
Emoluments	267	204
Company contributions to defined contribution pension schemes	8	6
	<u>275</u>	<u>210</u>

2 directors had retirement benefits accruing under the company's money purchase scheme at the period end. (2017: 2 director).

Certain directors who served during the year are also directors of the intermediate holding company, Phoenix Medical Supplies Limited, and are remunerated by that company. Although they do receive remuneration from Phoenix Medical Supplies Limited in respect of their services to various group companies including this Company, it is not practicable to allocate their remuneration to individual companies in the group. Therefore their remuneration has been disclosed in the accounts of Phoenix Medical Supplies Limited.

The above amounts for remuneration include the following in respect of the highest paid director:

	2018 £000	2017 £000
Emoluments	124	128
Company contributions to defined contribution pension schemes	4	4
	<u>128</u>	<u>132</u>

8. Staff costs

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

	2018 £000	2017 £000
Wages and salaries	72,425	71,251
Social security costs	5,262	5,133
Other pension costs (note 23)	1,196	1,199
	<u>78,883</u>	<u>77,583</u>

The average monthly number of employees (excluding executive directors) during the year was made up as follows:

	2018 No.	2017 No.
Distribution	4,580	4,726
Sales & Administration	190	197
	<u>4,770</u>	<u>4,923</u>

Notes to the financial statements

at 31 January 2018

9. Interest payable and similar charges

	2018 £000	2017 £000
Interest payable to group undertakings	13,276	14,192

10. Taxation

(a) Tax charged in the income statement

	2018 £000	2017 £000
Current income tax:		
UK corporation tax	(2,097)	1,258
Adjustments in respect of previous years	162	402
Total current income tax	(1,935)	1,660
Deferred tax:		
Origination and reversal of temporary differences	226	368
Impact of change in rate of UK corporation tax	-	(515)
Adjustments in respect of prior years	(287)	(2,115)
Total deferred tax	(61)	(2,262)
Tax credit in the profit and loss account	(1,996)	(602)

(b) Tax relating to items charged or credited to other comprehensive income

There is no tax charged or credited in respect of items of other comprehensive income (2017: nil).

(c) Reconciliation of the total tax charge

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 19.17% (2017: 20.00%) The differences are explained below:

	2018 £000	2017 £000
(Loss)/profit on ordinary activities before tax	(12,660)	4,477
Tax calculated at UK standard rate of corporation tax of 19.17% (2017: 20.00%)	(2,427)	895
Effects of:		
Expenses not deductible for tax purposes	183	358
Profit on disposal on investments	(48)	-
Writedown of investments	221	-
Amortisation and impairment of intangible assets	233	417
Differences due to different deferred tax rates	(12)	(17)
Adjustments in respect of previous years	(126)	(113)
Profit on disposal of fixed assets	1	(1)
Impact of change in rate of UK corporation tax	-	(2,115)
UK dividend income	(21)	(26)
Total tax credit reported in the income statement	(1,996)	(602)

Notes to the financial statements

at 31 January 2018

10. Taxation (continued)

(d) Change in Corporation Tax rate

The standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19.17% (2017: 20.00%). A further reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020 was announced in the Summer Finance Bill 2016, which was substantively enacted on 6 September 2016. As such, in accordance with accounting standards, these changes have been reflected in the company's financial statements as at 31 January 2018. Future profits will be taxed at the appropriate rate.

Any deferred tax expected to reverse in future years has been measured using the rates substantively enacted at 31 January 2018.

