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Registered number: 03238147

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## MEDLINE INDUSTRIES LIMITED

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### ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



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**MEDLINE INDUSTRIES LIMITED**

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**COMPANY INFORMATION**

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Directors	Mr J Abrams Mrs H Lienard Miss C Martin-Hondarza Sobrino
Company secretary	Mr J Abrams
Registered number	03238147
Registered office	No. 5 Booths Park Chelford Road Knutsford Cheshire WA16 8GS
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	Deutsche Bank AG London 1 Great Winchester Street London EC2N 2DB
Solicitors	Dundas & Wilson LLP Northwest Wing Bush House Aldwych London WC2B 4EZ

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**MEDLINE INDUSTRIES LIMITED**

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## MEDLINE INDUSTRIES LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Introduction

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

#### Business review

The company's principal activity during the year continued to be the sale of Medical devices to both public and private sectors, the main product lines are: -

- Proxima;
- Special Procedure Trays;
- Surgeon Gloves;
- Examination Gloves; and
- Products provided for Operating Rooms.

#### Financial key performance indicators

The company's key financial and other performance indicators during the year were as follows: -

	2017	2016
	£	£
Turnover	27,521,719	27,172,319
Gross profit	5,037,392	4,638,902
Operating profit	640,393	559,309
Profit after tax	447,733	355,028
Shareholders' funds	2,777,719	2,329,986

Turnover increased by 1% during the year, the turnover has remained stable over the past 2 years, we are now in a position for growth with new Medline products.

Gross Profit has increased by 9%, this was due to decreased cost of sales during the year as the manufacturing costs across the group have decreased due to a more efficient warehouse and purchasing power.

Operating Profit increased by 14.5% over the year, due to significant savings on internal costs, and savings on cost of sales.

Shareholder's Funds increased by 19% during the year as a result of the profit for the year.

The directors intend that in 2018 margins will be maintained although the turnover will reduce due to the loss of the distribution of Cardinal Gloves.

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**MEDLINE INDUSTRIES LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Principal risks and uncertainties**

The company's operations expose it to a variety of financial risks:

**Commercial risk**

The company faces intense competition on both pricing and market share:

- Due to the centralisation of its purchasing organization fewer supplier contracts are up for negotiation.
- Product competition in all company markets.
- Governments pushing for reduction on spend in healthcare costs.

**Liquidity risk**

The company's objective is to maintain an appropriate level of funding to support current operations. The cash flow is adequate to sustain operations in the short term. In addition the company's ultimate parent is committed to providing funding that may be required by the company to continue operations and take advantage of future growth opportunities.

**Organisational and regulatory risks**

The inventory process within the Medline group has been improved to ensure a good service level, with a reasonable level of inventory; this was even further optimized in 2016. Since we are expected to deliver our products within a very short period of time, product availability is essential.

Quality and regulatory risks related to our products are always there, for this reason the group are investing in more headcount to check the quality of our products at the source.

**Currency risk**

The company has limited exposure to currency risk, sales are invoiced in Sterling and the majority of direct costs are incurred in GBP, whilst we do have some in Euros, as a result the company is not exposed to significant exchange variances between sterling and Euros.

Management continues to monitor the exposure of the company. The risk migrated to a certain extent on that purchases are made from another subsidiary of the Medline group and therefore management have some flexibility of the timing of payments.

**Credit risk**

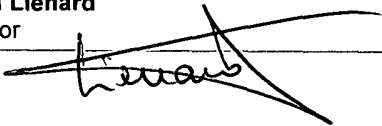
There is a risk of loss to the company arising from financial difficulties experienced by customers and potentially the failure of customers to meet their financial obligations. The company manages this risk through credit control procedures. Management considers this risk is reduced to an acceptable level.

**Price risk**

Medline Industries is not exposed to any significant price risk as the company is covered by the terms and security of the transfer pricing agreement in place with the group.

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

Mrs H Lienard  
Director



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## MEDLINE INDUSTRIES LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 and profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Principal activity

The principal activity of the company is the distribution of medical products.

To provide all of our UK customers, with the complete range of Medline Products offering the best solution for their hospitals. Develop strong relationships with each department within the hospital and convince them why we should be their partner of choice.

#### Results and dividends

The profit for the year, after taxation, amounted to £447,733 (2016: £355,030).

