

# "Red Band" Chemical Company, Limited

Registered number: SC016876

## Directors' report and financial statements

For the year ended 31 December 2016



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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## COMPANY INFORMATION

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

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# **"RED BAND" CHEMICAL COMPANY, LIMITED**

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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### Introduction

The directors present their Strategic Report for "Red Band" Chemical Company, Limited for the year ended 31 December 2016.

### 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 6.

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. During the year the company acquired three pharmacies and in line with its overall strategy 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

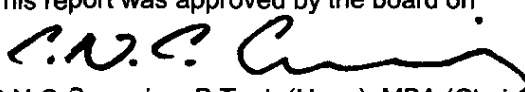
The company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes, through bank borrowings. The management's objectives are to:

- 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 9/5/17

and signed on its behalf.

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

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their report and the financial statements for the year ended 31 December 2016.

### **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 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 £1,086,783 (2015 - £561,962).

The directors have not recommended a dividend in the current or prior year.

### **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

E Robertson, BSC (Hons) PgDIP MRPharmS (resigned 30 November 2016)

Y E Williams, BSC (Hons) MRPharms(SP) MBA (resigned 30 November 2016)

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 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 9/5/17 and signed on its behalf.

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

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# **"RED BAND" CHEMICAL COMPANY, LIMITED**

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

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We have audited the financial statements of "Red Band" Chemical Company, Limited for the year ended 31 December 2016 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

### **Respective responsibilities of directors and auditor**

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.

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. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

### **Opinion on the 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 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.

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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

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### 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

*Fiona Martin*

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

Date: *9/5/17*



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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2016

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	Note	2016 £	2015 £
Turnover	4	28,101,332	24,247,867
Cost of sales		(18,443,879)	(16,436,663)
<b>Gross profit</b>		<u>9,657,453</u>	<u>7,811,204</u>
Administrative expenses		(8,276,213)	(6,995,244)
Exceptional administrative income/(expenses)	13	65,000	(169,327)
Other operating income	5	76,110	135,969
<b>Operating profit</b>	6	<u>1,522,350</u>	<u>782,602</u>
Income from associated undertakings		60,700	13,500
Income from fixed assets investments	10	2,786,714	2,869,105
Amounts written off investments	17	(2,786,714)	(2,869,105)
Interest payable and expenses	11	(126,538)	(116,803)
<b>Profit before tax</b>		<u>1,456,512</u>	<u>679,299</u>
Tax on profit	12	(369,729)	(117,337)
<b>Profit after tax</b>		<u><u>1,086,783</u></u>	<u><u>561,962</u></u>
Retained earnings at the beginning of the year		7,729,698	7,167,736
Profit for the year		1,086,783	561,962
<b>Retained earnings at the end of the year</b>		<u><u>8,816,481</u></u>	<u><u>7,729,698</u></u>

The notes on pages 8 to 26 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

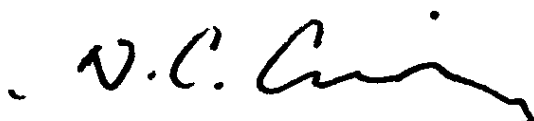
	Note	2016 £	2015 £
Intangible assets	14	14,582,905	9,603,604
Tangible assets	16	843,782	868,069
Investments	17	66,217	66,215
		<u>15,492,904</u>	<u>10,537,888</u>
<b>Current assets</b>			
Stocks	18	2,158,869	2,186,170
Debtors: amounts falling due within one year	19	3,924,167	3,585,991
Cash at bank and in hand	20	1,446,495	1,910,567
		<u>7,529,531</u>	<u>7,682,728</u>
Creditors: amounts falling due within one year	21	<u>(4,906,385)</u>	<u>(3,768,484)</u>
<b>Net current assets</b>		<u>2,623,146</u>	<u>3,914,244</u>
<b>Total assets less current liabilities</b>		<u>18,116,050</u>	<u>14,452,132</u>
Creditors: amounts falling due after more than one year	22	<u>(8,516,365)</u>	<u>(6,342,498)</u>
		<u>9,599,685</u>	<u>8,109,634</u>
<b>Provisions for liabilities</b>			
Deferred taxation	24	(781,109)	(377,841)
<b>Net assets</b>		<u><u>8,818,576</u></u>	<u><u>7,731,793</u></u>
<b>Capital and reserves</b>			
Called up share capital	25	1,250	1,250
Other reserves	26	845	845
Profit and loss account	26	8,816,481	7,729,698
		<u>8,818,576</u>	<u>7,731,793</u>

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

9/5/17

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

The notes on pages 8 to 26 form part of these financial statements.