(e) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2018	2017
	£000	£000
Deferred tax liability		
Accelerated capital allowances	5	(15)
Other timing differences	36,570	36,651
	<u>36,575</u>	<u>36,636</u>

The deferred tax in the income statement is as follows:

	2018	2017
	£000	£000
Deferred tax in the income statement		
Origination and reversal of temporary differences	226	368
Adjustment in respect of prior years	(287)	(515)
Change in tax law and rates	-	(2,115)
Deferred tax expense	<u>(61)</u>	<u>(2,262)</u>

Notes to the financial statements

at 31 January 2018

11. Intangible assets

	<i>Goodwill</i> £000	<i>Licence</i> £000	<i>Software</i> £000	<i>Total</i> £000
Cost or valuation:				
At 1 February 2017	215,892	264,215	1,122	481,229
Additions	-	-	519	519
Disposals	-	-	(9)	(9)
At 31 January 2018	<u>215,892</u>	<u>264,215</u>	<u>1,632</u>	<u>481,739</u>
Depreciation:				
At 1 February 2017	126,806	7,346	744	134,896
Charge for the year	-	-	194	194
Disposals	-	-	(7)	(7)
Impairments	704	683	-	1,387
At 31 January 2018	<u>127,510</u>	<u>8,029</u>	<u>931</u>	<u>136,470</u>
Net book value:				
At 31 January 2018	<u>88,382</u>	<u>256,186</u>	<u>701</u>	<u>345,269</u>
At 31 January 2017	<u>89,086</u>	<u>256,869</u>	<u>378</u>	<u>346,333</u>

Goodwill and licences acquired through business combinations have been allocated to cash-generating units, being individual retail pharmacies or groups of pharmacies. These represent the lowest level within the Company at which goodwill and licences are monitored for internal management purposes. The Company operates over 500 pharmacies.

The recoverable amount is determined based on a fair value less cost to sell using cash flow projections based on financial budgets approved by the board covering a 12 month period, together with a growth assumption thereafter in perpetuity.

Goodwill and intangible assets are tested annually for impairment purposes. The key assumptions used are as follows; the discount rate used is pre-tax 7.85% (2017: 8.12%) and the growth rate is 0.5% (2017: 0.5%). These are applied consistently across all cash generating units.

Sensitivity analysis

The implications of the key assumptions for the recoverable amount are as follows:

- A rise in the discount rate by 1.0% (with no change in other assumptions) would result in an additional impairment of goodwill of £2,106,000 and an impairment of licences of £377,000.
- A reduction in the growth rate by 0.5% (with no change in other assumptions) would result in an additional impairment of goodwill of £443,000 and an impairment of licences of £163,000.

Notes to the financial statements

at 31 January 2018

12. Tangible fixed assets

	<i>Freehold land and property £000</i>	<i>Leasehold property £000</i>	<i>Investment property £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 February 2017	3,869	1,014	910	52,862	58,655
Additions	-	-	-	5,433	5,433
Disposals	-	-	-	(1,033)	(1,033)
At 31 January 2018	<u>3,869</u>	<u>1,014</u>	<u>910</u>	<u>57,262</u>	<u>63,055</u>
Depreciation:					
At 1 February 2017	384	271	299	35,580	36,534
Charge for the year	61	17	15	3,742	3,835
Disposals	-	-	-	(957)	(957)
At 31 January 2018	<u>445</u>	<u>288</u>	<u>314</u>	<u>38,365</u>	<u>39,412</u>
Net book value:					
At 31 January 2018	<u>3,424</u>	<u>726</u>	<u>596</u>	<u>18,897</u>	<u>23,643</u>
At 31 January 2017	<u>3,485</u>	<u>743</u>	<u>611</u>	<u>17,282</u>	<u>22,121</u>

The company's investment properties were valued by Bilfinger GVA at 31 January 2016, on the basis of fair value supported by market evidence in accordance with the valuation manual. The fair value of the properties at 31 January 2018 was £596,000.

Notes to the financial statements

at 31 January 2018

13. Fixed asset investments

Investments in subsidiaries

The Company's investment in subsidiary undertakings represents the share capital in a number of companies, which are incorporated in England, Wales and Scotland, and are summarised below.

The disposals in the current year relate to the rationalisation of dormant subsidiaries.