No dividend was recommended at 31 December 2017 (2016: £Nil)

#### Directors

The directors who served during the year were:

Mr J Abrams  
Mrs H Lienard  
Miss C Martin-Hondarza Sobrino

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## MEDLINE INDUSTRIES LIMITED

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

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#### Future developments

It is expected that the 2018 turnover level will be below our 2017 results, due to Cardinal returning to the European Market to distribute their own products rather than using Medline as their distributor. The contract was due to end in 2 years however this has been brought forward as we are now in a position to launch our own Glove range to compete directly with Cardinal Healthcare. Turnover is forecast to initially drop by £7Million, accompanied by a proportionate drop in costs however we hope to reduce this loss within 2-3 years.

We also have a strong growth in the SPT division, which has been declining over the past 10 years, we have won new contracts this year which will create extra revenue for the year of 2018 in the region of £1million.

Our overall cost structure will not change substantially. In all our markets we are currently investing in warehouse capacity, assembly sites and offices.

As all direct costs are invoiced to us in GBP the currency risk does not lie with the company and the group absorb the impact of exchange rate variance.

#### Going concern

The company's business activities, together with the factors likely to affect its future development and principal risks and uncertainties are described in the strategic report.

The directors have reviewed both the historical and current financial and economic environment to assess the ability of the company to continue as a going concern.

The company operates within both the public and private healthcare systems and despite significant pricing pressures we have seen some growth across a number of product segments. Overall due to the nature of the products which we supply we continue to see demand in 2018 and expect to generate positive cash flows and profits during 2018 and 2019.

Our customers tend to be either large private groups or NHS trusts and we have seen negligible credit risk during the last 12 months.

Whilst not required for cash flow purposes, the company has full operational support of its ultimate parent undertaking.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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**MEDLINE INDUSTRIES LIMITED**

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

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Disclosure of information to auditor

The directors confirm 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

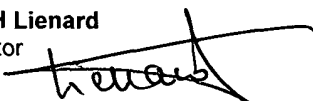
There have been no significant events affecting the company since the year end.

Auditor

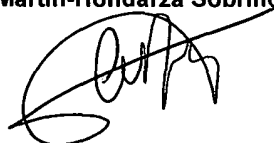
The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

**Mrs H Lienard**  
Director



**Miss C Martin-Hondarza Sobrino**  
Director







## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDLINE INDUSTRIES LIMITED

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### Opinion

We have audited the financial statements of Medline Industries Limited (the 'company') for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the 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 Financial Reporting Standard 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 Auditors' 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.

### Who we are reporting to

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDLINE INDUSTRIES LIMITED  
(CONTINUED)**

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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.

Other information

The directors are responsible for the other information. The other information comprises the information included 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDLINE INDUSTRIES LIMITED  
(CONTINUED)**

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Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDLINE INDUSTRIES LIMITED  
(CONTINUED)

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*Grant Thornton UK LLP*

Joanne Love  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester  
Date: *24 April 2018*

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**MEDLINE INDUSTRIES LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Note	2017 £	2016 £
Turnover	4	27,521,719	27,172,319
Cost of sales		(22,484,327)	(22,533,417)
<b>Gross profit</b>		<b>5,037,392</b>	<b>4,638,902</b>
Distribution costs		(2,286,557)	(2,128,451)
Administrative expenses		(2,110,442)	(1,951,142)
<b>Operating profit</b>	5	<b>640,393</b>	<b>559,309</b>
Interest payable and similar charges	8	(89,825)	(115,934)
<b>Profit before tax</b>		<b>550,568</b>	<b>443,375</b>
Tax on profit	9	(102,835)	(88,347)
<b>Profit and comprehensive income for the financial year</b>		<b>447,733</b>	<b>355,028</b>

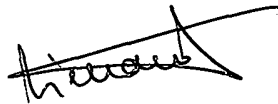
The notes on pages 13 to 24 form part of these financial statements.

**MEDLINE INDUSTRIES LIMITED**  
**REGISTERED NUMBER:03238147**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	10	16,214	111,366
		<u>16,214</u>	<u>111,366</u>
<b>Current assets</b>			
Debtors	11	4,724,129	4,706,121
Cash at bank and in hand	12	2,223,403	1,931,883
		<u>6,947,532</u>	<u>6,638,004</u>
Creditors: amounts falling due within one year	13	(4,186,027)	(4,419,384)
<b>Net current assets</b>		<u>2,761,505</u>	<u>2,218,620</u>
<b>Total assets less current liabilities</b>		<u>2,777,719</u>	<u>2,329,986</u>
<b>Net assets</b>		<u><u>2,777,719</u></u>	<u><u>2,329,986</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	2	2
Profit and loss account	16	2,777,717	2,329,984
		<u><u>2,777,719</u></u>	<u><u>2,329,986</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
**9<sup>th</sup> April 2018**



**Mrs H Lienard**  
Director



**Miss C Martin-Hondarza Sobrino**  
Director

The notes on pages 13 to 24 form part of these financial statements.

