

Company registration number 03238147 (England and Wales)

MEDLINE INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

MEDLINE INDUSTRIES LIMITED

COMPANY INFORMATION

Directors	Mr J H G Hein Mr H B Million
Secretary	Mr J H G Hein
Company number	03238147
Registered office	3rd Floor Quayside Wilderspool Business Park Greenalls Avenue Warrington Cheshire WA4 6HL
Auditor	Ernst & Young LLP Chartered Accountants & Statutory Auditors Edward Pavillion Royal Albert Dock Liverpool L3 4AF
Bankers	Deutsche Bank AG London 1 Great Winchester Street London EC2N 2DB JP Morgan Chase Bank 25 Bank Street Canary Wharf London E14 5JP
Solicitors	Dundas & Wilson LLP Northwest Wing Bush House Aldwych London WC2B 4EZ

MEDLINE INDUSTRIES LIMITED

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MEDLINE INDUSTRIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their strategic report and financial statements for the year ended 31 December 2022.

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: -

		2022	2021
		£	£
Turnover	67,909,204	123,255,291	
Gross profit	5,400,085	6,805,581	
Operating profit	1,253,186	2,279,951	
Profit after tax	1,023,163	1,865,683	
Shareholders' funds	7,221,659	6,198,496	

Turnover, Gross Profit and Operating profit have decreased due to a reduction in supply of Covid Products throughout 2022. The decrease in turnover has been partially offset by a decrease in cost of sales, as manufacturing costs across the Group has decreased in line with the supply of Covid products.

Shareholder's Funds increased by 16.5% as a result of the profit for the year.

The directors expect that in 2023 margins will be maintained, whilst the demand seen throughout 2022 is likely to reduce.

Sales in 2023 are lower than in 2022, this was caused by a direct impact of having no COVID-19 related sales during 2023, 2022 had significant COVID-19 related sales in Q1. We did however have more than 10% organic growth within 2023, which will partly offset the loss of COVID-19 sales. In the coming years the focus of the company will be on acquisitions, as a result we do not expect increase in non-organic sales growth.

Due to the growth of the Medline Group, we expect a growth of employees for 2024 and the years after. Currently we do not expect the legal structure of the company will change.

In 2021 and 2022 cost for inbound ocean freight increased significantly. In the second half of 2022 and during 2023 these prices reduced back to normal except for inflation, which affects our results since we were not able to charge the increases we faced to our customers to offset this impact.

Principal risks and uncertainties

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

Commercial risk

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

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

MEDLINE INDUSTRIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Medline Industries do not hold any inventory, however MIBV part of the Medline Group hold all the inventory for the UK and they have improved the inventory process to ensure a good service level, with a reasonable level of inventory; this was even further optimised in 2021. 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 stock counts 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, therefore, whilst we do have some costs incurred in Euros, the company is not exposed to significant exchange variances between Sterling and Euros.

Management continues to monitor the exposure of the company. The risk mitigated by 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. A significant part of the company's customer base is Government bodies such as the NHS, and therefore the risk of default is reduced. As such, management considers this risk is reduced to an acceptable level.

Price risk

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

Streamline Energy Carbon Reporting (SECR)

1. Reporting period

The applicable reporting period is Medline's 2022 financial year, which spanned the 12 months from 01 January to 31 December 2022.

2. Scope

The energy consumption and emissions data presented covers Medline Industries Ltd. One site falls under this legal entity:

- Our rented office space in **Warrington**, where the surface area occupied by 47 full time equivalent employees (FTEs) is 3,500 square feet

3. Methodology

The greenhouse gas inventory was compiled in accordance with the *WRI/WBCSD Greenhouse Gas (GHG) Protocol – A Corporate Accounting and Reporting Standard (1) (the Corporate Standard)* (Revised Edition 2013) including the amendment to this protocol, GHG Protocol Scope 2 Guidance (2015), and Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

Emissions were calculated using emission factors provided within the UK Government GHG Conversion Factors for Company Reporting Version 2.0. Energy consumption figures were sourced from our monthly energy invoices. Employee distant mileage was sourced from our employee reimbursement platform.

