

Company registration number 05070317 (England and Wales)

MEDIPHARMACY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

MEDIPHARMACY LIMITED

COMPANY INFORMATION

Directors	Mr N Khosla Mrs S Khosla Mr S K Khosla	(Appointed 24 January 2022)
Secretary	Mr N Khosla	
Company number	05070317	
Registered office and business address	Duaris House Imberhome Way East Grinstead West Sussex RH19 1RL	
Auditor	Silver Levene (UK) Limited Chartered Certified Accountants 37 Warren Street London W1T 6AD	

MEDIPHARMACY LIMITED

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MEDIPHARMACY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present the strategic report for the year ended 31 March 2022.

Fair review of the business

The company continues to trade in an improved and positive manner given the government's continued pressure on retained pharmacy margins, although through changes to suppliers the company has managed to improve its' net profit compared to previous year. Net profit was £183,502 compared to £173,087 in 2021.

The balance sheet of the company is not fully reflected by the values of the pharmacy licences that exist and if these were to be reflected then the balance sheet would be significantly stronger. As well as this the trading freehold properties have not been revised in their values which would again strengthen the balance sheet significantly. There continues to exist a significant market for the sale of existing pharmacy contracts and pharmacy premiums continue to rise significantly, driven largely by independent pharmacists wishing to purchase existing contracts as new licences are really granted in this sector.

Principal risks and uncertainties

The directors monitor banking facilities and interest rates on a regular basis to make sure that the group is not exposed to material levels of interest rate risk. We have in place variable interest rates on its' loans over short term periods.

The group monitors credit risk closely and it considers that its' current position of checks meets the objectives of monitoring and managing exposure to credit.

Development and performance

The directors will aim to continue with the management policies that have resulted in the group's steady growth position over the last few years. The outlook for 2023 is encouraging as the company looks to drive growth using automation.

The company continued to acquire pharmacies during the year with 3 new acquisitions supported by its' corporate banking partner.

The company's automated dispensing system continues to deliver wage cost savings and has eased pressure at branches. We are encouraged that our branches will be able to take advantage of the newer services that are to be commissioned in the 2023 year and adopt the many private services that the company will roll out in the coming year. This is being facilitated by automating many of the dispensing processes.

The main risk to the business continues to be the governments' position on the role of community pharmacy although this position has significantly shifted as a result of the unfortunate pandemic in the world and the current backlog of cases within the NHS primary and secondary care network. UK DOH position on pharmacy is changing and we hope a Pharmacy First scheme will be announced in the 2023 year.

The company continues to market itself through the use of IT and promote its' business services using many of the latest technology drivers in the market place.

Key performance indicators

The key financial performance indicators of the group are Gross Profit and EBITDA.

During the year, the company achieved a GP margin of 23.95% (2021: 23.82% and EBITDA of £1,642,189 (2021: £1,160,031).

MEDIPHARMACY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Other performance indicators

Non financial performance indicators are service and satisfaction. I am pleased to report that on NHS choices there was a marked increase in positive feedback from our customers to who we provide a service.

On behalf of the board

Mr N Khosla

Director

8 February 2023

MEDIPHARMACY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

Principal activities

The principal activity of the company continued to be that of the retail and wholesale of pharmaceutical and allied products.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr N Khosla

Mrs S Khosla

Mr S K Khosla

(Appointed 24 January 2022)

Financial instruments

Treasury operations

The company financial instruments comprise cash at bank, trade debtors and trade creditors that arises directly from operations and bank and other loans and bank overdraft. The financial risks affecting the company are monitored and reviewed by the directors on a regular basis.

Liquidity risk

The company manages its cash and borrowing requirements in order to minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company is exposed to fair value interest rate risk on its borrowings and cash flow interest rate risk on bank overdrafts and loans. The company uses variable interest rates on its loans over short term periods to manage its debt so as to reduce its exposure to changes in interest rates.

Credit risk

The company's principal credit risk relates to the recovery of amounts owned by trade debtors.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Auditor

The auditor, Silver Levene (UK) Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

MEDIPHARMACY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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.

Statement of disclosure to auditor

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

On behalf of the board

Mr N Khosla
Director

8 February 2023

MEDIPHARMACY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEDIPHARMACY LIMITED

Qualified opinion on financial statements.

