Donald Wardle and Son Limited

Directors' report and financial statements

Registered number 02914910

30 June 2018

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Contents

Strategic report

The Directors present their annual strategic report and the unaudited financial statements of Donald Wardle and Son Limited (the 'Company') for the year ended 30 June 2018.

Principal activities
The principal activities of the Company during the year related to the wholesale distribution and retail of medical and surgical supplies to both internal customers (Well pharmacy branches) and external customers.

Business review
The results of the Company for the year are set out in the income statement on page 5. Revenue for the year was £42,188,000 (year ended 30 June 2017: £43,088,000) with profit before taxation of £576,000 (year ended 30 June 2017: £1,678,000).

Future development and performance of the business
It is expected that the Company will continue to grow organically as the external customer base grows.

Principal risks and uncertainties
The key business risks and uncertainties affecting the Company are considered to relate to government funding policy for community pharmacy, competition from both national and independent retailers, employee retention and product availability.

Key performance indicators
The Company is part of the Well Pharmacy division (the 'Well group') of Bestway (Holdings) Limited. The key performance indicators of the Well group which are monitored by the Directors include financial performance, growth in and engagement of members of the Well group, growing customer loyalty and the corporate reputation of the Well group, which is in addition to monitoring revenue and profitability of the Company.

By order of the Board

J B Nuttall
Director

Date 14th FEBRUARY 2019

Registered Office:
Merchants Warehouse
Castle Street
Manchester
M3 4LZ

Directors' report

The Directors present their report and unaudited financial statements for the year ended 30 June 2018.

Dividend
The Directors do not recommend the payment of a dividend (year ended 30 June 2017: £nil).

Directors
The Directors who held office during the year, including any changes thereof since the year end, were as follows:
D A Hamilton (resigned 25 October 2018)
L G Krige (appointed 12 December 2017)
J B Nuttall
A J Smith (resigned 19 July 2017)

The Directors benefited from third party indemnity provisions in place during the financial year and at the date of this report.

Employees

The main communication with employees is via the intranet site. This includes business specific information provided through Branch Support e-mails. All managers are kept informed about the Well group's performance through annual reports, management bulletins and the electronic weekly news service.

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

Employees are also consulted on a regular basis so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

Financial instruments
The principal financial risk of the Company relates to the generation and availability of sufficient funds to meet business needs. The policy on overall liquidity is to ensure that the Well group has sufficient funds to facilitate all on-going operations.

Corporate governance
The Company is an indirect subsidiary of Bestway Panacea Holdings Limited. The Directors sit on the Well Businesses Board and determine the major operating decisions of this Company.

The Board meets monthly and reviews operating performance against the strategic business plan and detailed management budgets. This strategic business plan incorporates all aspects of strategy and associated risks; all proposals for contract variations are vetted before approval against the plan. The Board reserves its own decision on contractual expenditure above a certain amount and associated funding. The Board comprises of five Directors from the business and a Non-Executive Director.

The Board, after seeking appropriate external advice, decides upon the accounting policies which are appropriate for the Company and ensures they are consistently applied. The Board has instigated a rigorous process of internal control, under the discipline of contractual agreements, in order to safeguard the outcomes for the Company in terms of operational performance, financial control, legal and regulatory compliance provisions for risk factors and longer term relationships.

Political contributions
The Company has made no political donations during the year (year ended 30 June 2017: £nil).

Going concern
The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons. The Company made post-tax profits of £654,000 in the current year (year ended 30 June 2017: £1,794,000) and the Company had net assets of £20,574,000 as at 30 June 2018 (year ended 30 June 2017: £19,920,000). Based on this the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

By order of the Board

J B Nuttall
Director

Date 14th FEBRUARY 2019

Registered Office:
Merchants Warehouse
Castle Street
Manchester
M3 4LZ

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101')
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Income statement
for the year ended 30 June 2018

	Notes	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Revenue		**42,188**	43,088
Cost of sales		**(35,940)**	(37,750)
Gross profit		**6,248**	5,338
Administrative expenses		**(5,672)**	(3,660)
Profit before taxation	2	**576**	1,678
Taxation	5	**78**	116
Profit for the year		**654**	1,794

All amounts relate to continuing activities.

Statement of comprehensive income
for the year ended 30 June 2018

The Company has no recognised income or expenses in the current or prior period other than those included in the income statement shown above.

The notes on pages 8 to 13 form part of these Financial Statements.