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**MEDLINE INDUSTRIES LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2017	2	2,329,984	2,329,986
<b>Comprehensive income for the year</b>			
Profit for the year	-	447,733	447,733
<b>At 31 December 2017</b>	<b>2</b>	<b>2,777,717</b>	<b>2,777,719</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2016	2	1,974,956	1,974,958
<b>Comprehensive income for the year</b>			
Profit for the year	-	355,028	355,028
<b>At 31 December 2016</b>	<b>2</b>	<b>2,329,984</b>	<b>2,329,986</b>

All amounts relate to continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

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## MEDLINE INDUSTRIES LIMITED

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

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#### 1. General information

Medline Industries Limited is a limited liability company incorporated in England and Wales. The registered office is located at No 5 Booths Park, Chelford Road, Knutsford, Cheshire, WA16 8GS.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

##### 2.2 Financial reporting standard 102 - 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 Medline Stellar UK Limited as at 31 December 2017 and these financial statements may be obtained from Companies House.

##### 2.3 Going concern

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the company being able to meet its forecasts of sales revenues and cash flows and also on the basis that the parent company continues to provide financial support.

The parent company has confirmed to the directors that it will continue to provide financial support to the company to enable it to pay its debts as they fall due. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the financial statements.



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## MEDLINE INDUSTRIES LIMITED

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

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#### 2. Accounting policies (continued)

##### 2.4 Revenue

Revenue comprises sales recognised by the company in respect of goods supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recorded upon acceptance of goods by customers, net of allowance for estimated returns.

##### 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The estimated useful lives range as follows:

Leasehold property improvements	-	10 years
Motor vehicles	-	4 years
Office equipment	-	5 years
Computer equipment	-	3-5 years

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.

Profits and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

##### 2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income 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.

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## MEDLINE INDUSTRIES LIMITED

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

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## 2. Accounting policies (continued)

### 2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### 2.8 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.

### 2.9 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 2.10 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 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 comprehensive income.

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.

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## MEDLINE INDUSTRIES LIMITED

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

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## 2. Accounting policies (continued)

### 2.10 Financial instruments (continued)

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

### 2.11 Creditors

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

### 2.12 Foreign currency translation

#### Functional and presentation currency

The company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

### 2.13 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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## MEDLINE INDUSTRIES LIMITED

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

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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 comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

### 2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, 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 reporting 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 Statement of financial position 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 reporting date.

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

Preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the directors believe that the critical accounting policies where judgements or estimates are necessarily applied are summarised below:

- The useful expected lives of property, plant and equipment
- The residual values of tangible fixed assets
- Bad debt provisions

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**MEDLINE INDUSTRIES LIMITED**

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

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**4. Turnover**

All turnover arose from the sale of goods within the United Kingdom.

**5. Operating profit**

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	20,900	42,795
Impairment of tangible fixed assets	(87,896)	-
Exchange differences	1,522	3,075
Other operating lease rentals	160,517	106,196
	<u>160,517</u>	<u>106,196</u>

During the year, no director received any emoluments from the company (2016: £Nil).

**6. Auditor's remuneration**

	2017 £	2016 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	19,865	18,840
	<u>19,865</u>	<u>18,840</u>

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**MEDLINE INDUSTRIES LIMITED**

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

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**7. Employees**

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	2,348,960	2,085,015
Social security costs	272,302	259,398
Cost of defined contribution scheme	33,952	31,348
	<u>2,655,214</u>	<u>2,375,761</u>

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

	2017 No.	2016 No.
Directors	3	3
Administration & finance	17	18
Sales & marketing	27	21
Third party employees	-	1
	<u>47</u>	<u>43</u>

**8. Interest payable and similar charges**

	2017 £	2016 £
Interest on loans from group undertakings	<u>89,825</u>	<u>115,934</u>

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**MEDLINE INDUSTRIES LIMITED**

