CLEMENTINE ASSOCIATES LIMITED

Consolidated Financial Statements

For the year ended 30 April 2017

Company Registration Number: 04400324

CLEMENTINE ASSOCIATES LIMITED

COMPANY INFORMATION

Directors	Mrs J E Fernando	(Appointed 16 October 2017
	Mrs N A Cerda	(Appointed 16 October 2017)
Company number	04400324	
Registered office	Globe House Eclipse Park Sittingbourne Road Maidstone Kent ME14 3EN	
Auditors	Wilkins Kennedy LLP Globe House Eclipse Park Sittingbourne Road Maidstone Kent ME14 3EN	
Bankers	HSBC Bank Plc 26 Chamber Street Nottingham NG1 3GA	

CONTENTS

Contents	Pages

CLEMENTINE ASSOCIATES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2017

The directors present their strategic report for Clementine Associates Limited for the year ended 30 April 2017.

Review and analysis of the business during the current year

The principal activities of the group throughout the year under review were that of the operator of retail pharmacies and a post office and the distribution of pharmaceutical products.

Development and performance of the group
There have not been any significant changes in the group's principal activities in the year under review.

As reported in the group's profit and loss account on page 7 the group's turnover has decreased this year by 21.4% from £33,302,938 to £26,185,206. The decrease reflects the impact of current economic trading conditions.

The trading performance of A & S Shillam Limited, which operates the retail pharmacies, continues to be strong, with a pre-tax profit for the year of £850,444 before goodwill amortisation and an exceptional charge of £117,202 relating to a provision against the loan due from Ginova UK Limited, which is reversed on consolidation. Ginova UK Limited suffered a pre-tax loss of £463,377 (see note 3).

Key performance indicators

Management use a range of performance measures to monitor and manage the business. The KPIs used to determine the progress and performance of the group are set out below:

Turnover growth

The retail pharmacy business showed an increase in turnover reflecting the impact of a full year of trading for a pharmacy acquired during the previous year which has been offset by a decrease in NHS remuneration due to funding cuts. The distribution business showed a decrease of 42%, which reflects the current economic conditions.

Gross profit margin

The group's overall gross profit margin increased in the year under review from 15.7% to 18.1%, reflecting reduction of turnover in the distribution businesses.

Financial reporting at the reporting date

The balance sheet shows that the group's net liabilities at the year end have increased from £185,238 to £626,270 reflecting the post tax losses for the year.

Principal risks and uncertainties facing the group

As for many businesses of our size, the business environment in which the group operates continues to be challenging.

The principal risks and uncertainties facing the group are as follows:

- Competitor pressure – the markets in which the group operates are considered to be competitive, and therefore competitor pressure could result in losing sales to key competitors or suffering reductions in margins. The retail division manages this risk by providing an expanding range of healthcare services to its customers and ensuring a high level of service. The distribution division by ensuring its productivity levels are improved and its prices remain competitive.

Principal risks and uncertainties facing the group (continued)

- Loss of an NHS contract by the retail division – the loss of one or more contracts would impact on turnover. The group manages this risk by implementing procedures to ensure compliance with regulations applicable to its business.

- Regulatory environment – the regulatory environment in relation to the dispensing and distribution of pharmaceutical medicines is constantly developing. The group has procedures and policies in place to ensure compliance with regulations and also to ensure that it keeps up to date with changes that might impact on its operations.

- Reliance on key suppliers – the group's purchasing activities could expose it to over-reliance on certain suppliers. The group manages this risk by ensuring there is a strong relationship with its main supplier, while ensuring that there are potential alternative suppliers that may be used if necessary.

- Foreign exchange risk – the pharmaceutical market and the margins that can be achieved are affected by the Sterling to Euro exchange rate. Management have considered the associated risks, but have determined that hedging these would not be cost effective.

- Loss of key personnel – this could present significant operational difficulties for the group. Management seek to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.

With these risks and uncertainties in mind the group is aware that any plans for the future development of the business may be subject to future events outside of its control.

On behalf of the board

....

Mrs J Fernando
Director

Date: 08/02/2018

CLEMENTINE ASSOCIATES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2017

The directors present their annual report together with the financial statements of the group for the year ended 30 April 2017.

Results and dividends
The results for the year shown in the profit and loss account on page 7. Further commentary is provided in the strategic report on pages 1 and 2.