We have audited the financial statements of Medipharmlac Limited (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 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 qualified opinion

The company did not perform stock takes as at the end of the year and thus we did not observe the counting of physical inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 March 2022, which are included in the balance sheet at £3,802,346, by using other audit procedures.

Consequently we were unable to determine whether any adjustment to this amount was necessary.

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 when the financial statements are authorised for issue.

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

MEDIPHARMACY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MEDIPHARMACY LIMITED

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.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been maintained.

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.

MEDIPHARMACY LIMITED

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Discussions were held with, and enquiries made of, management and those charged with governance with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law, Tax and Pensions legislation, Health and Safety legislation, General Data Protection Regulation and distributable profits legislation.
- It is considered that there are no laws and regulations for which non-compliance may be fundamental to the operating aspects of the business.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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.

Goh Yong Chong (Senior Statutory Auditor)
For and on behalf of Silver Levene (UK) Limited
Chartered Certified Accountants
Statutory Auditor
37 Warren Street
London
W1T 6AD

9 February 2023

MEDIPHARMACY LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Turnover	3	27,682,219	20,954,523
Cost of sales		(21,053,697)	(15,963,934)
Gross profit		6,628,522	4,990,589
Administrative expenses		(5,876,576)	(4,914,145)
Other operating income	4	231,326	398,088
Operating profit	5	983,272	474,532
Interest receivable and similar income	7	51,142	-
Interest payable and similar expenses	8	(510,154)	(383,495)
Amounts written off investments	9	-	29,852
Fair value gains and losses on investment properties	13	-	85,438
Profit before taxation		524,260	206,327
Tax on profit	10	(340,758)	(33,240)
Profit for the financial year		183,502	173,087

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

MEDIPHARMACY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	2022	2021
	£	£
Profit for the year	183,502	173,087
Other comprehensive income	-	-
Total comprehensive income for the year	<u>183,502</u>	<u>173,087</u>

MEDIPHARMACY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Goodwill	11		3,517,455		1,877,575
Tangible assets	12		4,821,265		2,662,795
Investment properties	13		604,500		604,500
			<u>8,943,220</u>		<u>5,144,870</u>
Current assets					
Stocks	15	3,802,436		3,101,094	
Debtors	16	6,961,299		5,964,300	
Cash at bank and in hand		1,902,651		909,241	
		<u>12,666,386</u>		<u>9,974,635</u>	
Creditors: amounts falling due within one year	17	<u>(7,073,212)</u>		<u>(4,536,887)</u>	
Net current assets			<u>5,593,174</u>		<u>5,437,748</u>
Total assets less current liabilities			<u>14,536,394</u>		<u>10,582,618</u>
Creditors: amounts falling due after more than one year	18		<u>(9,888,638)</u>		<u>(6,362,214)</u>
Provisions for liabilities					
Deferred tax liability	21	540,688		296,838	
		<u>(540,688)</u>		<u>(296,838)</u>	
Net assets			<u>4,107,068</u>		<u>3,923,566</u>
Capital and reserves					
Called up share capital	23		100		100
Revaluation reserve			1,247,374		1,305,274
Profit and loss reserves			2,859,594		2,618,192
Total equity			<u>4,107,068</u>		<u>3,923,566</u>

The financial statements were approved by the board of directors and authorised for issue on 8 February 2023 and are signed on its behalf by:

Mr N Khosla
Director

Company Registration No. 05070317

MEDIPHARMACY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2020	100	1,305,274	2,445,105	3,750,479
Year ended 31 March 2021:				
Profit and total comprehensive income for the year	-	-	173,087	173,087
Balance at 31 March 2021	100	1,305,274	2,618,192	3,923,566
Year ended 31 March 2022:				
Profit and total comprehensive income for the year	-	-	183,502	183,502
Transfers	-	(57,900)	57,900	-
Balance at 31 March 2022	100	1,247,374	2,859,594	4,107,068

