

Company registration number 06077026 (England and Wales)

VERTICAL PHARMA RESOURCES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2023

VERTICAL PHARMA RESOURCES LIMITED

COMPANY INFORMATION

Directors	S T Dutta V Patani A D Patel J Parker
Secretary	A D Patel
Company number	06077026
Registered office	41 Central Avenue West Molessey Surrey KT8 2QZ
Auditor	Gerald Edelman LLP 73 Cornhill London EC3V 3QQ London EC3V 3QQ

VERTICAL PHARMA RESOURCES LIMITED

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VERTICAL PHARMA RESOURCES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2023

The directors present the strategic report for the year ended 28 February 2023.

The Company, trades as IPS Pharma and offers in the region of 20,000 formulations to providers of primary and secondary care mainly in the UK. These include the bespoke and batch compounding of unlicensed pharmaceuticals (usually adaptations of products that are licensed in the UK) and the import of products licensed outside the UK. It also sources and supplies low volume licensed products known as special obtains. The company also provides full management of the delivery of Investigational Medical Products (IMP) and comparators for clinical trials.

Review of the business

The Company sells to independent pharmacies directly and through buying groups, as well as to small and large pharmacy chains and to specialist wholesalers.

It aims to set and maintain fair pricing on its many product lines but certain lines are subject to the NHS Drug Tariff in England & Wales which is periodically updated by the Department of Health.

Customer service and quality are critical, and the year has seen further investment in staff in order to continue to deliver excellent service.

The Company continues to devote significant resources to research and development in order to remain at the forefront of innovation and improve its service offering, it also continues to invest in its compliance and quality systems. The directors and the regulatory department ensure that the Company complies with its obligations in all its operations.

The Company has won some strong contracts for clinical trial services supported by its IMP certification granted by the MHRA and continues to grow in this area particularly with direct to patient deliveries via its own site pharmacy.

The Company's joint venture, Grow Pharma Ltd, with Grow Group Plc continues to grow as a leader in medicinal cannabis supply to patients in the UK. The Company is solely responsible for customer fulfilment, as it is the only party within the joint venture arrangement with the regulatory ability to buy/sell medicinal cannabis products, and has the knowledge, facilities and expertise to hold, distribute and in certain cases manufacture goods. The Company also bears significant regulatory risk. The Company has considered the various indicators described in FRS102 for accounting for the Revenue for medicinal cannabis as Principal or Agent and given the customer fulfilment role, management have formed the view that the Company will account for the revenue on external sales and costs of sales incurred and the profit share due to Grow Group Plc has been accounted for as a cost of sale.

The Company's turnover includes £6.2M (Year ended 28 February 2022 - £5.2M) from the sales of medicinal cannabis, and correspondingly £4.9M (Year ended 28 February 2022 - £3.9M) to cost of sales.

Principal risks and uncertainties

The primary objective of the financial policies is to minimise risks at reasonable cost and without damaging growth prospects. The principal risks faced by the Company are as follows:

Price and competition risk

This risk is managed through attention to customers' requirements and through regular tracking of sales levels against budgets and against prior year. It also involves an understanding of competitors' offerings and an anticipation of future changes within the market.

Credit risk

Trade debtors are managed through policies around the credit terms offered to customers and regular monitoring of amounts outstanding against those terms.

Currency risk

Imported materials are generally priced in foreign currencies; if the pound weakens, the selling prices are raised where possible. However, this also creates opportunities for exports which can balance out the risk.

Liquidity and cash flow risk

In respect of bank balances the liquidity risk is managed by maintaining continuity of funding. In respect of the trade creditors the liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

VERTICAL PHARMA RESOURCES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

Principal risks and uncertainties

Regulatory risk

The Company carries out its main activities under certain licences, as well as certifications from various regulatory bodies. As technology and best practice change, regulations may be revised or implemented in different ways, and so maintaining certification can never be taken for granted. Risk is managed by (a) continued investment and maintenance of equipment (b) recruitment and training of staff and (c) designing and implementing robust processes across the business that ensure compliance with regulations. The Company also monitors a number of non-financial key performance indicators (KPIs) to ensure that the Company maintains high product quality and customer service levels. These non-financial KPIs include quality complaints, product quality, delivery performance, pharmacovigilance, and medical information enquiries.