MEDLINE INDUSTRIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4. Our energy consumption (kWh)

Warrington (Medline Industries Ltd)		
	2021	2022
Natural gas	-	-
Electric power	56,705.80	59,055

5. Employee business travel (mileage)

Warrington (Medline Industries Ltd)		
	2021	2022
Car mileage business travel (Miles)	92,812	112,126

6. Our emissions

Total emissions for Warrington (Medline Industries Ltd)

Total CO2 Emissions (tons CO2-e)			
Scope	Source	2021	2022
Scope 1	Natural Gas	0	0
Scope 1 Total		0	0
Scope 2	Electric Power	12.04	11.42
Scope 2 Total		12.04	11.42
Scope 3 Business travel	Car travel	25.61	30.80
Scope 3 Business travel		25.61*	30.80

*Not reported in prior year's SECR report

Emissions intensity metrics for Warrington (Medline Industries Ltd) 31 December 2022

Full Time Employee Intensity			
2021	43	37.65	0.88
2022	47	42.22	0.8983
Square Footage Intensity			
2021	3,500	37.65	0.011
2022	3,500	42.22	0.012
Revenue Intensity			
2021	£122,949,010	37.65	0.00000031
2022	£67,909,204	42.22	0.00000062

MEDLINE INDUSTRIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7. Energy efficiency measures taken

At our Warrington site, Medline's leased offices are part of a business park neither owned nor operated by us. Decisions concerning energy consumption (and associated emissions) are made by the landlord. However, existing energy efficiency measures in force at our offices include motion-controlled light sensors, the use of LED lighting, and quarterly servicing of the air conditioning unit to ensure it is operating efficiently. In addition, the air conditioning unit operates on a timer to ensure it is not in use after-hours and it is also monitored manually depending on the level of office occupancy. Awareness training to encourage energy efficient behaviour will also be undertaken in the coming years.

Section 172 (1) statements

The Directors are fully aware of and have considered the matters set out in section 172 (1) (a) to (f) of the Companies Act 2016 when performing their duty to promote the success of the company for the benefit of its members and in doing so having regard (amongst other matters) to:

- a. The likely consequences of any decision in the long term,
- b. The interests of the company's employees
- c. The need to foster the company's business relationships with suppliers, customers and others
- d. The impact of the company's operations on the community and the environment
- e. The desirability of the company maintaining a reputation for high standards of business conduct, and
- f. The need to act fairly as between members of the company

The board understands the views of all stakeholders and have taken into account the matter set out in section 172 (1) (a) to (f) of the Companies Act 2016 in board discussion and when making key decisions in order to act in the interests of all stakeholder and to make sure all stakeholders are treated fairly. The following examples explain how the directors fulfil their duties in respect of these matters.

Employees

Our workforce is our most valuable asset. The company invests in training, coaching and skills acquisition.

Personal development of our employees is a key pillar of the Company's strategy. We aim to be a responsible employer in our approach to the pay and benefits of employees. The health, safety and wellbeing of our employees is one of the primary considerations in the way we do business.

Examples of the Boards engagement with employees during 2022 include:

- Town Hall meetings – Company information presented to all employees where senior management are available to answer any questions.
- Requesting that all employees to participate in our online Global Employee survey in order to help in assessment of employees concerns and aspirations.
- Quarterly performance development reviews, and employee development and training.

Business Relationships

The board engages with a variety of stakeholders, including customers, regulators and suppliers, to inform and enable balanced decisions that incorporate multiple viewpoints, whilst maintaining the Company's strategy. In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and reputation.

Examples of the Boards engagement with stakeholders during 2022 include:

- Receiving regular customer service performance updates and feedback from Customer service surveys to assist in decision making regarding customer focused initiatives; and
- Holding periodic meetings between senior management and local Directors of the company to assist investors to understand the strategic direction of the company.

MEDLINE INDUSTRIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Community and Environment

As part of the Medline Group, the company has sustainability and environment care firmly embedded in the company's culture and corporate strategy. The company strives to pursue Medline's mission to be sustainable supplier to the medical market, for society & the environment. Sustainability runs through all aspects of our business, from energy saving, recycling and resource sharing policies in our offices, employee orientation and social commitment and ultimately flowing into the products and services we bring to customers.