The retail pharmacy subsidiary has distributable reserves despite the significant charges made for goodwill amortisation. In view of this a dividend of £187,000 was paid by A & S Shillam Limited on 29 November 2017 in respect of the financial year ended 30 April 2017, which has enabled the company itself to pay a dividend of £187,000 to its shareholder.

Financial instruments etc.
The group's principal financial instruments comprise bank balances, bank loans, trade and other creditors. The main purpose of these instruments is to raise funds for and to finance the group's operations.

Due to the nature of the financial instruments used by the group there is no exposure to price risks. The group's approach to managing other risks applicable to the financial instruments concerned is noted below.

In respect of bank balances the liquidity risk is managed by transferring funds between the accounts of the group to obtain the maximum benefit from those funds.

For bank loans, trade and other creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due and that borrowings are flexible and available in the medium term.

Future developments
The group is well poised to develop its main core business and continues to address the effect of competitive pressures experienced during 2016/17.

As far as the business of Ginova UK Limited is concerned, management continue to review ways in which the business can be developed and additional margin achieved. Management recognises that Ginova UK Limited will be affected by the Falsified Medicines Directive changes, which is requiring the implementation of new safety features, which is already having cost implications.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:-

Mr J A Linch-Batten	(Resigned 16 October 2017)
Mrs J E Fernando	(Appointed 16 October 2017)
Mrs N A Cerda	(Appointed 16 October 2017)

Auditor
The auditor, Wilkins Kennedy LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

....

Ms J E Fernando
Director

Date: 08/02/2018

Directors' responsibilities

The directors are responsible for preparing the 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group'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.

CLEMENTINE ASSOCIATES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLEMENTINE ASSOCIATES LIMITED

We have audited the financial statements of Clementine Associates Limited for the year ended 30 April 2017, which are set out on pages 7 to 27. 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 UK and the Republic of Ireland.

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.

Respective responsibilities of the director and auditor

As explained more fully in the director's responsibilities statement set out on page 4, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the director's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2017 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In the light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we required for our audit.

Wilkins Kennedy LLP

Daniel Graves FCA (Senior Statutory Auditor)
For and on behalf of Wilkins Kennedy LLP

09/02/2018

Chartered Accountants
Statutory Auditor

Globe House, Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

CLEMENTINE ASSOCIATES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 APRIL 2017

	Notes		2017		2016
			£		£
Turnover	3		26,185,206		33,302,938
Cost of sales			(21,448,272)		(28,060,787)
Gross profit			4,736,934		5,242,151
Administrative expenses		(4,965,219)		(5,198,261)	
Other operating income		123,098		48,247	
			(4,842,121)		(5,150,014)
Operating (loss)/profit	4		(105,187)		92,137
Other interest receivable and similar income			2		96
Interest payable and similar charges	7		(80,399)		(107,182)
Loss on ordinary activities before taxation			(185,584)		(14,949)
Taxation	8		(123,448)		506,929
(Loss)/profit on ordinary activities after taxation and total comprehensive income for the year			(309,032)		491,980

CLEMENTINE ASSOCIATES LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 30 APRIL 2017

	Notes		2017 £		2016 £
Fixed assets					
Intangible fixed assets	9		4,177,970		4,750,621
Tangible fixed assets	10		1,167,336		1,287,815
			5,345,306		6,038,436
Current assets					
Stock	12	2,042,474		2,234,659	
Debtors					
- due within one year	13	2,383,940		3,950,800	
- due after one year	13	261,504		303,375	
Cash at bank and in hand		206,766		385,484	
		4,894,684		6,874,318	
Creditors: amounts falling due within one year	14	(10,866,260)		(10,154,586)	
Net current liabilities			(5,971,576)		(3,280,268)
Total assets less current liabilities			(626,270)		2,758,168
Creditors: amounts falling due after more than one year	15		-		(2,943,406)
Provision for liabilities and charges	17		-		-
Net liabilities			(626,270)		(185,238)
Capital and reserves					
Called up share capital	18		1		1
Profit and loss reserves			(626,271)		(185,239)
Total shareholders' funds			(626,270)		(185,238)

The financial statements were approved and signed by the directors and authorised for issue on 08/02/2018...