	<i>Subsidiary undertakings</i>	<i>Associates</i>	<i>Long term trade investments</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:				
At 1 February 2017	44,529	1,036	1,322	46,887
Additions	233	-	-	233
Disposals	-	-	(94)	(94)
At 31 January 2018	<u>44,762</u>	<u>1,036</u>	<u>1,228</u>	<u>47,026</u>
Provision for impairment:				
At 1 February 2017	36,105	-	-	36,105
Charge for the year	3,350	639	-	3,989
Disposals	-	-	-	-
At 31 January 2018	<u>39,455</u>	<u>639</u>	<u>-</u>	<u>40,094</u>
Net book value:				
At 31 January 2018	<u>5,307</u>	<u>397</u>	<u>1,228</u>	<u>6,932</u>
At 31 January 2017	<u>8,424</u>	<u>1,036</u>	<u>1,322</u>	<u>10,782</u>

Notes to the financial statements

at 31 January 2018

13. Fixed asset investments (continued)

<i>Name</i>	<i>Class of shares</i>	<i>Holding</i>	<i>Nature of business</i>
Wrose Health Centre Limited	ordinary	57%	Pharmaceutical Retailer
Station Avenue Pharmacy Limited	ordinary	74%	Pharmaceutical Retailer
Floortarget Limited	ordinary	60%	Pharmaceutical Retailer
Springburn Dispensary Limited	ordinary	50%	Pharmaceutical Retailer
Caversham HC Limited	ordinary	55%	Pharmaceutical Retailer
BBR (Skelmersdale) Limited	ordinary	100%	Dormant company
GF O'Brien Holdings Limited	ordinary	100%	Dormant company
GF O'Brien Limited	ordinary	100%	Dormant company
JA Hainstock Limited	ordinary	100%	Dormant company
Mistry Pharmacy Limited	ordinary	100%	Dormant company
Nijkar & Tozer Limited	ordinary	100%	Dormant company
Jenner's Pharmacy Limited	ordinary	100%	Dormant company
Billchem Limited	ordinary	100%	Dormant company
Eldene Pharmacy Limited	ordinary	100%	Dormant company
Park Lane Pharmacy	ordinary	100%	Dormant company
Rodbourne Pharmacy	ordinary	100%	Dormant company
Swindon Pharmacy Limited	ordinary	100%	Dormant company
Toothill Pharmacy Limited	ordinary	100%	Dormant company
Martin Oldfield Limited	ordinary	100%	Dormant company
Moorside Health Limited	ordinary	100%	Dormant company
Lower Street Healthcare Limited	ordinary	100%	Dormant company
Phoenix Company Goring Limited	ordinary	100%	Dormant company
Castle Pharmacy Limited	ordinary	100%	Dormant company
Quicksecure Limited	ordinary	100%	Dormant company
<i>Investments in associates</i>			
Octopharm Limited	ordinary	32.50%	Pharmaceutical Retailer
Keighley Health Centre Limited	ordinary	33.30%	Pharmaceutical Retailer
Colne(HCC) Limited	ordinary	37.50%	Pharmaceutical Retailer

Notes to the financial statements

at 31 January 2018

14. Stocks

	2018	2017
	£000	£000
Finished goods and goods for resale	<u>35,841</u>	<u>37,296</u>

In the opinion of the directors, there is no material difference between the balance sheet value of stock and their replacement cost.

15. Debts subject to financing arrangements

In the year ended 31 January 2004, the Company along with Phoenix Healthcare Distribution Limited, entered into an agreement to sell trade debtors to an independent company (Scripts Limited). This agreement has been subject to various renegotiations and renewals since that date. The agreement has been renegotiated and renewed in November 2017 and extended until October 2019, with the option to further extend the scheme in the future.

Under the terms of the agreement with Scripts Limited the Company is not obliged to support any losses, other than to the limit of default reserves already deducted prior to receipt of the non-returnable proceeds under the agreement nor does it intend to do so. The funds received in respect of the sale and costs charged thereon are secured on the related trade debtors. Under this arrangement the Company has not transferred substantially all the risks and rewards associated with the debtor and as such recognises the gross trade debtor and corresponding liability due to Scripts Limited.