Coronavirus (COVID-19)

The United Kingdom has now removed all controls in relation to COVID-19 and there are limited ongoing restrictions on the Company's ability to operate. The Company has processes in place to allow its staff to work from flexible locations in a way that is safe for them and is now in a position that is even more secure should there be similar events in future.

Inflation

With the current cost of living crises and inflation the Company has seen an increase in energy costs and transport costs. It works continuously to find the best source possible to mitigate these increases as it continues to deliver best value for its customers.

Key performance indicators

Key financial performance indicators were as follows:

	2023 £	2022 £
Turnover	17.1m	16.3m
Gross profit	33%	35%
Normalised EBITDA	0.5m	1.35m
Normalised EBITDA	3%	8.3%

Normalised EBITDA is considered after adding back one-off legal and professional costs of £173K (Year ended 28 February 2022 £183k) included within administrative expenses and adding back the exceptional cost of £406k (Year ended 28 February 2022 exceptional income of £244k).

Future developments

The Company plans to enhance its unique position by:

- selling its existing portfolio of products into new geographical markets by leveraging its current relationships and distribution network
- seeking to develop unlicensed products into pharmaceuticals suitable to pursue a Marketing Authorisation Application

On behalf of the board

V Patani

Director

14 December 2023

VERTICAL PHARMA RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2023

The directors present their annual report and financial statements for the year ended 28 February 2023.

Results and dividends

The results for the year are set out on page 9.

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:

S T Dutta
V Patani
A D Patel
J Parker

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

VERTICAL PHARMA RESOURCES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

Going concern

The Company is subject to a cross guarantee in connection with shareholder and investor loans within the wider Group.

The directors have reviewed the Group's profit and loss and cash flow forecasts for the foreseeable future, being at least one year from the date of approval of these financial statements, the available financial resources, the recurring income stream from customers, other contracted income and whether there is headroom on covenants. Management have a high degree of confidence in delivering these numbers and the actuals to date are ahead of budget.

Post year end the Group's main loan note holders formally extended the repayment date of these loans from 28 February 2023 to 30 June 2025 and the financial covenants amended to create sufficient headroom against base case forecasts.

The Group has strengths in importing products globally and hence has not been subject to disruption as a result of Brexit and customs declarations. The Group has implemented controls and procedures in place to ensure there is smooth supply of medicines and continues to work with the Department of Health and Social Care (DHSC) and The Medicines and Healthcare products Regulatory Agency (MHRA).

As a result of the above the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements and continue to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the board

V Patani

Director

14 December 2023

VERTICAL PHARMA RESOURCES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VERTICAL PHARMA RESOURCES LIMITED

Opinion

We have audited the financial statements of Vertical Pharma Resources Limited (the 'company') for the year ended 28 February 2023 which comprise the profit and loss account, 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 28 February 2023 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.

Material uncertainty related to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.2 of the financial statements concerning the appropriateness of preparing the financial statements on a going concern basis. In view of the significance of this issue, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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.

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.

VERTICAL PHARMA RESOURCES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VERTICAL PHARMA RESOURCES LIMITED

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 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.

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.

Our audit procedures were primarily directed towards testing the accounting systems in operation which we have based our assessment of the financial statements for the year ended 28 February 2023.

We planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities, fraud or non-compliance with law or regulations.

Extent to which the audit was considered capable of detecting irregularities, including fraud

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VERTICAL PHARMA RESOURCES LIMITED

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- Enquiring of management of whether they are aware of any non-compliance with laws and regulations.
- Enquiring of management whether they have knowledge of any actual, suspected or alleged fraud.
- Enquiring of management their internal controls established to mitigate risk related to fraud or non-compliance with laws and regulations.
- Discussions amongst the engagement team on how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas; posting of unusual journals.
- Obtaining understanding of the legal and regulatory framework the company operates in focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations. The key laws and regulations we considered in this context included UK Companies Act, tax legislation, data protection, anti-bribery, employment and health and safety.

Audit response to risks identified

Fraud due to management override

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected relationships.
- Audited the risk of management override of controls, including through testing journal entries for appropriateness
- Assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- Investigated the rationale behind significant or unusual transactions.

Irregularities and non-compliance with laws and regulations

In response to the risk of irregularities and non compliance with laws and regulations, we designed procedures which included, but are not limited to:

- Agreeing financial statements disclosures to underlying supporting documentation.
- Reviewing minutes of meetings of those charged with governance.
- Enquiring of management as to actual and potential litigation claims.
- Reviewing correspondence with HMRC.