Mrs J Fernando
Director

Company number: 04400324

CLEMENTINE ASSOCIATES LIMITED

COMPANY BALANCE SHEET

AS AT 30 APRIL 2017

	Notes	2017 £	2016 £
Fixed assets			
Investments	11	1,970,620	1,970,620
Creditors: amounts falling due within one year	14	(1,953,475)	(1,953,475)
Net assets		17,145	17,145
Capital and reserves			
Called up share capital	18	1	1
Profit and loss account		17,144	17,144
Total shareholders' funds		17,145	17,145

The financial statements were approved and signed by the directors and authorised for issue on 08/02/2018.

....

Mrs J E Fernando

Director

Company number: 04400324

CLEMENTINE ASSOCIATES LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2017

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 May 2015	1	(677,219)	(677,218)
Year ended 30 April 2016:			
Profit and total comprehensive income for the year	-	491,980	491,980
Balance at 30 April 2016	1	(185,239)	(185,238)
Year ended 30 April 2017:			
Loss and total comprehensive income for the year	-	(309,032)	(309,032)
Dividends	-	(132,000)	(132,000)
Balance at 30 April 2017	1	(626,271)	(626,270)

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2017

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 May 2015	1	17,144	17,145
Year ended 30 April 2016:			
Total comprehensive income for the year	-	-	-
Balance at 30 April 2016	1	17,144	17,145
Year ended 30 April 2017:			
Total comprehensive income for the year	-	132,000	132,000
Dividends	-	(132,000)	(132,000)
Balance at 30 April 2017	1	17,144	17,145

CLEMENTINE ASSOCIATES LIMITED

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2017

	Notes		2017 £		2016 £
Cash flows from operating activities					
Cash generated from operations	19		1,954,209		727,379
Interest paid			(80,399)		(107,182)
Income taxes paid			(117,538)		(81,766)
Net cash inflow from operating activities			1,756,272		538,431
Investing activities					
Purchase of intangible fixed assets		-		(1,294,202)	
Purchase of tangible fixed assets		(38,447)		(337,536)	
Acquisition of subsidiary	20	-		(2,251,471)	
Net cash acquired with subsidiary		-		190,236	
Interest received		2		50	
Net cash (used) in investing activities			(38,445)		(3,692,923)
Equity dividends paid		(132,000)		-	
Financing activities					
New secured bank loans		-		2,547,200	
Repayment of bank borrowings		(688,997)		(798,613)	
Increase/(decrease) in other creditors falling due within one year		(942,900)		1,642,196	
Net cash generated (used in)/from financing activities			(1,763,897)		3,390,783
Net (decrease)/increase in cash and cash equivalents in the period			(46,070)		236,291

Reconciliation of cash flow to movement in cash and cash equivalents	2017 £	2016 £
(Decrease)/increase in cash in the period	(46,070)	236,291
Cash and cash equivalents at 1 May	252,836	16,545
Cash and cash equivalents at 30 April	206,766	252,836

Analysis of changes in cash and cash equivalents

	At 1.5.16	Cash flow	At 30.4.17
Cash at bank and in hand	385,484	(178,718)	206,766
Bank overdrafts	(132,648)	132,648	-
	252,836	(46,070)	206,766

1 Accounting policies

Company information

Clementine Associates Limited is a company limited by shares incorporated in England and Wales. The registered office is Globe House, Eclipse Park, Sittingbourne Road, Maidstone, Kent, ME14 3EN. The company operates from Parkwood Industrial Estate, Sutton Road, Maidstone, Kent ME15 9NN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Consolidated accounts

The consolidated financial statements incorporate the accounts of the company and all its subsidiaries for the year to 30 April 2017. All intra-group transactions and balances have been eliminated on consolidation.

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 May 2014.

In accordance with Section 408 of the Companies Act 2006, the company has taken advantage of the exemption from providing its own profit and loss account. The company's profit after tax for the year ended 30 April 2017 amounted to £132,000 (2016: £Nil).

1.3 Going concern

At 30 April 2017 the company's subsidiary A & S Shillam Limited was in breach of two of its bank covenants in respect of debt service cover, and its bankers did not issue a waiver letter in that respect, in the year under review.

Notwithstanding the absence of such waiver letter the bank has expressed its intention to continue to support that company. To this end the financial covenants have been replaced with an EBITDA to interest covenant giving a good level of available headroom.

Taking the above into consideration Financial Reporting Standards have required reclassificiation of all bank debt to "short-term" in the financial statements.