Balance Sheet
at 30 June 2018

	Notes	As at 30 June 2018 £'000	As at 30 June 2018 £'000	As at 30 June 2017 £'000	As at 30 June 2017 £'000
Non-current assets					
Property, plant and equipment	6	3,082		3,184	
Deferred tax assets	11	-		18	
Total non-current assets			3,082		3,202
Current assets					
Inventories	7	1,934		1,877	
Trade and other receivables	8	18,758		18,829	
Cash and cash equivalents		5,110		3,739	
Total current assets		25,802		24,445	
Current liabilities					
Trade and other payables	9	(7,236)		(6,755)	
Provisions	10	(1,063)		(972)	
Net current assets			17,503		16,718
Total assets less current liabilities			20,585		19,920
Non-current liabilities					
Deferred tax liabilities	11	(11)		-	
Total non-current liabilities			(11)		-
Net Assets			20,574		19,920
Equity					
Called up share capital	12		50		50
Retained earnings			20,524		19,870
Total equity			20,574		19,920

For the year ending 30 June 2018 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved by the Board of Directors on 14th FEBRUARY 2019 and were signed on its behalf by:

Krige

L G Krige
Director

The notes on pages 8 to 13 form part of these Financial Statements.

Statement of changes in equity
for the year ended 30 June 2018

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2017	50	19,870	**19,920**
Profit for the year	-	654	**654**
Balance at 30 June 2018	**50**	**20,524**	**20,574**
Balance at 1 July 2016	50	18,076	18,126
Profit for the period	-	1,794	1,794
Balance at 30 June 2017	50	19,870	19,920

All items are shown net of tax.

The notes on pages 8 to 13 form part of these Financial Statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Reporting entity

Donald Wardle and Son Limited (the Company) is a Company domiciled in England and Wales. The address of the Company's registered office is Well, Merchants Warehouse, Castle Street, Manchester, M3 4LZ.

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Bestway (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Bestway (Holdings) Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
• a Cash Flow Statement and related notes;
• Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
• Disclosures in respect of transactions with wholly owned subsidiaries;
• Disclosures in respect of capital management;
• The effects of new but not yet effective IFRSs;
• Disclosures in respect of the compensation of Key Management Personnel; and
• Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Bestway (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
• Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
• Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company [in the current and prior periods including the comparative period reconciliation for goodwill;
• Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7; and
• IFRS 7 disclosures regarding financial instruments.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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

Accounting date

The Company's accounting reference year ends on 30 June.

Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons. The Company made post-tax profits in the current year and the Company had net assets as at 30 June 2018. Based on this the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes *(continued)*

1 Accounting policies (continued)

Property, plant, equipment and depreciation

(i) Owned assets

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2.5% per annum
Plant and machinery	-	10% - 33% per annum
Fixtures and fittings	-	10% - 33% per annum

The residual value, if not insignificant, is reassessed annually.

Where parts of an item of property, plant and equipment have *different useful lives, they are accounted for as separate items of property, plant and equipment.*

No depreciation is provided on freehold land.

(ii) Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

Impairment

The carrying amount of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are *recognised in the income statement.*

The recoverable amount of the Company's assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of these assets, an impairment loss is reversed if there has been a change in the estimates based on an event subsequent to the initial impairment used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Pensions and other post-retirement benefits

The Company makes contributions towards the personal (defined contribution) pension scheme. Pension costs charged against profits represent the amounts payable to the schemes in respect of the year.

Inventories

Inventories and work in progress are stated at the lower of cost, including attributable overheads, and net realisable value.

Notes *(continued)*

1 Accounting policies (continued)

Taxation

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred taxation

Deferred tax is provided, with no discounting, using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In the case of investment properties it is assumed that uplifts on valuation principally reflect future rentals.

Revenue

Revenue includes cash sales and goods sold on credit, exclusive of Value Added Tax. NHS sales, included in revenue are estimated for May and June by reference to the number of items dispensed, the expected cost of drugs, together with the remuneration element published by the National Health Service.

Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2 Profit before taxation

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit before taxation is stated after charging :		
Depreciation	**171**	78
Operating lease rental charges	**-**	109

3 Staff costs

The staff were employed by Bestway Panacea Holdings Limited and associated costs incurred and recharged amounted to £3,403,244 (year ended 30 June 2017: £2,957,000).

Directors' remuneration in respect of services provided to the Company were £nil (year ended 30 June 2017: £nil).

4 Pension Scheme

The Company is an indirect subsidiary of Bestway Panacea Holdings Limited which operates a defined contribution scheme. Full details of the scheme for the year ended 30 June 2018 are disclosed in the Bestway Panacea Holdings Limited financial statements for that year.

The amount recognised as an expense in respect of the contribution for this company was £12,448 (year ended 30 June 2017: £26,601). There was £910 outstanding at the year end. This is included in the staff costs as disclosed in note 3.