The test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, mean that there is an unavoidable risk that even some material misstatements in respect of irregularities may remain undiscovered even though the audit is properly planned and performed in accordance with ISAs (UK). Furthermore, the more removed that laws and regulations are from financial transactions, the less likely that we would become aware of non-compliance.

Our examination should therefore not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance that might exist. The responsibility for safeguarding the assets of the company and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the directors.

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.

VERTICAL PHARMA RESOURCES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VERTICAL PHARMA RESOURCES LIMITED

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.

Stephen Coleman ACA
Senior Statutory Auditor
For and on behalf of Gerald Edelman LLP

14 December 2023

Chartered Accountants
Statutory Auditor

73 Cornhill
London
EC3V 3QQ

VERTICAL PHARMA RESOURCES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Notes	2023 £	2022 £
Turnover	3	17,170,756	16,338,797
Cost of sales		(11,517,509)	(10,569,320)
Gross profit		5,653,247	5,769,477
Administrative expenses		(5,345,860)	(4,701,781)
Operating profit	4	307,387	1,067,696
Interest payable and similar expenses	7	(201)	(2,650)
Amounts written off investments	8	(405,915)	243,593
(Loss)/profit before taxation		(98,729)	1,308,639
Tax on (loss)/profit	9	105,418	8,000
Profit for the financial year		6,689	1,316,639

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

VERTICAL PHARMA RESOURCES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2023

	2023 £	2022 £
Profit for the year	6,689	1,316,639
Other comprehensive income	-	-
Total comprehensive income for the year	<u>6,689</u>	<u>1,316,639</u>

VERTICAL PHARMA RESOURCES LIMITED

BALANCE SHEET

AS AT 28 FEBRUARY 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	11		66,782		92,726
Tangible assets	12		191,537		103,563
Investments	13		60,006		60,006
			<u>318,325</u>		<u>256,295</u>
Current assets					
Stocks	15	1,778,650		1,031,768	
Debtors	16	3,761,143		4,246,360	
Cash at bank and in hand		645,845		942,616	
		<u>6,185,638</u>		<u>6,220,744</u>	
Creditors: amounts falling due within one year	17	<u>(4,850,359)</u>		<u>(4,830,124)</u>	
Net current assets			<u>1,335,279</u>		<u>1,390,620</u>
Net assets			<u><u>1,653,604</u></u>		<u><u>1,646,915</u></u>
Capital and reserves					
Called up share capital	20	1,000,100		1,000,100	
Profit and loss reserves		653,504		646,815	
		<u>1,653,604</u>		<u>1,646,915</u>	
Total equity			<u><u>1,653,604</u></u>		<u><u>1,646,915</u></u>

The financial statements were approved by the board of directors and authorised for issue on 14 December 2023 and are signed on its behalf by:

V Patani
Director

Company registration number 06077026 (England and Wales)

VERTICAL PHARMA RESOURCES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 March 2021	1,000,100	(669,824)	330,276
Year ended 28 February 2022:			
Profit and total comprehensive income	-	1,316,639	1,316,639
Balance at 28 February 2022	1,000,100	646,815	1,646,915
Year ended 28 February 2023:			
Profit and total comprehensive income	-	6,689	6,689
Balance at 28 February 2023	1,000,100	653,504	1,653,604

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2023

1 Accounting policies

Company information

Vertical Pharma Resources Limited is a private company limited by shares incorporated in England and Wales. The registered office is 41 Central Avenue, West Molessey, Surrey, KT8 2QZ.

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 financial instruments at fair value]. The principal accounting policies adopted are set out below.

The Company has considered the various indicators described in FRS102 for accounting for the Revenue for medicinal cannabis as Principal or Agent and given the customer fulfilment role, management have formed the view that the Group should account for the revenue on external sales and costs of sales incurred. In addition, the profit share due to Grow Group Plc should also be accounted for as a cost of sale.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of IPSCO Limited. These consolidated financial statements are available from its registered office 41 Central Avenue, West Molessey, Surrey, KT8 2QZ.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

1 Accounting policies

(Continued)

1.2 Going concern

The directors have reviewed the Group's profit and loss and cash flow forecasts for the foreseeable future, being at least one year from the date of approval of these financial statements, the available financial resources, the recurring income stream from customers, other contracted income and whether there is headroom on covenants. Management have a high degree of confidence in delivering these numbers and the actuals to date are ahead of budget.