Having carefully reviewed the plans and considered the risks at the time of approving the financial statements, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies (Continued)

1.4 Turnover

Turnover of the retail pharmacy business represents National Health Service income from prescriptions and ancillary services, which is recognised once medicines etc. have been supplied and payment authorised, and the income of the retail pharmacies in respect of over the counter sales, excluding value added tax.

Turnover of the distribution business represents net invoiced sales of goods and services, excluding value added tax.

1.5 Intangible fixed assets – goodwill

Goodwill in the group balance sheet represents the difference between the amount paid on the acquisition of retail pharmacy businesses and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses.

The director has assessed the life of the goodwill and concluded in the current year that the useful economic life of the goodwill is 10 years.

1.6 Depreciation of tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life. The principal rates in use are:

Freehold buildings	2% on cost
Improvements to short-term leasehold property	Over the period of the lease
Motor vehicles	25% on cost
Plant, machinery, fixtures and equipment	15% on cost/20% on written down value
Computer equipment	25% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use.

1 Accounting policies (Continued)

1.8 Impairment of fixed assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stock

Stock is valued by professional stocktakers at the lower of cost and net realisable value.

At each reporting date an assessment is made for impairment. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit and loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 *Cash and cash equivalents*

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group applies the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments, which are classified as basic.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs. They are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies (Continued)

1.11 Financial instruments (Continued)

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events occurring after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit and 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.

De-recognition of financial assets
Financial assets are de-recognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained, but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans and loans to 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. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

De-recognition of financial liabilities
Financial liabilities are de-recognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1 Accounting policies (Continued)

1.13 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company or group have a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

1.15 Retirement benefits
The group 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 group's assets.

1.16 Foreign currencies
Assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

1.17 Lease transactions
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Assessing indicators of impairment
In assessing whether there have been any indictors of impairment of assets the director has considered both external and internal sources of information such as market conditions, counterparty credit rating and experience of recoverability. There have been no material indicators of impairments identified during the current financial year except for in relation to the loan from A&S Shillam Limited to Ginova UK Limited. The impairment is, however, eliminated on consolidation.

Goodwill
All intangible fixed assets are considered to have a finite useful life and if an entity is unable to make a reliable estimate of the useful life of its intangible assets, the life shall not exceed 10 years. In view of the presumption of a finite life the group's goodwill amortisation policy has been charged so that goodwill is written off on a straight line basis over 10 years.

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Estimating value in use
Where an indication of impairment exists the director will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the director to estimate the future cash flows expected to arise from the assets or cash generating unit and a suitable discount rate in order to calculate present value.

Determining residual values and useful economic lives of tangible fixed assets
The group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore required estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for tangible fixed assets. When determining the residual value management aim to assess the amount that the group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

3 Turnover

The turnover and profit/(loss) before taxation of the group are analysed as follow:

	2017		2016	
	Turnover	Profit/(loss) before tax	Turnover	Profit before tax
	£	£	£	£
Retail	16,379,690	277,793	16,370,843	287,893
Distribution	9,805,516	(463,377)	16,932,095	(302,842)
Holding company	-	-	-	-
	26,185,206	(185,584)	33,320,938	(14,949)

4 Operating (loss)/profit

This is stated after charging the following:-

	2017	2016
	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	18,360	18,420
Depreciation of owned tangible fixed assets	158,926	154,177
Amortisation of intangible assets	572,651	743,216
Cost of stocks recognised as an expense	21,448,272	28,060,787
Operating lease charges	289,379	291,040

5 Employee information

	2017	2016
	£	£
Staff costs:		
Wages and salaries	2,787,404	2,794,355
Social security costs	167,959	157,892
Pension costs	12,539	8,958
	2,967,902	2,961,205

The pension cost of £12,539 (2016: £8,958) charged to the profit and loss account relates to contributions to defined contribution pension schemes operated for all qualifying employees. The assets of the schemes are held separately from those of the group in independently administered funds.