The interest payable in respect of this agreement has been borne by the intermediate parent company, Phoenix Medical Supplies Limited

16. Trade and other debtors

	2018	2017
	£000	£000
Trade debtors	73,679	71,450
Other debtors	16,839	18,413
Amounts due from group undertakings	672	501
Prepayments and accrued income	<u>10,842</u>	<u>10,914</u>
	<u>102,032</u>	<u>101,278</u>

Included within trade debtors is £25,904,468 (2017: £27,752,000) which has been transferred to Scripts Limited under an asset backed securitisation scheme as described in note 2.

Notes to the financial statements

at 31 January 2018

17. Creditors: amounts falling due within one year

The amounts owed to group undertakings are repayable on demand. The balance consists of £304,064,000 (2017: £295,297,000) due to the intermediate parent company, £20,000,000 due to the immediate parent company (2017: £20,000,000), £30,203,000 (2017: £30,943,000) due to trading balances with other group companies and the remainder of £546,000 (2017: £3,147,000) is due to subsidiary companies.

Trade creditors are non-interest bearing and are normally settled on 7 to 60 day terms.

Other creditors are non-interest bearing and have an average term of 1 month.

Financial liabilities represent amounts due to Scripts Limited under an asset backed securitisation scheme as described in note 2. These liabilities are secured on the receivables transferred to Scripts Limited as disclosed in note 16.

18. Net current liabilities

Under section 123 of the Insolvency Act 1986, a creditor of the Company could petition for it to be wound up on the grounds that it has net current liabilities of £275,899,000 (2017: £268,566,000). However, in the opinion of the directors, no adjustments are required to the financial statements, which have been drawn up on a going concern basis, because the intermediate parent company, Phoenix Medical Supplies Limited, has undertaken to provide such financial support as necessary to enable the Company to meet its liabilities as they fall due.

19. Provisions

	<i>Deferred tax (note 10) £000</i>
At 1 February 2017	36,636
Movement in year	<u>(61)</u>
At 31 January 2018	<u>36,575</u>

20. Authorised and issued share capital

	<i>2018 £000</i>	<i>2017 £000</i>
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

Notes to the financial statements

at 31 January 2018

21. Financial commitments

Future minimum commitments under non-cancellable operating leases are as follows

	2018 £000	2017 £000
Not later than one year	9,974	9,536
After one year but not more than five years	32,555	31,991
After five years	44,612	43,338
	<u>87,141</u>	<u>84,865</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

At 31 January 2018, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £4,934,000 (2017: £432,000).

22. Reserves

	<i>Retained earnings £000</i>
At 31 January 2017	74,033
Loss for the year	(10,664)
At 31 January 2018	<u>63,369</u>

Notes to the financial statements

at 31 January 2018

23. Pension and other post-employment benefits

Defined contribution scheme

The principal scheme is a defined contribution scheme. The assets of the scheme are held separately from those of the Company, in an independently administered fund. The pension costs amounted to £1,036,000 (2017: £1,041,000).

Defined benefit scheme

The Company has made contributions to a defined benefit scheme – The Phoenix Medical Supplies Limited Pension Scheme. The scheme has a number of participating employers, with the assets and liabilities of the scheme being held separately from those of the employers in separate trustee administered funds. The Company is unable to identify its share of assets and liabilities of the scheme, and therefore it accounts for the scheme as if it were a defined contribution scheme. The assets and liabilities of the scheme are recognised within the financial statements of Phoenix Medical Supplies Limited as the principal employer of the scheme. The value of the Company's contributions to the pension scheme was £160,000 (2017: £158,000).