Post year end the Group's main loan note holders formally extended the repayment date of these loans from 28 February 2023 to 30 June 2025 and the financial covenants amended to create sufficient headroom against base case forecasts.

The Group has strengths in importing products globally and hence has not been subject to disruption as a result of Brexit and customs declarations. The Group has implemented controls and procedures in place to ensure there is smooth supply of medicines and continues to work with the Department of Health and Social Care (DHSC) and The Medicines and Healthcare products Regulatory Agency (MHRA).

As a result of the above the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements and continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Revenue represents the sale of pharmaceutical products and services provided.

Revenue is measured at the full list price of products sold, net of returns, discounts and rebates based on the sales price, net of Value Added Tax.

Management review all contracts and considers itself to be the principal for sales of the products/services. The company is solely responsible for customer fulfilment, given it has the regulatory ability to buy/sell products, and has the knowledge, facilities and expertise to hold, distribute and manufacture goods

The companies recognises the principal associated revenue and cost of goods sold on a gross basis

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.

Revenue is recognised for identified contracts with customers. Revenue comprises the fair value of the consideration receivable for services sold to third party customers in the ordinary course of business.

It is the company's policy and customary business practice to receive a valid order from the customer in which each parties rights and payment terms are established . The company assesses revenue contracts and prices in an upfront fee to reflect the initial work required such as set up fees and then spreads the balance over the remaining term of contracts to reflect the various performance obligations to be delivered.

The company recognises revenue as the amount of value expected to be received for services provided as the contractual performance obligations are satisfied.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

SAP Development	5 years
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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:

Laboratory improvements	20%
Fixtures and fittings	20%
Computers	33%

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 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

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.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

1 Accounting policies

(Continued)

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.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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 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.

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.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

1 Accounting policies

(Continued)

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.

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.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

1 Accounting policies

(Continued)

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.

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.

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.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

1 Accounting policies

(Continued)

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

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.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

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.

Critical judgements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are included below.

Critical judgements that management have made in the process of applying accounting policies disclosed herein and that have a significant effect on the amount recognised in the financial statement relate to the following.

Deferred tax

The recognition of deferred tax assets is based on forecasts of future taxable profits. The measurements of future taxable profit for the purposes of determining whether or not recognise deferred tax assets depends on many factors, including the company's ability to generate such profits and the implementation of effective tax planning strategies.

Going concern

The directors have prepared forecasts based on estimates of future sales of non-core products, which indicate headroom against EBITDA and cash covenants. In the event that such sales fall significantly below expectations, in order to avoid covenant breaches, the directors have considered mitigating actions.

Revenue

The company's joint venture, Grow Pharma Ltd, with Grow Group Plc supplies medicinal cannabis to patients in the UK. The company is solely responsible for customer fulfillment, as it is the only party within the joint venture arrangement with the regulatory ability to buy/sell medicinal cannabis products, and has the knowledge, facilities and expertise to hold, distribute and in certain cases manufacture goods. The company also bears significant regulatory risk.

The company has considered the various indicators described in FRS102 for accounting for the revenue for medicinal cannabis as principal or agent and given the customer fulfillment role, management have formed the view that the company will account for the revenue on external sales and costs of sales incurred and the profit share due to Grow Group Plc has been accounted for as a cost of sale. The accounting for this share is judgemental, but as medicines supply is the core business of the company, management deem it appropriate to treat as cost of sale.

3 Turnover

	2023	2022
	£	£
Turnover analysed by geographical market		
United Kingdom	17,170,756	16,338,797

All turnover arises from the principal activity of the company being the sale of pharmaceutical products and services provided.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

4 Operating profit

	2023	2022
	£	£
Operating profit for the year is stated after charging:		
Exchange losses	31,899	15,011
Fees payable to the company's auditor for the audit of the company's financial statements	134,574	85,584
Depreciation of owned tangible fixed assets	69,054	81,720
Amortisation of intangible assets	31,267	22,194
Operating lease charges	276,717	246,929

5 Employees

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

	2023	2022
	Number	Number
Laboratory and administration staff	85	79

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	3,209,683	2,936,800
Social security costs	345,406	299,462
Pension costs	67,456	80,960
	3,622,545	3,317,222

6 Directors' remuneration

	2023	2022
	£	£
Remuneration for qualifying services	469,207	455,436
Company pension contributions to defined contribution schemes	11,234	25,705
	480,441	481,141

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023	2022
	£	£
Remuneration for qualifying services	180,250	175,000
Company pension contributions to defined contribution schemes	4,944	5,000

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

6 Directors' remuneration

(Continued)

During the year retirement benefits were accruing to 4 directors (2022: 4) in respect of defined contribution pension schemes.

