

"Red Band" Chemical Company, Limited

Registered number: SC016876

Annual Report

For the year ended 31 December 2017



"RED BAND" CHEMICAL COMPANY, LIMITED

COMPANY INFORMATION

Directors	A C Cumming, MSc C N C Cumming, B Tech (Hons), MBA (Chairman) A Roberts, BSc, MBA P C Galt, BPharm, MRPharmS, MBA
Company secretary	D D Valentine BSc
Registered number	SC016876
Registered office	19 Smith's Place Leith Walk Edinburgh EH6 8NU
Trading address	19 Smith's Place Leith Walk Edinburgh EH6 8NU
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor Apex 2 97 Haymarket Terrace Edinburgh EH12 5HD
Bankers	HSBC 76 Hanover Street Edinburgh EH2 1EL Santander UK plc Bridle Road Bootle Merseyside L30 4GB
Solicitors	Murray Beith & Murray WS 3 Glenfinlas Street Edinburgh EH3 6AQ

"RED BAND" CHEMICAL COMPANY, LIMITED

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"RED BAND" CHEMICAL COMPANY, LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors present their Strategic Report for "Red Band" Chemical Company, Limited for the year ended 31 December 2017.

Principal activities and business review

The company's principal activity continued to be running retail pharmacies under the trading name Lindsay & Gilmour.

The results are set out in the Statement of Income and Retained Earnings on page 7.

Trading conditions remain difficult with demands being placed on pharmacies to deliver an increased range of services and to manage growing volumes of prescriptions with limited resources. There is however, now greater stability in the market compared to the upheavals of the past few years. In line with the company's overall strategy, it has continued to make investment in premises improvement, automation and information technology. The company has been working hard to drive both improvements and efficiency savings and this has been reflected in this year's results.

The company expects current trading levels to continue over the next year and will continue with a programme of ongoing improvements and efficiency savings. Stock control will be implemented across the business to reduce overall stock holding and improve service levels.

Increased revenues from opportunities presented by the NHS Pharmacy Contract and a range of private services will be pursued. A structured programme of training and development for all staff will facilitate this and ensure continued levels of excellent customer service.

The company uses a range of Key Performance Indicators to measure performance including gross profit, net profit and staff costs. These are closely monitored and reviewed throughout the year with action taken to ensure budgets are achieved.

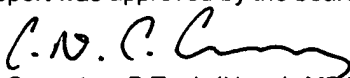
Financial risk management objectives and policies

The company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes, through bank borrowings. The management's objectives are to:

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due;
- minimise the company's exposure to fluctuating interest rate when seeking borrowings; and
- match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

The company does not use hedge accounting. As a result the company's exposure to price risk, credit risk, liquidity risk and cash flow risk is minimised wherever possible.

This report was approved by the board on 9 May 2018 and signed on its behalf.


C N C Cumming, B Tech (Hons), MBA (Chairman)
Director

"RED BAND" CHEMICAL COMPANY, LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £1,984,216 (2016 - £1,086,783).

Particulars of dividends paid are detailed in note 13 to the financial statements.

Directors

The directors who served during the year were:

A C Cumming, MSc
C N C Cumming, B Tech (Hons), MBA (Chairman)
A Roberts, BSc, MBA
P C Galt, BPharm, MRPharmS, MBA

"RED BAND" CHEMICAL COMPANY, LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Employees

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee Involvement

The company acknowledges the importance of employees in delivering the company's business plan and ensures employees are provided with relevant information and involved in matters that are of concern to them. To further assist this process, the company has established an employee forum to encourage employees to provide ideas and feedback to management on all aspects of its operations.

The company treats all employees with dignity and respect and provides an environment for learning and working that is free from unlawful discrimination, harassment, bullying and victimisation. During the year, the policy of providing employees with information about the company has been continued.

Matters covered in the Strategic Report

The directors have included the principal activities and business review and the financial risk management objectives and policies within the Strategic Report on page 1.

Disclosure of information to auditor

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

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

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 May 2018 and signed on its behalf.



C N C Cumming, B Tech (Hons), MBA (Chairman)
Director

"RED BAND" CHEMICAL COMPANY, LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF "RED BAND" CHEMICAL COMPANY, LIMITED

Opinion

We have audited the financial statements of "Red Band" Chemical Company, Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit 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. 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 the audit 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.