Corporate Social Responsibility is important to the Company and it undertakes many initiatives in this area. The board recognises the relevance of leading the company in such a way that it contributes to wider society and actively supports employees through provision of paid leave to support local or national charities. Below are some examples of our 2022 actions

- Medline donated to 10 organisations reaching beneficiaries in Europe, especially the UK and vulnerable members of the international community. Access to food and shelter, mental health support and equitable access to Covid-19 Vaccines and materials are the main focus areas of these organisations.
- Medline Medical service trips – purpose driven trip for employees to help a developing country to deliver healthcare services to poor and underserved communities.
- Medline Gives back initiative – Employees volunteer (Charity Champion), and act as a liaison between Medline and organisations we have decided to support.

Culture and Values

The company's culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to its business activities and an important condition for maintaining a reputation for high standards of business conduct securing long term success.

The company is focused on people, with both customers and employees being at the heart of its business. The company embraces diversity, flexibility, sustainability and continuous improvement through the organisation. The company has a customer centric philosophy with transparent, fair and simple processes.

The board and senior management have taken active steps to drive cultural change and to ensure corporate strategy and customer orientation principles and values are embraced across the organisation.

Post balance sheet events

There are no post balance sheet events.

This report was approved by the board on and signed on its behalf

Mr J H G Hein
Director

6 March 2024

MEDLINE INDUSTRIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

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

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid in the year (2021: £2,500,000)

Directors

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

Mr J H G Hein

Miss C Martin-Hondarza Sobrino

Mr H B Million

(Resigned 25 July 2023)

(Appointed 25 July 2023)

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

Future developments

Sales in 2023 are lower than in 2022, this was due to a direct impact of having no COVID-19 related sales during 2023, 2022 had significant COVID-19 related sales in Q1. We did however have more than 10% organic growth within 2023, which will partly offset the loss of COVID-19 sales. In the coming years the focus of the company will be on acquisitions, as a result we do not expect increase in non-organic sales growth.

Due to the growth of the Medline Group, we expect a growth of employees for 2024 and the years after. Currently we do not expect the legal structure of the company will change.

In 2021 and 2022 cost for inbound ocean freight increased significantly. In the second half of 2022 and during 2023 these prices reduced back to normal except for inflation, which affects our results since we were not able to charge the increases we faced to our customers to offset this impact.

MEDLINE INDUSTRIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 company operates within both the public and private healthcare systems and despite significant pricing pressures, demand for these products remains high. The business model is such that the company is intrinsically linked to the wider Medline group of companies and therefore the company's ability to continue to be a going concern is linked to the wider Medline group.

Cash flow forecasts are prepared at a consolidated Medline group basis, using planning inputs from each of the individual entities within the group. The forecast is then subject to review, challenge and sign off at a group level.

Due to the company's cash flows being linked to the performance of the wider Medline group and the cash flows being prepared on a consolidated basis, the Directors have received a letter of support from the Company's ultimate parent company, Mozart Holdings, LP. The letter confirms ongoing financial support, should it be required, for a period of 12 months from the date of signing the financial statements. The Directors have satisfied themselves that Mozart Holdings, LP can provide this support to the Company should it be required following enquiries with the parent company directors and review of the Mozart Holdings, LP financial position. As a result the financial statements are prepared on a going concern basis.

Qualifying third party indemnity provisions

The company granted an indemnity to one or more directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Company Act 2006. Such qualifying third party indemnity provision remains in the face as the date of approving the directors report.

Statement of disclosure to auditor

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

Auditor

The auditors, Ernst & Young LLP, was appointed post year end and proposed for reappointment in accordance with section 485 of the Company Act 2006.

On behalf of the board

Mr J H G Hein
Director

6 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEDLINE INDUSTRIES LIMITED

Opinion

We have audited the financial statements of Medline Industries Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date of signing the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our 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 (CONTINUED)

TO THE MEMBERS OF MEDLINE INDUSTRIES LIMITED

Matters on which we are required to report by exception

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.

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 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

As explained more fully in the directors' responsibilities statement, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

The auditor's assessment of the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur.

Which laws and regulations the auditor identified as being of significance in the context of the entity.