MEDIPHARMACY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	27	1,899,078		305,532	
Interest paid		(510,154)		(383,495)	
Income taxes paid		(70,202)		(49,693)	
Net cash inflow/(outflow) from operating activities		1,318,722		(127,656)	
Investing activities					
Purchase of intangible assets		(1,995,000)		-	
Purchase of tangible fixed assets		(1,562,531)		(314,315)	
Proceeds from disposal of tangible fixed assets		76,300		1,599	
Repayment of loans		(187,316)		(12,463)	
Dividends received		51,142		-	
Net cash used in investing activities		(3,617,405)		(325,179)	
Financing activities					
Proceeds from borrowings		511,426		-	
Repayment of borrowings		(130,439)		628,060	
Proceeds from new bank loans		3,425,000		-	
Repayment of bank loans		(341,524)		890,044	
Payment of finance leases obligations		(172,370)		(51,327)	
Net cash generated from financing activities		3,292,093		1,466,777	
Net increase in cash and cash equivalents		993,410		1,013,942	
Cash and cash equivalents at beginning of year		909,241		(104,701)	
Cash and cash equivalents at end of year		1,902,651		909,241	

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Medipharmacy Limited is a private company limited by shares incorporated in England and Wales. The registered office is Duaris House, Imberhorne Way, East Grinstead, West Sussex, RH19 1RL.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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:

Freehold land and buildings	Land not depreciated, buildings 2.5% straight line
Leasehold land and buildings	Over the lease period
Fixtures, fittings & equipment	15% straight line
Motor vehicles	25% straight line

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 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.7 Impairment of fixed assets

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

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

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

1.9 Cash at bank and in hand

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.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.10 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 amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 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.

1.11 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.12 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.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 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.

1.13 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.

1.14 Retirement benefits

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

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Useful economic life of intangible and tangible assets

The annual amortisation and depreciation charge for intangible and tangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based future economic benefit and the physical condition of the assets. See notes 10 and 11 for the carrying amount of the intangible and tangible fixed assets.

Fair value of freehold land and buildings

The fair value of the freehold land and buildings has been arrived based on the directors' estimate of an open market value.

Impairment of stocks

Stocks are valued at lower of cost and estimated selling price in the ordinary course of business. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer demand and competitor actions and expiry date of the stocks. As a result it is necessary to consider the recoverability of the cost of stocks and the associated provisioning if required.

When calculating the inventory provision, if required, management considers the nature, expiry date and condition of the stocks for the net carrying amount of the stock and any associated provision.

3 Turnover and other revenue

The company is engaged in retail and wholesale of pharmaceutical products. In the opinion of the directors, it does not carry on classes of business substantially different from each other. Hence, no turnover by class is disclosed. All the sales are made within UK.

	2022	2021
	£	£
Other revenue		
Dividends received	51,142	-
Grants received	144,123	323,092
	<u> </u>	<u> </u>

4 Other Income

Other income includes government grant of £143,567 (2021: £295,000) in relation to retail business grant, £Nil (2021: £16,990) in relation to Coronavirus Job Retention Scheme and £556 (2021: £11,102) in relation to SSP grant.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

5 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(144,123)	(323,092)
Fees payable to the company's auditor for the audit of the company's financial statements	46,200	33,350
Depreciation of owned tangible fixed assets	257,018	224,483
Depreciation of tangible fixed assets held under finance leases	46,779	43,085
(Profit)/loss on disposal of tangible fixed assets	(59,200)	538
Amortisation of intangible assets	355,120	302,641
Operating lease charges	435,327	363,263
	=====	=====

6 Employees

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

	2022	2021
	Number	Number
Retail staff	111	106
Warehouse	13	3
Administration staff	7	7
	=====	=====
Total	131	116

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	2,865,557	2,428,513
Social security costs	237,527	222,160
Pension costs	36,082	33,461
	=====	=====
	3,139,166	2,684,134

7 Interest receivable and similar income

	2022	2021
	£	£
Income from fixed asset investments		
Income from shares in group undertakings	51,142	-
	=====	=====

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

8 Interest payable and similar expenses

	2022	2021
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	315,560	193,622
Other interest on financial liabilities	172,883	181,690
	<u>488,443</u>	<u>375,312</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	21,711	7,875
Other interest	-	308
	<u>510,154</u>	<u>383,495</u>

9 Amounts written off investments

	2022	2021
	£	£
Fair value gains/(losses) on financial instruments		
Gain on financial liabilities held at fair value through profit or loss	-	29,852
	<u>-</u>	<u>29,852</u>