The average number of persons employed (including part-timers) during the year, including the directors, was made up as follows:

	2017	2016
	Number	Number
Pharmacists and shop staff	155	151
Production and distribution	24	37
Sales and administration	8	13
	187	201

6 Directors' emoluments

	2017	2016
	£	£
Emoluments	3,500	5,780

7 Interest payable and similar charges

	2017	2016
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	78,570	105,876
Other interest on financial liabilities	1,829	1,295
	80,399	107,171
Other financial costs:		
Other interest	-	11
	80,399	107,182

8 Taxation on (loss)/profit on ordinary activities

	2017	2016
	£	£
United Kingdom corporation tax at 19.92% (2016: 20%)	86,627	131,552
Adjustments in respect of prior periods	(5,050)	(8,908)
	81,577	122,644
Deferred taxation (note 17)	41,871	(629,573)
	123,448	(506,929)

The actual charge/(credit) for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2017	2016
	£	£
Loss before taxation	(185,584)	(14,949)
Expected tax charge based on the standard rate of corporation tax in the UK of 19.92% (2016: 20%)	(36,968)	(2,990)
Effects of:-		
Expenses not deductible for tax purposes	3,675	1,575
Fixed asset differences	142,222	(531,721)
Change to deferred tax average rate	11,979	35,115
Adjustments in respect of prior periods	2,540	(8,908)
	123,448	(506,929)

9 Intangible fixed assets - group

	Goodwill £
Cost:	
At 1 May 2016	12,682,774
Amortisation and impairment	
At 1 May 2016	7,932,153
Amortisation charge for the year	572,651
At 30 April 2017	8,504,804
Carrying amount	
At 30 April 2017	4,177,970
At 30 April 2016	4,750,621

10 Tangible fixed assets - group

	Freehold property £	Short-term leasehold property £	Plant, machinery, fixtures and equipment £	Motor vehicles £	Total £
Cost:					
At 1 May 2016	298,753	1,287,742	617,801	9,654	2,213,950
Additions	-	37,632	815	-	38,447
At 30 April 2017	298,753	1,325,374	618,616	9,654	2,252,397
Depreciation:					
At 1 May 2016	14,034	480,024	422,423	9,654	926,135
Provision for the year	3,983	112,348	42,595	-	158,926
At 30 April 2017	18,017	592,372	465,018	9,654	1,085,061
Net book value:					
At 30 April 2017	280,736	733,002	153,598	-	1,167,336
At 30 April 2016	284,719	807,718	195,378	-	1,287,815

11 Investments - company

	2017	2016
	£	£
Investments in subsidiaries at cost		
At 1 May 2016 and 30 April 2017	1,970,620	1,970,620

The company's investments, at the balance sheet date, in the share capital of companies include the following:-

i) *A & S Shillam Limited*

The company owns the entire share capital of A & S Shillam Limited, a company incorporated in England. A & S Shillam Limited operates retail pharmacies and a post office and its principal place of business is in the United Kingdom.

ii) *Ginova UK Limited*

The company owns the entire share capital of Ginova UK Limited, a company incorporated in England. Ginova UK Limited operates as the distributor of pharmaceutical products and its principal place of business is in the United Kingdom.

iii) *Dormant subsidiaries*

At the year end the subsidiary company, A & S Shillam Limited, had three wholly-owned dormant subsidiaries:

- Longprofit Limited;
- P B Pharmacy Limited; and
- Sprint 1159 Limited.

These companies are incorporated in England.

12 Stock

	2017 Group £	2016 Group £
Goods for resale	2,042,474	2,234,659

13 Debtors

	2017 Group £	2017 Company £	2016 Group £	2016 Company £
Amounts falling due within one year:				
Trade debtors	1,424,111	-	2,564,056	-
Other debtors	749,968	-	1,204,057	-
Taxation recoverable	-	-	8,954	-
Prepaid expenses and accrued income	209,861	-	173,733	-
	2,383,940	-	3,950,800	-
Amounts falling due within one year:				
Deferred tax asset (note 17)	261,504	-	303,375	-
Total debtors	2,645,444	-	4,254,175	-

14 Creditors: amounts falling due within one year

	2017 Group £	2017 Company £	2016 Group £	2016 Company £
Bank loans and overdraft (note 15)	2,940,901	-	819,140	-
Trade creditors	4,890,703	-	6,220,310	-
Amounts due to group undertakings	-	1,952,757	-	1,952,757
Other creditors	2,828,516	-	2,865,581	-
Corporation tax	86,629	-	131,543	-
Other taxation and social security	90,895	718	85,115	718
Accruals and deferred income	28,616	-	32,897	-
	10,866,260	1,953,475	10,154,586	1,953,475

The bank loans and overdraft facility of A & S Shillam Limited are secured by fixed and floating charges over all that company's assets and by an unlimited cross guarantee between Clementine Associates Limited and A & S Shillam Limited.