7 Interest payable and similar expenses

	2023	2022
	£	£
Interest on bank overdrafts and loans	126	-
Other interest	75	2,650
	<u>201</u>	<u>2,650</u>

8 Amounts written off investments

	2023	2022
	£	£
Other gains and losses	(405,915)	243,593
	<u></u>	<u></u>

9 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	-	(8,000)
Adjustments in respect of prior periods	(70,234)	-
	<u>(70,234)</u>	<u>(8,000)</u>
Deferred tax		
Origination and reversal of timing differences	(35,184)	-
	<u>(35,184)</u>	<u>-</u>
Total tax credit	<u>(105,418)</u>	<u>(8,000)</u>

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

9 Taxation

(Continued)

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

	2023 £	2022 £
(Loss)/profit before taxation	(98,729)	1,308,639
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(18,759)	248,641
Tax effect of expenses that are not deductible in determining taxable profit	2,374	22,359
Tax effect of income not taxable in determining taxable profit	(77,124)	(46,000)
Adjustments in respect of prior years	70,234	-
Effect of change in corporation tax rate	-	(5,000)
Permanent capital allowances in excess of depreciation	(58,164)	-
Depreciation on assets not qualifying for tax allowances	11,205	-
Deferred tax adjustments in respect of prior years	-	3,000
Deferred tax not recognised	-	(26,000)
Remeasurement of deferred tax for change in tax rates	-	(205,000)
Deferred tax adjustments in respect of timing difference	(35,184)	-
Taxation credit for the year	(105,418)	(8,000)

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2023 £	2022 £
In respect of:			
Investments in joint ventures	13	405,915	(243,593)
Recognised in:			
Amounts written off investments		405,915	(243,593)

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

11 Intangible fixed assets

	SAP Development £
Cost	
At 1 March 2022	1,013,061
Additions	5,323
	<u>1,018,384</u>
At 28 February 2023	1,018,384
Amortisation and impairment	
At 1 March 2022	920,335
Amortisation charged for the year	31,267
	<u>951,602</u>
At 28 February 2023	951,602
Carrying amount	
At 28 February 2023	<u>66,782</u>
At 28 February 2022	<u>92,726</u>

12 Tangible fixed assets

	Laboratory improvements £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 March 2022	1,133,295	748,007	13,454	1,894,756
Additions	3,233	151,545	2,250	157,028
	<u>1,136,528</u>	<u>899,552</u>	<u>15,704</u>	<u>2,051,784</u>
At 28 February 2023	1,136,528	899,552	15,704	2,051,784
Depreciation and impairment				
At 1 March 2022	1,123,673	654,066	13,454	1,791,193
Depreciation charged in the year	4,189	64,640	225	69,054
	<u>1,127,862</u>	<u>718,706</u>	<u>13,679</u>	<u>1,860,247</u>
At 28 February 2023	1,127,862	718,706	13,679	1,860,247
Carrying amount				
At 28 February 2023	<u>8,666</u>	<u>180,846</u>	<u>2,025</u>	<u>191,537</u>
At 28 February 2022	<u>9,622</u>	<u>93,941</u>	<u>-</u>	<u>103,563</u>

13 Fixed asset investments

	Notes	2023 £	2022 £
Investments in joint ventures	14	<u>60,006</u>	<u>60,006</u>

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

14 Joint ventures

The company has 60% of the equity with 50% voting rights in Intergro Medicals Clinics Limited.

Details of the company's joint ventures at 28 February 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Interest held	% Held Direct
Grow Pharma Limited	Suite 1, 6, Honduras Street, London, EC1Y 0TH	Education and market access Services	Ordinary	49.00
Integro Medical Clinics Limited	Queen House Mill Court, Great Shelford, Cambridge, CB22 5LD	Private medical clinic	B Ordinary	60.00

15 Stocks

	2023 £	2022 £
Raw materials and consumables	1,778,650	1,031,768

During the year £136,000 was provided against inventory (2022: £137,000).