10 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	-	55,138
Adjustments in respect of prior periods	96,908	(382)
	<u>96,908</u>	<u>54,756</u>
Deferred tax		
Origination and reversal of timing differences	243,850	(21,516)
	<u>243,850</u>	<u>(21,516)</u>
Total tax charge	<u>340,758</u>	<u>33,240</u>

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

10 Taxation

(Continued)

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	524,260	206,327
	<u>524,260</u>	<u>206,327</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	99,609	39,202
Tax effect of expenses that are not deductible in determining taxable profit	(3,108)	17,257
Unutilised tax losses carried forward	52,792	-
Permanent capital allowances in excess of depreciation	74,813	(11,094)
Amortisation on assets not qualifying for tax allowances	19,744	9,773
Under/(over) provided in prior years	96,908	(382)
Timing differences	-	(21,516)
	<u>340,758</u>	<u>33,240</u>
Taxation charge for the year	<u>340,758</u>	<u>33,240</u>

11 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 April 2021	7,704,998
Additions	1,995,000
	<u>9,699,998</u>
At 31 March 2022	<u>9,699,998</u>
Amortisation and impairment	
At 1 April 2021	5,827,423
Amortisation charged for the year	355,120
	<u>6,182,543</u>
At 31 March 2022	<u>6,182,543</u>
Carrying amount	
At 31 March 2022	3,517,455
	<u>3,517,455</u>
At 31 March 2021	<u>1,877,575</u>

Goodwill additions represent goodwill arising on acquisitions of Ashburton Pharmacy Limited and Zina Pharmacy during the year.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

12 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2021	2,032,873	217,398	3,057,664	84,891	5,392,826
Additions	1,527,337	17,524	934,506	-	2,479,367
Disposals	-	-	(2,090,933)	-	(2,090,933)
At 31 March 2022	3,560,210	234,922	1,901,237	84,891	5,781,260
Depreciation and impairment					
At 1 April 2021	157,597	157,128	2,378,288	37,018	2,730,031
Depreciation charged in the year	60,556	10,944	213,574	18,723	303,797
Eliminated in respect of disposals	-	-	(2,073,833)	-	(2,073,833)
At 31 March 2022	218,153	168,072	518,029	55,741	959,995
Carrying amount					
At 31 March 2022	3,342,057	66,850	1,383,208	29,150	4,821,265
At 31 March 2021	1,875,276	60,270	679,376	47,873	2,662,795

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2022 £	2021 £
Fixtures, fittings & equipment	827,347	55,878
Motor vehicles	26,168	43,717
	853,515	99,595

The fair value of the freehold properties has been arrived based on the directors' estimate of an open market value. The directors are in the opinion that the carrying value in the financial statements is not significantly different from the current market value.

If revalued assets were stated on a historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

12 Tangible fixed assets (Continued)

	2022	2021
	£	£
Cost	2,589,129	1,061,792
Accumulated depreciation	(269,089)	(251,059)
Carrying value	<u>2,320,040</u>	<u>810,733</u>

13 Investment property

	2022
	£
Fair value	
At 1 April 2021 and 31 March 2022	<u>604,500</u>

The fair value of the investment properties has been arrived on the directors' estimate. The directors are in the opinion that the carrying value in the financial statements is not significantly different from current market value.

14 Financial instruments

	2022	2021
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>6,764,435</u>	<u>5,737,318</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>16,742,855</u>	<u>10,739,694</u>

15 Stocks

	2022	2021
	£	£
Finished goods and goods for resale	<u>3,802,436</u>	<u>3,101,094</u>

16 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	3,185,629	2,526,385
Other debtors	3,615,563	3,210,933
Prepayments and accrued income	160,107	226,982
	<u>6,961,299</u>	<u>5,964,300</u>

Included in other debtors is an amount of £199,779 (2021: £12,463) due from Mr N Khosla, a director of the company. This amount has been repaid with interest to the company since the balance sheet date.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

17 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Bank loans	19	1,106,716	582,275
Obligations under finance leases	20	200,841	70,636
Other borrowings	19	76,390	48,531
Trade creditors		5,056,506	2,966,905
Corporation tax		96,854	70,148
Other taxation and social security		122,141	89,259
Other creditors		333,203	630,335
Accruals and deferred income		80,561	78,798
		<u>7,073,212</u>	<u>4,536,887</u>