15 Creditors: amounts falling due after more than one year

	2017 Group £	2017 Company £	2016 Group £	2016 Company £
Bank loans	-	-	2,943,406	-

Analysis of debt maturity:

	2017 Group £	2017 Company £	2016 Group £	2016 Company £
Bank loans and overdrafts:				
Within one year or on demand	589,646	-	819,140	-
Between two and five years	2,242,070	-	2,319,773	-
After five years	109,185	-	623,633	-
	2,940,901	-	3,762,546	-
Less: amounts included in current liabilities (note 14)	2,940,901	-	819,140	-
	-	-	2,943,406	-

There were four bank loans outstanding at the balance sheet date. Two of these are repayable within 5 years and the remaining loans are repayable within 7 years. The loans bear interest at rates between 1.5% and 2.5% per annum above base rate.

At 30 April 2017, the bank loans falling due after one year have been reclassified as creditors falling due within one year. The reclassification is due to a breach of financial covenants with HSBC Bank Plc.

16 Financial instruments

	2017 Group £	2017 Company £	2016 Group £	2016 Company £
Carrying amount of financial assets				
Debt instruments measured at undiscounted amount payable	2,062,673	-	3,768,113	-
Equity instruments measured at cost less impairment	-	1,970,620	-	1,970,620
Carrying amount of financial liabilities				
Measured at amortised cost	10,660,121	1,952,757	12,848,437	1,952,757

17 Provision for liabilities and charges

Deferred tax assets and liabilities are offset where there is a legally enforceable right to do so. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2017 Group £	2016 Group £
Deferred tax asset		
Fixed asset timing differences	261,504	303,375
Deferred tax asset/(liability) at start of year	303,375	(326,198)
Deferred tax (credit)/charge in profit and loss account for the year (note 8)	(41,871)	629,573
Deferred tax asset at end of year	261,504	303,375

The credit to profit and loss for the year ended 30 April 2017 in respect of deferred tax includes provision at 17% on the tax written down value of goodwill eligible for tax relief at 4% per annum in accordance with Part 8 of the Corporation Taxes Act 2009.

18 Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid equity shares:		
Ordinary shares of £1 each	1	1

19 Notes to the cash flow statement

	2017 £	2016 £
(Loss)/profit for the year	(309,032)	491,980
Adjustments for:		
Income tax (credit)/expense recognised in profit or loss	123,448	(506,929)
Finance costs recognised in profit or loss	80,399	107,182
Investment income recognised in profit or loss	(2)	(96)
Depreciation and impairment of tangible fixed assets	158,926	154,177
Amortisation of intangible fixed assets	572,651	743,216
Movement in working capital:		
Decrease/(increase) in stocks	192,185	1,006,876
Decrease/(increase) in debtors	1,557,906	2,277,536
(Decrease)/increase in creditors	(422,272)	(3,546,563)
Cash generated from operations	1,954,209	727,379

20 Contingent liabilities

The parent company is party to an inter-company composite guarantee over all its assets, together with its subsidiary, A & S Shillam Limited, in respect of certain bank loans and overdrafts of the group. At 30 April 2017 the amount of indebtedness of the group subject to this guarantee, net of in hand bank balances, was £2,885,760 (2016: £3,774,051).

21 Leasing commitments

Lessee
At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fall due as follows:

	2017 £	2016 £
Within one year	292,550	289,550
Between two and five years	1,003,658	1,058,950
In over five years	1,858,958	2,085,217
	3,155,166	3,433,7170

22 Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows:

	2017 £	2016 £
Aggregate compensation	3,500	5,780

23 Post balance sheet event

The retail pharmacy subsidiary has substantial distributable reserves despite the significant charges made for goodwill amortisation. In view of this a dividend of £187,000 was paid by A & S Shillam Limited on 29 November 2017 in respect of the financial year ended 30 April 2017, which has enabled the company itself to pay a dividend of £187,000 to its shareholder.

In addition, subsequent to the balance sheet date, A & S Shillam Limited updated its financial covenants in respect of its bank loans as more fully disclosed in accounting policy 1.3.

24 Ultimate controlling party and related party transactions

The company is controlled by the trustees of the Clementine Settlement, which is the sole shareholder of Clementine Associates Limited.

The balances due to group undertakings are disclosed in note 14.