"RED BAND" CHEMICAL COMPANY, LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF "RED BAND" CHEMICAL COMPANY, LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 the 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

"RED BAND" CHEMICAL COMPANY, LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF "RED BAND" CHEMICAL COMPANY, LIMITED

Responsibilities of Directors

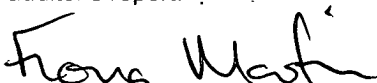
As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable 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 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Fiona Martin (Senior statutory auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

10 May 2018

"RED BAND" CHEMICAL COMPANY, LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Turnover	4	32,304,749	28,101,332
Cost of sales		(20,985,386)	(18,443,879)
Gross profit		11,319,363	9,657,453
Administrative expenses		(8,863,754)	(8,276,213)
Exceptional administrative expenses	14	-	65,000
Other operating income	5	94,221	76,110
Operating profit	6	2,549,830	1,522,350
Income from participating interests		41,500	60,700
Income from fixed assets investments	10	-	2,786,714
Amounts written off investments		-	(2,786,714)
Interest payable and expenses	11	(130,433)	(126,538)
Profit before tax		2,460,897	1,456,512
Tax on profit	12	(476,681)	(369,729)
Profit after tax		1,984,216	1,086,783
Retained earnings at the beginning of the year		8,816,481	7,729,698
Profit for the year		1,984,216	1,086,783
Dividends declared and paid		(378,862)	-
Retained earnings at the end of the year		10,421,835	8,816,481

The notes on pages 9 to 26 form part of these financial statements.

"RED BAND" CHEMICAL COMPANY, LIMITED
REGISTERED NUMBER: SC016876

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	15	13,774,195	14,582,905
Tangible assets	16	1,253,339	843,782
Investments	17	51,217	66,217
		<u>15,078,751</u>	<u>15,492,904</u>
Current assets			
Stocks	18	2,503,138	2,158,869
Debtors: amounts falling due within one year	19	3,846,442	3,924,167
Cash and cash equivalents	20	2,052,070	1,446,495
		<u>8,401,650</u>	<u>7,529,531</u>
Creditors: amounts falling due within one year	21	<u>(4,420,289)</u>	<u>(4,906,385)</u>
Net current assets		<u>3,981,361</u>	<u>2,623,146</u>
Total assets less current liabilities		<u>19,060,112</u>	<u>18,116,050</u>
Creditors: amounts falling due after more than one year	22	(7,892,003)	(8,516,365)
Provisions for liabilities			
Deferred tax	24	<u>(744,179)</u>	<u>(781,109)</u>
		<u>(744,179)</u>	<u>(781,109)</u>
Net assets		<u><u>10,423,930</u></u>	<u><u>8,818,576</u></u>
Capital and reserves			
Called up share capital	25	1,250	1,250
Other reserves	26	845	845
Profit and loss account	26	10,421,835	8,816,481
		<u>10,423,930</u>	<u>8,818,576</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 May 2018.



C N C Cumming, B Tech (Hons), MBA (Chairman)
 Director

The notes on pages 9 to 26 form part of these financial statements.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

"Red Band" Chemical Company, Limited is a private company limited by shares, registered in Scotland. Its registered office and principal place of business is 19 Smith's Place, Leith Walk, Edinburgh, EH6 8NU.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The company itself is a subsidiary entity and is exempt from the requirement to prepare group financial statements by the virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company's functional and presentational currency is GBP.

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

The following principal accounting policies have been applied:

2.2 Reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Raimex, Clark & Company, Limited as at 31 December 2017 and these financial statements may be obtained from 19 Smith's Place, Leith Walk, Edinburgh, EH6 8NU.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.3 Revenue

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 as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Intangible assets

Licences

Licences represent pharmacy licences and are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following bases:

Licences	-	5 % straight line
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The directors believe the useful life of 20 years is appropriate as this is the period over which the benefit of the licences is expected to be realised.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2.6 Depreciation

Depreciation is provided on the following basis:

Plant and machinery	-	33% straight line
Fixtures, fittings and equipment	-	15% reducing balance / 10% straight line
Motor vehicles	-	25% - 33% reducing balance / 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses' in the Statement of Income and Retained Earnings.

2.7 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Valuation of investments

Investments in subsidiaries and associates are measured at cost less accumulated impairment.

2.9 Stocks

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

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

2.10 Debtors

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

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.12 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

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

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

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

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

2.16 Borrowing costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.18 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.19 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

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

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgments, 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, 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.