16 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	2,690,357	3,894,900
Corporation tax recoverable	-	35,435
Other debtors	848,276	95,325
Prepayments and accrued income	93,326	126,700
	<u>3,631,959</u>	<u>4,152,360</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 18)	129,184	94,000
	<u>129,184</u>	<u>94,000</u>
Total debtors	<u>3,761,143</u>	<u>4,246,360</u>

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

17 Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	1,605,331	1,254,563
Amounts owed to group undertakings	700,115	700,115
Taxation and social security	299,253	524,700
Other creditors	809,793	1,135,774
Accruals and deferred income	1,435,867	1,214,972
	<u>4,850,359</u>	<u>4,830,124</u>

Amounts owed to group undertakings are interest free and payable on demand.

18 Deferred taxation

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

	Assets 2023 £	Assets 2022 £
Balances:		
Accelerated capital allowances	92,000	92,000
Short term timing differences	37,184	2,000
	<u>129,184</u>	<u>94,000</u>
Movements in the year:		2023 £
Asset at 1 March 2022		(94,000)
Credit to profit or loss		(35,184)
Asset at 28 February 2023		<u>(129,184)</u>

The company has taxable losses of £282,303 (2022: £366,319) available for offset against future taxable profits. These have not been recognised due to uncertainty over the timing of their use.

19 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	67,456	80,960

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.

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

20 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	1,000,100	1,000,100	1,000,100	1,000,100

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

21 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:

	2023 £	2022 £
Within one year	228,962	154,000
Between two and five years	418,680	234,000
	<u>647,642</u>	<u>388,000</u>

22 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

VERTICAL PHARMA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2023

22 Related party transactions

(Continued)

The Company has taken advantage of the exemption in Financial Reporting Standard 102 from the requirement to disclose transactions with group companies that are 100% owned by the group

At the year end, the amount due from Herisse Limited was £4,379 (2022: £3,783). A D Patel is a director of Herisse Limited. During the year, rentals of £124,000 (2022: £124,000) were paid to Herisse limited in addition to sales made of £21,406 (2022: £23,682).

Furthermore, additional purchases were made to Herisse Limited in the amount of £19,518 (2022: £2,075) leaving an amount due to the Herisse limited, at the year-end date of £Nil (2022: £31,000) at the year end.

At the year end, the amount due from Elite Pharma (Surrey) Limited was £Nil (2022: £Nil). A D Patel is a director and shareholder of Elite Pharma (Surrey) Limited, During the year, sales made on an arm's length basis by the company to Elite Pharma (Surrey) Limited amounted to £Nil (2022: £4,613).

Furthermore, £Nil (2022: £46,165) of additional purchases were made from Elite Pharma (Surrey) Limited leaving an amount due to Elite Pharma (Surrey) Limited of £Nil (2022: £5) at the year end.

During the year the Company invoiced Grow Pharma Limited (joint venture with Grow Group Plc) £3,004,294 (2022: £2,617,125) for management fees and invoiced cost of sales relating to the medicinal cannabis and £5,189,255 (2022: £3,284,590) remains to be invoices was invoiced after the year end. The balance of invoiced amounts due from Grow Pharma Ltd at the yearend are £7,017,387 (2022: £3,004,294)

During the year Grow Pharma Limited invoiced the Company £4,406,140 (2022: £1,957,244) for sales relating to medicinal cannabis and £5,910,535 (2022: £3,961,258) remains to be invoiced/was invoiced after the year end. The balance of invoiced amounts due to Grow Pharma Ltd at the year end are £5,880,108 (2022: £2,250,896).

The Company obtained, a further fixed rate unsecured loan note of 0.5% 2027 of £30,000 in Integro Medical Clinics, a joint venture with Eurox Life Sciences (UK) Limited. The total balance of £120,000 (2022: £90,000) is outstanding at year end.

Furthermore, there is an amount owed to the Company from Integro Medical Clinics £180,357 (2022: £149,994) and an amount owed from the company to Integro Medical Clinics of £Nil (2022: £21,333).

23 Ultimate controlling party

The company's immediate parent undertaking is Integrated Pharmaceutical Services (IPS) Limited. The company's ultimate parent undertaking is IPSCO Limited. Both are registered in England and Wales. The smallest and largest group to consolidate these financial statements is IPSCO Limited. Copies of the financial statements are available at Companies House.

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.