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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1. General information

"Red Band" Chemical Company, Limited is a 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 Raimés, Clark & Company, Limited as at 31 December 2016 and these financial statements may be obtained from 19 Smith's Place, Leith Walk, Edinburgh, EH6 8NU.

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 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.

#### 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.

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. Accounting policies (continued)

#### 2.5 Tangible fixed assets (continued)

#### 2.6 Depreciation

Depreciation is provided on the following basis:

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

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.

#### 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.

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. Accounting policies (continued)

#### 2.12 Financial instruments

The company only enters into basic financial instruments 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 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**2. Accounting policies (continued)**

**2.14 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.

**2.15 Borrowing costs**

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

**2.16 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.

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. Accounting policies (continued)

#### 2.17 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.

#### 2.18 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.



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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 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

	2016 £	2015 £
Miscellaneous income	76,110	135,969

### 6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	277,302	236,816
Amortisation of intangible assets	627,203	388,774
Defined contribution pension cost	199,002	194,812
Operating lease costs	53,420	72,205
Cost of stocks recognised as an expense	18,443,879	16,436,663

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 7. Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor for the audit of the company's financial statements	9,000	8,800
<b>Fees payable to the company's auditor in respect of:</b>		
Other services relating to taxation	1,350	1,300
All other services	1,300	3,008
	<u>2,650</u>	<u>4,308</u>

### 8. Employees

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

	2016 £	2015 £
Wages and salaries	4,739,552	3,961,909
Social security costs	336,715	282,302
Staff pension costs	199,002	194,812
	<u>5,275,269</u>	<u>4,439,023</u>

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

	2016 No.	2015 No.
Number of pharmacy staff	241	211
Number of administration staff	11	9
	<u>252</u>	<u>220</u>

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 9. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	350,409	326,538
Company contributions to defined contribution pension schemes	20,000	10,000
	<u>370,409</u>	<u>336,538</u>

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £150,450 (2015 - £126,293).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,000 (2015 - £10,000).

### 10. Income from investments

	2016 £	2015 £
Dividends received from subsidiary undertaking	<u>2,786,714</u>	<u>2,869,105</u>

### 11. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	123,205	111,803
Interest on loans from related undertaking (note 29)	3,333	5,000
	<u>126,538</u>	<u>116,803</u>

# "RED BAND" CHEMICAL COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 12. Taxation

	2016 £	2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	401,458	171,393
Adjustments in respect of previous periods	3	-
	<u>401,461</u>	<u>171,393</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(31,732)	(54,056)
	<u>369,729</u>	<u>117,337</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>1,456,512</u>	<u>679,299</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	291,302	137,558
<b>Effects of:</b>		
Expenses not deductible for tax purposes	7,198	3,403
Fixed asset timing differences	94,888	20,942
Adjustments to tax charge in respect of prior periods	3	-
Other timing differences leading to an increase in taxation	7,574	-
Non-taxable income	(12,140)	(2,733)
Adjustments in tax rates	(19,096)	(41,833)
<b>Total tax charge for the year</b>	<u><u>369,729</u></u>	<u><u>117,337</u></u>

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 13. Exceptional items

	2016 £	2015 £
Provision for legal settlement (released)/accrued	(65,000)	140,000
VAT retail scheme adjustment	-	29,327
	<u>(65,000)</u>	<u>169,327</u>

### 14. Intangible assets

	Licences £
<b>Cost</b>	
At 1 January 2016	10,555,749
Additions	5,606,505
At 31 December 2016	<u>16,162,254</u>
<b>Amortisation</b>	
At 1 January 2016	952,146
Charge for the year	627,203
At 31 December 2016	<u>1,579,349</u>
<b>Net book value</b>	
At 31 December 2016	<u>14,582,905</u>
At 31 December 2015	<u>9,603,603</u>

£4,666,005 of the additions in the year occurred as a result of the purchase and subsequent hive-up of the assets, liabilities and trade of Macan Limited, a subsidiary undertaking of the company (note 15).