In the opinion of the directors, there are no key sources of estimation uncertainty involved in the preparation of the financial statements.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

5. Other operating income

	2017 £	2016 £
Miscellaneous income	94,221	76,110

6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	267,756	277,302
Amortisation of intangible assets	776,085	627,203
Defined contribution pension cost	220,669	199,002
Operating lease costs	67,670	53,420
Cost of stocks recognised as an expense	20,990,017	18,443,879

7. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	9,150	9,000
Other services relating to taxation	1,375	1,350
All other services	1,325	1,300
	2,700	2,650

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Employees

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

	2017 £	2016 £
Wages and salaries	4,918,539	4,739,552
Social security costs	352,486	336,715
Cost of defined contribution scheme	220,669	199,002
	<u>5,491,694</u>	<u>5,275,269</u>

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

	2017 No.	2016 No.
Number of pharmacy staff	266	241
Number of administration staff	9	11
	<u>275</u>	<u>252</u>

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	-	350,409
Company contributions to defined contribution pension schemes	-	20,000
	<u>-</u>	<u>370,409</u>

During the year, no retirement benefits were accruing to directors (2016 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £NIL (2016 - £150,450).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2016 - £20,000).

The directors are paid through Rames, Clark & Company, Limited from 1 January 2017.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. Income from investments

	2017 £	2016 £
Dividends received from subsidiary undertaking	-	2,786,714

11. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	130,433	123,205
Interest on loans from related undertaking (note 29)	-	3,333
	<u>130,433</u>	<u>126,538</u>

12. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	534,698	401,458
Adjustments in respect of previous periods	(21,087)	3
	<u>513,611</u>	<u>401,461</u>
Deferred tax		
Origination and reversal of timing differences	(36,930)	(31,732)
Taxation on profit on ordinary activities	<u>476,681</u>	<u>369,729</u>

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	2,460,897	1,456,512
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	473,723	291,302
Effects of:		
Expenses not deductible for tax purposes	2,344	7,198
Fixed asset timing differences	29,173	94,888
Adjustments to tax charge in respect of prior periods	(21,087)	3
Other timing differences leading to an increase in the taxation	-	7,574
Non taxable income	(7,987)	(12,140)
Adjustments in tax rates	515	(19,096)
Total tax charge for the year	476,681	369,729

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

13. Dividends

	2017 £	2016 £
Dividends on Ordinary shares	378,862	-

14. Exceptional items

	2017 £	2016 £
Provision for legal settlement released	-	65,000

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. Intangible assets

	Licences £
Cost	
At 1 January 2017	16,162,254
At 31 December 2017	<u>16,162,254</u>
Amortisation	
At 1 January 2017	1,579,349
Charge for the year	808,710
At 31 December 2017	<u>2,388,059</u>
Net book value	
At 31 December 2017	<u>13,774,195</u>
At 31 December 2016	<u>14,582,905</u>

The useful life of the licences acquired is 20 years.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2017	68,460	293,113	2,697,942	3,059,515
Additions	-	172,220	531,928	704,148
Disposals	-	(73,228)	-	(73,228)
At 31 December 2017	68,460	392,105	3,229,870	3,690,435
Depreciation				
At 1 January 2017	1,901	177,525	2,036,307	2,215,733
Charge for the year	22,818	53,390	191,548	267,756
Disposals	-	(46,393)	-	(46,393)
At 31 December 2017	24,719	184,522	2,227,855	2,437,096
Net book value				
At 31 December 2017	43,741	207,583	1,002,015	1,253,339
At 31 December 2016	66,559	115,588	661,635	843,782

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Fixed asset investments

	Investments in subsidiary under- takings £	Investments in associated under- takings £	Total £
Cost			
At 1 January 2017	5,781,454	45,675	5,827,129
Disposals	(1,615,786)	-	(1,615,786)
At 31 December 2017	<u>4,165,668</u>	<u>45,675</u>	<u>4,211,343</u>
Impairment			
At 1 January 2017	5,760,912	-	5,760,912
Impairment on disposals	(1,600,786)	-	(1,600,786)
At 31 December 2017	<u>4,160,126</u>	<u>-</u>	<u>4,160,126</u>
Net book value			
At 31 December 2017	<u>5,542</u>	<u>45,675</u>	<u>51,217</u>
At 31 December 2016	<u>20,542</u>	<u>45,675</u>	<u>66,217</u>

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company at the year end:

Name	Class of shares	Holding	Principal activity
Bonnybridge Pharmacy Company Limited	Ordinary	100 %	Dormant
Macan Limited	Ordinary	100 %	Dormant

The above companies are registered in Scotland.

During the year, I.M. Campbell (Chemist) Limited and MacBride Pharmacy Limited were dissolved and as such, the company's investments have been written off.