Notes *(continued)*

5 Taxation

Analysis of credit in year	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Current tax:				
UK corporation tax at 19% (2017: 19.75%)	117		224	
Adjustments in respect of prior periods	(224)		(333)	
Total current tax credit		(107)		(109)
Deferred tax (see note 11)				
Adjustments in respect of prior periods	15		(7)	
Effect of tax rate change on opening balance	-		1	
Origination of timing differences	14		(1)	
Total deferred tax charge/(credit)		29		(7)
Tax credit on profit		(78)		(116)

Reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. A reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. Accordingly, the Company's profits for this accounting year are subject to tax at a rate of 19% (2017 : 19.75%). The deferred tax liability at 30 June 2018 has been calculated based on these rates.

The current tax charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained below.

	2018 £'000	2017 £'000
Current tax reconciliation		
Profit before tax	576	1,678
UK corporation tax at 19% (2017: 19.75%)	109	331
Effects of:		
Expenses not deductible for tax purposes	24	13
Group relief (claimed)/surrendered for nil consideration	-	(121)
Adjustments to tax charge in respect of previous periods	(209)	(340)
Effect of tax rate change on deferred tax balances	(2)	1
Total income tax credit (see above)	(78)	(116)

6 Property, plant and equipment

	Freehold land and Buildings £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 30 June 2017	2,984	275	3,259
Additions	41	28	69
At 30 June 2018	**3,025**	**303**	**3,328**
Depreciation			
At 30 June 2017	41	34	75
Charge for the year	89	82	171
At 30 June 2018	**130**	**116**	**246**
Net book value			
At 30 June 2018	**2,895**	**187**	**3,082**
At 30 June 2017	2,943	241	3,184

Notes *(continued)*

7 Inventories

	As at 30 June 2018 £'000	As at 30 June 2017 £'000
Finished goods and consumables	**1,934**	1,877
	1,934	1,877

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

8 Trade and other receivables

	As at 30 June 2018 £'000	As at 30 June 2017 £'000
Current assets:		
Trade receivables	**5,379**	5,816
Amounts owed by group undertakings	**13,155**	12,901
Prepayments and accrued income	**8**	3
Other receivables including taxation and social security	**216**	109
	18,758	18,829

All of the above financial assets are classified as loans and receivables. Trade receivables are stated net of a bad debt provision of £8,464 (year ended 30 June 2017: £20,164).

Amounts owed by group undertakings are repayable on demand.

9 Trade and other payables

	As at 30 June 2018 £'000	As at 30 June 2017 £'000
Current liabilities:		
Trade payables	**6,784**	6,368
Accruals and deferred income	**452**	387
	7,236	6,755

10 Provisions

	Discount Provision £'000	2018 Total £'000	2017 Total £'000
At the beginning of the year	**972**	**972**	1,404
Additional provisions made in the year	**91**	**91**	48
Amounts used during the year	**-**	**-**	(480)
At the end of the year	**1,063**	**1,063**	**972**
Current		**1,063**	972
		1,063	972

The £1,063,000 provision (prior year ended 30 June 2017 £972,000) relates to the discount provision. The year ended 30 June 2018 saw an increase in the discount provision of £91,000 (prior year increase £48,000).

Notes *(continued)*

11 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 17% (2017: 17%).

Deferred taxation (liability)/asset	
At 30 June 2017	**18**
Income statement charge in the year	**(29)**
At 30 June 2018	**(11)**
Comprising:	
Accelerated tax depreciation	**(12)**
Short term timing differences	**1**
At 30 June 2018	**(11)**

The deferred tax liability at 30 June 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

12 Called up share capital

	As at 30 June 2018 £'000	As at 30 June 2017 £'000
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	**50**	50

13 Commitments and contingent liabilities

(i) There are no capital commitments at the end of the current year and preceding financial period.

(ii) The future minimum lease payments under non-cancellable operating leases are as follows:

	For year ended 30 June 2018 Other £'000	For year ended 30 June 2017 Other £'000
Operating leases which expire:		
Within one year	-	5
In the second to fifth years inclusive	-	7
	-	12

14 Group Entities

Control of the group

On 30 June 2018 the ultimate parent undertaking of this company is Bestway (Holdings) Limited.

The parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Bestway (Holdings) Limited. Copies of the group financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

15 Related parties
Identity of related parties

The Group has a related party relationship with its subsidiaries, associates, with its Directors and key management.

Transactions with other Trading Group subsidiaries
The Company had a non interest bearing receivable balance of £13,155,000 with Bestway National Chemists Limited at year end (year ended 30 June 2017: £12,901,000 receivable).