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

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**9. Taxation**

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	101,455	75,597
Adjustments in respect of previous periods	(43)	43
<b>Total current tax</b>	<u>101,412</u>	<u>75,640</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,613	7,195
Changes to tax rates	(189)	5,551
Adjustments in respect of prior periods	(1)	(39)
<b>Total deferred tax</b>	<u>1,423</u>	<u>12,707</u>
<b>Taxation on profit on ordinary activities</b>	<u>102,835</u>	<u>88,347</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016: lower 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	550,568	443,377
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	105,960	88,675
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,714	1,069
Adjustments to tax charge in respect of prior periods	(44)	4
Tax rate changes	(190)	5,551
Group relief	(6,605)	(6,952)
<b>Total tax charge for the year</b>	<u>102,835</u>	<u>88,347</u>

**MEDLINE INDUSTRIES LIMITED**

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

**10. Tangible fixed assets**

	Leasehold Property Improvements £	Motor vehicles £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2017	168,894	14,138	30,862	84,960	298,854
Additions	11,711	-	-	2,038	13,749
Disposals	-	-	-	(2,677)	(2,677)
At 31 December 2017	180,605	14,138	30,862	84,321	309,926
<b>Depreciation</b>					
At 1 January 2017	65,516	12,666	30,862	78,444	187,488
Charge for the year on owned assets	15,580	1,472	-	3,848	20,900
Disposals	-	-	-	(2,572)	(2,572)
Impairment charge	87,896	-	-	-	87,896
At 31 December 2017	168,992	14,138	30,862	79,720	293,712
<b>Net book value</b>					
At 31 December 2017	11,613	-	-	4,601	16,214
At 31 December 2016	103,378	1,472	-	6,516	111,366



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**MEDLINE INDUSTRIES LIMITED**

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

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**11. Debtors**

	2017 £	2016 £
Trade debtors	4,370,181	4,327,178
Amounts owed by group undertakings	3,244	4,596
Other debtors	2,081	11,867
Prepayments and accrued income	243,453	255,886
Deferred taxation	105,170	106,594
	<u>4,724,129</u>	<u>4,706,121</u>

An impairment loss of £50,089 (2016: £82,405) was recognised against trade debtors.

**12. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	<u>2,223,403</u>	<u>1,931,883</u>

**13. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Trade creditors	99,831	77,225
Amounts owed to group undertakings	913,789	905,969
Amounts owed to parent company	1,925,711	1,836,022
Corporation tax	56,932	75,641
Other taxation and social security	435,158	463,060
Accruals and deferred income	754,606	1,061,467
	<u>4,186,027</u>	<u>4,419,384</u>

Amounts owed to group undertakings of £913,789 (2016: £905,969) relate to trading transaction and are unsecured and interest free. Amounts owed to parent undertakings of £1,925,711 (2016: £1,836,022) are unsecured and interest is payable at variable rates.

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**MEDLINE INDUSTRIES LIMITED**

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

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**14. Deferred taxation**

	2017 £	2016 £
At beginning of year	106,594	119,300
Charged to the profit or loss	(1,424)	(12,706)
<b>At end of year</b>	<b>105,170</b>	<b>106,594</b>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	66,931	66,526
Tax losses carried forward	29,724	29,724
Short term timing differences - trading	8,515	10,344
	<b>105,170</b>	<b>106,594</b>

**15. Share capital**

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
2 Ordinary shares of £1 each	2	2

**16. Reserves**

Profit and loss account

Includes all current and prior period retained profits and losses.

**17. Pension commitments**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administrated fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £33,952 (2016: £31,348). Contributions totalling £Nil (2016: £Nil) were payable to the fund at the balance sheet date.

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**MEDLINE INDUSTRIES LIMITED**

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

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**18. Commitments under operating leases**

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Not later than 1 year	<b>75,623</b>	<b>115,827</b>
Later than 1 year and not later than 5 years	<b>341,353</b>	<b>290,154</b>
Later than 5 years	<b>-</b>	<b>126,822</b>
	<b><u>416,976</u></b>	<b><u>532,803</u></b>

**19. Related party transactions**

During the year, the company has no related party transactions other than trading transactions with other members of the Medline group.

The company has taken advantage of the exemption in paragraph 33.1A of FRS 102 and has not disclosed transactions with wholly-owned group undertakings.

**20. Controlling party**

The immediate parent undertaking is Medline Stellar UK Limited, a company registered in England and Wales. Consolidated financial statements for the group can be obtained from Companies House.

The ultimate parent undertaking and controlling party is Medline Industries Inc, a company registered in the United States of America. The financial statements of the ultimate parent are not publicly available.