In December 2016, the company purchased the assets and trade of another retail chemist and pharmacy business, for £940,500.

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 2016

### 15. Business combinations

#### Acquisition of Macan Limited

On 4 July 2016, the company acquired the entire issued share capital of Macan Limited. Immediately subsequent to the acquisition, the assets, liabilities and trading activity of Macan Limited were hived up, by way of an intra-group transfer, to "Red Band" Chemical Company, Limited. Details of the acquisition are set out below:

	Book value £	Fair value adjustment £	Fair value £
Tangible assets	140,015	-	140,015
Intangible assets	1,664,700	3,001,305	4,666,005
	<u>1,804,715</u>	<u>3,001,305</u>	<u>4,806,020</u>
Stocks	79,810	-	79,810
Debtors	276,179	-	276,179
Cash at bank and in hand	311,418	-	311,418
<b>Total assets</b>	<u>2,472,122</u>	<u>3,001,305</u>	<u>5,473,427</u>
Creditors due within one year	(2,223,875)	-	(2,223,875)
Deferred tax on differences between fair value and tax bases	(6,816)	(435,000)	(441,816)
<b>Fair value of net assets</b>	<u>241,431</u>	<u>2,566,305</u>	<u>2,807,736</u>
Purchase consideration settled in cash, as above	2,807,736	-	2,807,736
Cash acquired	311,418	-	311,418

The results of Macan Limited since its acquisition until 31 December 2016 are as follows:

	Current period since acquisition £
Turnover	1,230,538
Profit for the period	<u>76,734</u>

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 16. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 January 2016	-	337,614	2,521,229	2,858,843
Additions	68,460	33,457	176,713	278,630
Disposals	-	(77,958)	-	(77,958)
At 31 December 2016	68,460	293,113	2,697,942	3,059,515
<b>Depreciation</b>				
At 1 January 2016	-	170,704	1,820,070	1,990,774
Charge for the year	1,901	59,164	216,237	277,302
Disposals	-	(52,343)	-	(52,343)
At 31 December 2016	1,901	177,525	2,036,307	2,215,733
<b>Net book value</b>				
At 31 December 2016	66,559	115,588	661,635	843,782
At 31 December 2015	-	166,910	701,159	868,069

# "RED BAND" CHEMICAL COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 17. Fixed asset investments

	Investments in subsidiary under- takings £	Investments in associated under- takings £	Total £
<b>Cost</b>			
At 1 January 2016	2,994,738	45,675	3,040,413
Additions	2,807,736	-	2,807,736
Transfer to goodwill	(21,020)	-	(21,020)
At 31 December 2016	<u>5,781,454</u>	<u>45,675</u>	<u>5,827,129</u>
<b>Impairment</b>			
At 1 January 2016	2,974,198	-	2,974,198
Charge for the year	2,786,714	-	2,786,714
At 31 December 2016	<u>5,760,912</u>	<u>-</u>	<u>5,760,912</u>
<b>Net book value</b>			
At 31 December 2016	<u>20,542</u>	<u>45,675</u>	<u>66,217</u>
At 31 December 2015	<u>20,540</u>	<u>45,675</u>	<u>66,215</u>

On 4 July 2016, the company acquired, by way of an intra-group transfer using the acquisition method, all assets and liabilities of Macan Limited, along with the associated trading activities of this company. Consequently, it is intended that the on-going conduct of the transferred business will be managed and reported in the future as part of "Red Band" Chemical Company, Limited, details are given in note 15. Subsequent to the business transfer, Macan Limited paid a dividend of £2,786,714 to "Red Band" Chemical Company, Limited and an impairment of the investment value of this value was made.