18 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Bank loans and overdrafts	19	6,714,970	4,155,935
Obligations under finance leases	20	660,479	46,218
Other borrowings	19	2,513,189	2,160,061
		<u>9,888,638</u>	<u>6,362,214</u>

19 Loans and overdrafts

	2022 £	2021 £
Bank loans	7,821,686	4,738,210
Other loans	2,589,579	2,208,592
	<u>10,411,265</u>	<u>6,946,802</u>
Payable within one year	1,183,106	630,806
Payable after one year	9,228,159	6,315,996
	<u>10,411,265</u>	<u>6,946,802</u>

The company's financing facility with various banks includes loan of £3,425,000 (2021:£4,300,833) which carries interest at LIBOR plus 3.30% (2021: 3.30%) per annum. It is repayable quarterly from July 2021.

Other loans obtained from financial institutions include a loan facility of £2,190,000 and £700,000 total Coronavirus Business Interruption Loans. Interest is charged at a discount of 0.75% per 30 days of average drawn balance of the NHS receipts in the month and between 6%-14% per annum respectively. The repayment term for the latter is between 2-5 years.

The bank and other loans are secured by way of a debenture and first legal charges on leasehold and freehold properties of the company and personal guarantee by the directors, including certain assets of the business owned by a director.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

20 Finance lease obligations

	2022	2021
	£	£
Future minimum lease payments due under finance leases:		
Within one year	262,230	70,104
In two to five years	863,652	55,257
	<u>1,125,882</u>	<u>125,361</u>
Less: future finance charges	(264,562)	(8,507)
	<u><u>861,320</u></u>	<u><u>116,854</u></u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All finance leases are secured on the assets concerned.

21 Deferred taxation

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

	Liabilities	Liabilities
	2022	2021
	£	£
Balances:		
Accelerated capital allowances	369,802	124,035
Revaluations	110,711	156,570
Investment property	60,175	16,233
	<u>540,688</u>	<u>296,838</u>
	<u><u>540,688</u></u>	<u><u>296,838</u></u>
Movements in the year:		2022
		£
Liability at 1 April 2021		296,838
Charge to profit or loss		243,850
		<u>540,688</u>
Liability at 31 March 2022		<u><u>540,688</u></u>

22 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	36,082	33,461
	<u>36,082</u>	<u>33,461</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.

MEDIPHARMACY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****23 Share capital**

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	100	100	100	100

24 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	347,476	347,476
Between two and five years	993,916	1,160,420
In over five years	884,804	1,025,776
	<u>2,226,196</u>	<u>2,533,672</u>

25 Related party transactions**Remuneration of key management personnel**

There is no key management personal other than the directors of the company. See note 7 for disclosure of the directors' remuneration.

The company made purchases of £2,439,753 (2021: £1,970,130) from Khospharm Chemist Group, a sole trader owned by a shareholder of Medipharmacy Limited. As at the balance sheet date, Khospharm Chemist Group owed to the company £3,353,538 (2021: £3,198,470).

26 Ultimate controlling party

The company is under the control of Mr N Khosla and Mrs S Khosla.

MEDIPHARMACY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

27 Cash generated from operations

	2022	2021
	£	£
Profit for the year after tax	183,502	173,087
Adjustments for:		
Taxation charged	340,758	33,240
Finance costs	510,154	383,495
Investment income	(51,142)	-
(Gain)/loss on disposal of tangible fixed assets	(59,200)	538
Fair value gain on investment properties	-	(85,438)
Amortisation and impairment of intangible assets	355,120	302,641
Depreciation and impairment of tangible fixed assets	303,797	267,568
Other gains and losses	-	(29,852)
Movements in working capital:		
Increase in stocks	(701,342)	(1,107,988)
Increase in debtors	(809,683)	(36,870)
Increase in creditors	1,827,114	405,111
Cash generated from operations	1,899,078	305,532

28 Analysis of changes in net debt

	1 April 2021	Cash flows	Other non-cash	31 March 2022
	£	£	changes	£
Cash at bank and in hand	909,241	993,410	-	1,902,651
Borrowings excluding overdrafts	(6,946,802)	(3,464,463)	-	(10,411,265)
Obligations under finance leases	(116,854)	172,370	(916,836)	(861,320)
	(6,154,415)	(2,298,683)	(916,836)	(9,369,934)

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.