The latest full actuarial valuation for The Phoenix Medical Supplies Limited Pension Scheme was carried out as at 31 March 2016. This valuation has been updated to 31 January 2018 by an independent actuary, using revised assumptions, which are consistent with the requirements of IAS 19. The major assumptions used for the actuarial value were:

	2018	2017
Rate of increase in salaries	4.60%	4.80%
LPI pension increase (RPI)	3.60%	3.80%
LPI pension increase (CPI)	2.60%	2.80%
Discount rate	2.70%	3.00%
Inflation assumption (RPI)	3.60%	3.80%
Inflation assumption (CPI)	2.60%	2.80%
Life expectancy on retirement at age 65		
-Male – age 65 as at 31 January 2018	22.5 years	22.6 years
-Male – age 45 as at 31 January 2018	24.3 years	24.4 years
-Female – age 65 as at 31 January 2018	24.7 years	25.2 years
-Female – age 45 as at 31 January 2018	26.6 years	27.1 years

Notes to the financial statements

at 31 January 2018

23. Pension and other post-employment benefits (continued)

The discount rate is based on a nominal AA corporate bond spot yield curve at a duration in line with the Scheme liabilities. The assumptions for inflation and for increases in pensions are based on the implied inflation from the Bank of England implied inflation curve at the appropriate duration for the Scheme. Mortality rates are based on S1N[M/F]A03 year of birth tables with 2012 CMI projections and long term rates of mortality improvements of 1.25% pa.

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation as at 31 January 2018 and 2017 is as shown below:

	<i>Increase/(decrease) in defined benefit obligation</i>	
	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>
<i>Discount rate</i>		
Plus 0.5%	(5,186)	(5,550)
Minus 0.5%	6,020	6,470
<i>RPI and CPI inflation</i>		
Plus 0.5%	5,434	3,980
Minus 0.5%	(4,851)	(3,630)
<i>Salary increase</i>		
Plus 0.5%	1,084	2,280
Minus 0.5%	(1,086)	(2,100)
<i>Life expectancy</i>		
Plus 10%	1,004	1,230
Minus 10%	(947)	(1,070)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

Notes to the financial statements

at 31 January 2018

23.Pension and other post-employment benefits (continued)

Scheme assets and liabilities as at 31 January

Scheme assets have been taken at their market value. The assets in the scheme and the expected rates of return as well as the present value of the scheme liabilities at the balance sheet date were:

	2018		2017	
	%	£000	%	£000
Investment funds	6.5	40,694	7.0	36,849
Equities	6.5	-	7.0	-
Bonds	2.7	-	3.0	-
Property	6.3	-	6.8	-
Cash	1.50	120	1.25	86
Total fair value of assets		40,814		36,935
Present value of scheme liabilities		(52,750)		(53,652)
Deficit in the scheme		(11,936)		(16,717)
Related deferred tax asset		2,029		2,842
Net pension deficit		(9,907)		(13,875)

Movements in present value of defined benefit obligation

	2018	2017
	£000	£000
At 1 February 2017	53,652	39,411
Current service cost	655	639
Contributions by members	62	64
Interest cost	1,557	1,483
Benefits paid	(1,058)	(821)
Actuarial losses/(gains)	(2,118)	12,876
At 31 January 2018	52,750	53,652

Notes to the financial statements

at 31 January 2018

23. Pension and other post-employment benefits (continued)

Movements in fair value of plan assets

	2018	2017
	£000	£000
At 1 February 2017	36,935	34,184
Expected return on plan assets	1,165	1,326
Contributions by members	62	64
Contributions by employer	2,206	2,146
Benefits paid	(1,058)	(821)
Actuarial gains/(losses)	1,504	36
At 31 January 2018	40,814	36,935

24. Contingent liabilities

The intermediate parent company, Phoenix Medical Supplies Limited, participates in the centralised treasury arrangements of the ultimate parent company, PHOENIX Pharma SE. These arrangements are set out in the basis of preparation note in the accounts of Phoenix Medical Supplies Limited.

25. Ultimate parent undertaking and controlling party

The immediate parent company is L.Rowland & Company Limited. The ultimate parent company and controlling party is PHOENIX Pharma SE, a company incorporated in Germany. Its principal place of business is Pfingstweidstrasse 10-12, 68199 Mannheim, Germany.

The largest and smallest group of undertakings, for which group financial statements have been drawn up, is that headed by PHOENIX Pharma SE, which prepares consolidated financial statements that are available to the public from the aforementioned address.