The auditor's explanation of its audit response will depend on the risks identified but may include:

- Enquiry of management, those charged with governance and the entity's solicitors (or in-house legal team) around actual and potential litigation and claims.
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing internal audit reports.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MEDLINE INDUSTRIES LIMITED

The auditor's explanation of its audit response will depend on the risks identified but may include:

- Enquiry of management, those charged with governance and the entity's solicitors (or in-house legal team) around actual and potential litigation and claims.
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing internal audit reports.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Michael Harvey
Senior Statutory Auditor
For and on behalf of Ernst & Young LLP

6 March 2024

Chartered Accountants
Statutory Auditor

Edward Pavillion
Royal Albert Dock
Liverpool
L3 4AF

MEDLINE INDUSTRIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	67,909,204	123,255,291
Cost of sales		(62,509,119)	(116,449,710)
Gross profit		5,400,085	6,805,581
Distribution costs		(364,518)	(229,805)
Administrative expenses		(3,782,381)	(4,295,825)
Operating profit	4	1,253,186	2,279,951
Interest receivable and similar income	7	13,238	159
Profit before taxation		1,266,424	2,280,110
Tax on profit	8	(243,261)	(414,427)
Profit and total comprehensive income for the financial year		1,023,163	1,865,683

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 24 form part of these financial statements.

MEDLINE INDUSTRIES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022	2021
	Notes	£	£
Fixed assets			
Tangible assets	10	117,903	136,378
Current assets			
Debtors	11	8,856,263	34,506,994
Cash at bank and in hand		6,781,033	6,920,966
		15,637,296	41,427,960
Creditors: amounts falling due within one year	12	(8,533,540)	(35,365,842)
Net current assets		7,103,756	6,062,118
Net assets		7,221,659	6,198,496
Capital and reserves			
Called up share capital	15	2	2
Profit and loss reserves	16	7,221,657	6,198,494
Total equity		7,221,659	6,198,496

The notes on pages 14 to 24 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 6 March 2024 and are signed on its behalf by:

Mr J H G Hein
Director

Company Registration No. 03238147

MEDLINE INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 January 2021		2	6,832,811	6,832,813
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	1,865,683	1,865,683
Dividends	9	-	(2,500,000)	(2,500,000)
Balance at 31 December 2021		2	6,198,494	6,198,496
Year ended 31 December 2022:				
Profit and total comprehensive income for the year		-	1,023,163	1,023,163
Balance at 31 December 2022		2	7,221,657	7,221,659

The notes on pages 14 to 24 form part of these financial statements.

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Medline Industries Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3rd Floor, Quayside Wilderspool Business Park, Greenalls Avenue, Warrington, Cheshire, WA4 6HL.

1.1 Basis of preparation of financial statements

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

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

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

1.2 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 11.42, 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 International Holdco as at 31 December 2022 and these financial statements are publicly available.

1.3 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 company operates within both the public and private healthcare systems and despite significant pricing pressures, demand for these products remains high. The business model is such that the company is intrinsically linked to the wider Medline group of companies and therefore the company's ability to continue to be a going concern is linked to the wider Medline group.

Cash flow forecasts are prepared at a consolidated Medline group basis, using planning inputs from each of the individual entities within the group. The forecast is then subject to review, challenge and sign off at a group level.

Due to the company's cash flows being linked to the performance of the wider Medline group and the cash flows being prepared on a consolidated basis, the Directors have received a letter of support from the Company's ultimate parent company, Mozart Holdings, LP. The letter confirms ongoing financial support, should it be required, for a period of 12 months from the date of signing the financial statements. The Directors have satisfied themselves that Mozart Holdings, LP can provide this support to the Company should it be required following enquiries with the parent company directors and review of the Mozart Holdings, LP financial position. As a result the financial statements are prepared on a going concern basis.

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 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 delivery of the goods to the customers, net of allowance for estimated returns.

1.5 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold property improvements	10 years
Office equipment	5 years
Computer equipment	3-5 years

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

1.6 Impairment of fixed assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

1.7 Cash and cash equivalents

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

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at FVTPL using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

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

Classification of financial liabilities

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

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

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

1.10 Taxation

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

Current tax

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

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Deferred tax

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

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

1.11 Employee benefits

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

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

1.14 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. Nonmonetary 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.

1.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements 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 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:

- Bad debt provisions - estimation is required in respect of expected future cash flows to assess the recoverable amount
- Dilapidation provisions – estimation is required in respect of expected future outflows to assess the repair and restoration amount at expiry of the lease due in 2028

3 Turnover

All turnover in both the current and prior period arose from the sale of goods within the United Kingdom. Included within revenue is £2.5m (2021: £2.1m) relating to income from customers in relation to storage.