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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 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
MacBride Pharmacy Limited	Ordinary	100 %	Dormant
I.M. Campbell (Chemist) Limited	Ordinary	100 %	Dormant
Macan Limited	Ordinary	100 %	Dormant

#### 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

	2016 £	2015 £
Goods for resale	2,158,869	2,186,170

### 19. Debtors

	2016 £	2015 £
Trade debtors	2,924,078	2,615,131
Amounts owed by group undertakings (note 29)	613,357	429,201
Other debtors	340,831	523,667
Prepayments and accrued income	45,901	17,992
	<u>3,924,167</u>	<u>3,585,991</u>

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 20. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	1,446,495	1,910,567

### 21. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loans (note 23)	705,587	458,097
Trade creditors	2,479,668	2,231,163
Amounts owed to group undertakings (note 29)	20,542	20,540
Amounts owed to associated undertaking (note 29)	-	200,000
Corporation tax	430,654	180,780
Taxation and social security	97,988	89,397
Other creditors	109,621	23,999
Accruals and deferred income	1,062,325	564,508
	<u>4,906,385</u>	<u>3,768,484</u>

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

	2016 £	2015 £
Bank loans (note 23)	8,516,365	6,342,498

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 23. Loans

Analysis of the maturity of bank loans is given below:

	2016 £	2015 £
<b>Amounts falling due within one year</b>		
Bank loans	705,587	458,097
<b>Amounts falling due 1-2 years</b>		
Bank loans	723,306	465,480
<b>Amounts falling due 2-5 years</b>		
Bank loans	2,754,418	1,441,951
<b>Amounts falling due after more than 5 years</b>		
Bank loans	<u>5,038,641</u>	<u>4,435,067</u>

The bank loan with a balance of £3,337,485 (2015 - £6,800,595) 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 £2,884,467 (2015 - £nil) is repayable in monthly instalments over 12 years with a rate of interest based on a margin over base rate.

The bank loan with a balance of £3,000,000 (2015 - £nil) is repayable in monthly instalments over 13 years with a rate of interest based on a margin over based 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 Raimes, Clark & Company Limited, "Red Band" Chemical Company, Limited, Bonnybridge Pharmacy Company Limited, MacBride Pharmacy Limited, Pharmacy Finance Limited, Macan Limited, Raimes Clark Trust Limited and I.M. Campbell (Chemist) Limited.

### 24. Deferred taxation

	2016 £
At beginning of year	(377,841)
Movement in the year	(403,268)
<b>At end of year</b>	<u>(781,109)</u>

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 24. Deferred taxation (continued)

The provision for deferred taxation which is calculated based on a tax rate of 17% (2015 - 18%), is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(349,773)	(382,164)
Tax losses carried forward	3,664	4,323
On revaluation surplus of licences acquired	(435,000)	-
	<u>(781,109)</u>	<u>(377,841)</u>

### 25. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Authorised, allotted, called up and fully paid</b>		
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 £199,002 (2015 - £194,812). There were £21,548 (2015 - £22,879) of contributions payable to the fund at the balance sheet date, which are included in other creditors.

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# "RED BAND" CHEMICAL COMPANY, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 28. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	67,670	44,154
Later than 1 year and not later than 5 years	252,280	159,648
Later than 5 years	625,281	548,632
<b>Total</b>	<u>945,231</u>	<u>752,434</u>

### 29. Related party transactions

During the year, Auto Carfields Limited made purchases from the company in the normal course of business amounting to £350,766 (2015 - £322,517) which were at normal commercial rates and no preferential terms were given. An unsecured loan of £200,000 was also granted in 2008 by Auto Carfields Limited, and at the year end the balance outstanding was £nil (2015 - £200,000). Mrs M E Cumming (shareholder in the ultimate parent undertaking) owns 55% of the share capital of Auto Carfields Limited. During the year, the company made interest payments to Auto Carfields Limited of £3,333 (2015 - £5,000).

As a wholly owned sub-subsiidiary 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 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.