Associated undertakings

The following were associated undertakings of the company at the year end:

Name	Country of registration	Class of shares	Holding	Principal activity
Auto Carfields Limited	Scotland	Ordinary	100%	Dispensing chemist
H.H.C.C. (Pharmacy) Limited	Scotland	Ordinary	100%	Dispensing of pharmaceutical goods

18. Stocks

	2017 £	2016 £
Goods for resale	2,503,138	2,158,869

19. Debtors

	2017 £	2016 £
Trade debtors	2,761,756	2,924,078
Amounts owed by group undertakings (note 29)	758,010	613,357
Other debtors	323,337	340,831
Prepayments and accrued income	3,339	45,901
	<u>3,846,442</u>	<u>3,924,167</u>

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	2,052,070	1,446,495

21. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank loans (note 23)	674,293	705,587
Trade creditors	2,531,675	2,479,668
Amounts owed to group undertakings (note 29)	5,542	20,542
Corporation tax	342,936	430,654
Other taxation and social security	102,172	97,988
Other creditors	21,949	109,621
Accruals and deferred income	741,722	1,062,325
	<u>4,420,289</u>	<u>4,906,385</u>

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

	2017 £	2016 £
Bank loans (note 23)	7,892,003	8,516,365

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

23. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loans	674,293	705,587
Amounts falling due 1-2 years		
Bank loans	682,772	723,306
Amounts falling due 2-5 years		
Bank loans	2,660,772	2,754,418
Amounts falling due after more than 5 years		
Bank loans	4,548,459	5,038,641
	<u>8,566,296</u>	<u>9,221,952</u>

The bank loan with a balance of £3,101,635 (2016 - £3,337,485) is repayable in monthly instalments over 15 years with a rate of interest based on a margin over base rate.

The bank loan with a balance of £2,795,699 (2016 - £3,000,000) is repayable in monthly instalments over 13 years with a rate of interest based on a margin over based rate.

The bank loan with a balance of £2,668,962 (2016 - £2,884,467) is repayable in monthly instalments over 12 years with a rate of interest based on a margin over base rate.

Secured loans

The bank borrowings are secured by a floating charge over the assets and undertakings of "Red Band" Chemical Company, Limited, along with a composite company unlimited multilateral guarantee given by Raimés, Clark & Company Limited, "Red Band" Chemical Company, Limited, Bonnybridge Pharmacy Company Limited, Pharmacy Finance Limited, Macan Limited and Raimés Clark Trust Limited.

24. Deferred taxation

	2017 £
At beginning of year	(781,109)
Movement in the year	36,930
At end of year	<u>(744,179)</u>

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

24. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(345,505)	(349,773)
Tax losses carried forward	3,701	3,664
On fair value adjustment of licences acquired	(402,375)	(435,000)
	<u>(744,179)</u>	<u>(781,109)</u>

The net reversal of deferred tax liabilities to occur during the year to 31 December 2018 is expected to be insignificant.

25. Share capital

	2017 £	2016 £
Authorised, allotted, called up and fully paid		
1,250 Ordinary shares of £1 each	<u>1,250</u>	<u>1,250</u>

The share capital has full voting and capital distribution rights.

26. Reserves

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Profit & loss account

This reserve includes all current and prior period retained profits and losses.

27. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £220,609 (2016 - £199,002). There were £21,771 (2016 - £21,548) of contributions payable to the fund at the balance sheet date, which are included in other creditors.

"RED BAND" CHEMICAL COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

28. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	63,670	67,670
Later than 1 year and not later than 5 years	251,480	252,280
Later than 5 years	562,411	625,281
	<u>877,561</u>	<u>945,231</u>

29. Related party transactions

During the year, Auto Carfields Limited made purchases from the company in the normal course of business amounting to £365,309 (2016 - £350,766) which were at normal commercial rates and no preferential terms were given. The company made interest payments to Auto Carfields Limited of £nil (2016 - £3,333) on an unsecured loan of £200,000, which was granted in 2008 and repaid in 2016. Mrs M E Cumming (shareholder in the ultimate parent undertaking) owns 55% of the share capital of Auto Carfields Limited.

As a wholly owned sub-subsidiary of Raimés, Clark & Company, Limited, the company has taken advantage of the exemption provided by FRS 102 s33.1A whereby disclosures need not be given of 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.

30. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is Pharmacy Finance Limited, a company registered in Scotland. The ultimate parent undertaking of the company is Raimés, Clark and Company, Limited, a company also registered in Scotland. The smallest and largest group of undertakings for which group financial statements have been drawn up is that headed by Raimés, Clark and Company, Limited.

In the opinion of the directors, the company has no ultimate controlling party.