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	67,909,204	123,255,291

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	714	(168)
Depreciation of owned tangible fixed assets	21,506	21,187
Operating lease charges	108,178	105,268

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	29,400	32,960
For other services		
Other assurance services	-	1,000

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Directors	2	3
Administration & finance	17	13
Sales & marketing	28	28
Total	47	44

Directors are not remunerated for their services to the company and are remunerated by another group company. The services provided to the company are incidental to their activities.

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	2,867,111	3,379,265
Social security costs	335,520	395,042
Pension costs	59,935	55,167
	3,262,566	3,829,474

7 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	13,238	159

	2022 £	2021 £
Investment income includes the following:		
Interest on financial assets	13,238	159

8 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	227,928	428,830
Adjustments in respect of prior periods	-	(904)
Total current tax	227,928	427,926

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Taxation (Continued)

	2022 £	2021 £
Deferred tax		
Origination and reversal of timing differences	11,654	5,584
Changes in tax rates	3,679	(18,996)
Adjustment in respect of prior periods	-	(87)
Total deferred tax	15,333	(13,499)
Total tax charge	243,261	414,427

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

	2022 £	2021 £
Profit before taxation	1,266,424	2,280,110
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	240,621	433,221
Tax effect of expenses that are not deductible in determining taxable profit	270	1,198
Tax effect of income not taxable in determining taxable profit	(880)	-
Adjustments in respect of prior years	-	(1,026)
Effect of change in corporation tax rate	3,679	(18,966)
Group relief	(429)	-
Taxation charge for the year	243,261	414,427

In the Spring Budget 2021, the Government announced that from 1 April 2023 the Corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% this has been enacted at the balance sheet date and its effects are included in these financial statements as deferred taxation has been calculated at this rate.

9 Dividends	2022 £	2021 £
Final paid	-	2,500,000

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Tangible fixed assets

	Leasehold property improvements	Office equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2022	307,070	96,577	86,267	489,914
Additions	-	-	3,031	3,031
At 31 December 2022	307,070	96,577	89,298	492,945
Depreciation and impairment				
At 1 January 2022	215,961	52,302	85,273	353,536
Depreciation charged in the year	13,818	6,571	1,117	21,506
At 31 December 2022	229,779	58,873	86,390	375,042
Carrying amount				
At 31 December 2022	77,291	37,704	2,908	117,903
At 31 December 2021	91,109	44,275	994	136,378

11 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	7,576,804	33,809,231
Amounts owed by group undertakings	644,413	200,709
Other debtors	518,159	367,348
Prepayments and accrued income	53,198	50,684
Deferred tax asset (note 13)	63,689	79,022
	8,856,263	34,506,994

An impairment loss of £12,104 (2021: £44,678) was recognised against trade debtors.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	924	22,755
Amounts owed to group undertakings	7,454,404	33,956,265
Corporation tax	36,223	24,698
Other taxation and social security	97,093	94,935
Accruals and deferred income	944,896	1,267,189
	8,533,540	35,365,842

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Creditors: amounts falling due within one year

(Continued)

Amounts owed to group undertakings of £7,335,624 (2021: £33,956,265) relate to trading transactions and are unsecured, repayable on demand and interest free.

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2022 £	Assets 2021 £
Balances:		
Accelerated capital allowances	20,281	24,161
Tax losses carried forward	40,382	43,692
Short term timing differences - trading	3,026	11,169
	<u>63,689</u>	<u>79,022</u>
		2022
Movements in the year:		£
Asset at 1 January 2022		(79,022)
Charge to profit or loss		15,333
		<u>(63,689)</u>
Asset at 31 December 2022		<u>(63,689)</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

14 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	59,935	55,167
	<u>59,935</u>	<u>55,167</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

15 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

MEDLINE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Profit and loss reserves

Includes all current and prior period retained profits and losses.

17 Operating lease commitments

Lessee

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

	2022	2021
	£	£
Within one year	79,067	74,894
Between two and five years	333,812	299,574
In over five years	53,958	118,582
	<u>466,837</u>	<u>493,050</u>

18 Related party transactions

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

19 Ultimate controlling party

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

The ultimate parent undertaking and controlling party is Mozart Holdings,LP, a company registered in the United States of America. The financial statements of the ultimate parent are available on request by writing to Medline Industries Ltd at the registered address.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.