Bestway Belfast Chemists Limited

Directors' report and financial statements

Registered number NI626625

30 June 2022

Contents

Contents	Page
Strategic Report	2
Directors' Report	4
Statement of Directors' responsibilities in respect of the Financial Statements	5
Profit and Loss Account	6
Balance Sheet	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9

Strategic report

The Directors present their annual Strategic Report of Bestway Belfast Chemists Limited (the 'Company') for the year ended 30 June 2022.

Principal activities
The principal activities of the Company during the year related to retail pharmacy.

Business review
The results of the Company for the year are set out in the profit and loss account on page 6. Revenue for the year was £6,918,000 (year ended 30 June 2021: £6,788,000) with profit before taxation of £622,000 (year ended 30 June 2021: £615,000). The net assets position of the Company as at 30 June 2022 was £1,798,000 (2021: £1,297,000).

The Company operated 6 pharmacies at the end of the year (2021: 6). Our strategic intent is to improve the quality and scale of the network where reasonable value exists.

Operating profit is the profit the Company has made before any interest income or expense, taxation and dividends received or paid. Operating profit for the year ended 30 June 2022 was £626,000 (2021: £620,000).

Future development and performance of the business
The Company expects to improve gross margins and maximise profitability by realising efficiencies within the business.

Principal risks and uncertainties
The Company is carefully managed, with Directors and Shareholders who take a long-term view of operating the business. This is done with the purpose of providing the best overall outcomes for the Company's stakeholders, including its shareholders, its primary funder (NHS), employees, customers and patients.

It is with this in mind that the Board has established a risk management framework and operates internal controls to facilitate the identification, assessment, and management of risk. This allows as a reasonable level of assurance against material adverse risks. The principal risks determined by the Board are set out below along with corresponding controls and mitigation actions. This represents the business's current most material risk profile and is not intended to be an exhaustive list of all risks and uncertainties that may arise.

NHS funding
The retention of a flat funded position by the NHS for the remaining two years of the Community Pharmacy Contractual Framework (the Contract) continues to present a key risk to community pharmacies, especially when combined with wider inflationary pressures and the healthcare workforce challenges (both as summarised above). The business continues to focus on maximising its capacity to deliver against the breadth of services available under the Contract while maintaining careful control of its cost base.

Coronavirus
The ongoing Coronavirus pandemic continued to bring with it operating disruption to all frontline healthcare businesses during the year to 30th June 2022. The Company anticipates that this disruption will continue with varying intensity during the year to 30th June 2023. Throughout this time, the Company's focus has been on ensuring the continuing delivery of its services our customers and patients across all business activities. At the same time, the Company continues to update and adapt its working to practices in order to maintain the safety of colleagues throughout the business. Our primary concern remains in keeping our customers, patients and colleagues safe, and helping support the NHS to continue to serve the communities in which we operate.

Inflation
The influence of growing inflation presents a risk to all businesses, and the Company is no exception. One key area of focus is energy usage across the estate of pharmacies, the Healthcare Service Centre distribution site (HSC) and the fleet of delivery vehicles used by the Company. Recognising these risks the Company has made the decisions to mitigate through the forward purchasing of power to hedge against rising costs. Additionally, the Company is now processing an installation of solar panels to support power usage at the HSC.

Workforce
The impact to workforce availability across all of healthcare, including community pharmacy, is ongoing. The consequences of this can be seen in both access to appropriately qualified personnel as well as the cost impacts of engaging self-employed locum pharmacists. The Company continues to work hard to minimise these impacts, both financially and operationally, with the focus of ensuring that we continue to provide the best service we can for the communities we serve.

The HMRC investigation into locum pharmacists remains open and ongoing. The Company's position is unchanged from prior years in that the Company believes that locum pharmacists are self-employed and continue to be accounted for on this basis. The Company is aware that HMRC is focussing its investigation on the largest community pharmacy businesses.

Strategic report *(continued)*

Section 172(1) statement
The Directors of Bestway Belfast Chemists Limited (the "Company") act in the way they consider, in good faith, would be most likely to promote the success of the Company while recognising and meeting the short and long term interests of its shareholders and relevant stakeholders as part of this role. In doing this, the Directors have given careful consideration to the following factors set out in section 172 of the Companies Act 2006 ("section 172"), among other matters, and take these into account when making decisions:

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

The Well Group has created a governance framework which is in place for all subsidiary companies to ensure that the values, policies and processes of Bestway Panacea Holdings Limited are adhered to in order to ensure that the Company, as a member of the Group, acts in a clear, accountable and consistent manner.

Stakeholder management
Please see the statements set out in the section 172 statement for Bestway Panacea Holdings Limited.

Employee statement
Please see the statements set out in the section 172 statement for Bestway Panacea Holdings Limited as all employees are employed by Bestway Panacea Holdings Limited.

Decision making
We set out below examples of how the Directors of the Company have had regard to the matters set out in section 172(1)(a)-(f), including consideration of the Company's stakeholders and employees, when discharging their duties under section 172 and the effect on certain of the decisions taken by them.

(i) Services agenda
As the NHS continues to look to community pharmacy to support the delivery of expanded primary care services, the board has recognised this and continued to support the development by the Company of resources and capabilities to allow more clinical services to be delivered to our patients. The Company has engaged across nationally and locally commissioned services, including the accelerated provision of the NHS Hypertension Case Finding Service across our pharmacies in England and supporting the delivery of services deferred during the pandemic (e.g. catch-up New Medicines Services consultations). Additionally, recognising the role the community pharmacy has to play in delivering the services patients expect, the Company has introduced some self-pay services alongside the free-to-use offerings and has successfully rolled out mobile health clinics to deliver clinical services to more difficult-to-reach communities.

(ii) Strategy evolution
In 2020 the Company adopted a three year strategy, Delivering Well (DWS). During the course of the year to 30th June 2022, the board reviewed this existing strategy and concluded that, having delivered the key benefits envisaged in DWS within the first two or its three year cycle, it was appropriate to update the Company's strategy to better meet the opportunities going forwards. As part of the review of the DWS, the Board considered positive or negative impact, financial or non-financial, on the status of the Company's key stakeholders, including among others the Company's investors, employees and customers and patients.

The Board concluded the Company as a whole would benefit from the anticipated increase in return to the Company's investors and improvement in range and quality of products and services for the Company's patients and customers. The Company adopted and introduced the Destination Well strategy, effective for the next three years.

(iii) Appointment of Operations Director
Following a decision by Nigel Sullivan to leave his role as Operations Director of the Company, the Board conducted an extensive search exercise which concluded with the appointment of Louis Purchase as the new Well Operations Director.

Mr Purchase has a career in excess of 20 years in pharmacy, having originally started as a qualified pharmacist. He is an existing employee of the Company and, prior to his appointment, served in a serious of senior leadership roles, both in the field as well as in central operations. The Board took into account a number of factors when making the appointment, including the deep community pharmacy knowledge and experience of Mr Purchase has to support the key elements of the Destination Well strategy.

Strategic report (continued)

Key performance indicators

The following are the key performance indicators of the Company, which are monitored by the Directors:

	2022	2021
Revenue (£'000)	**6,918**	6,788
Profit before taxation (£'000)	**622**	615
Net assets (£'000)	**1,798**	1,297
Prescription volume (Number of core items dispensed '000)	**538**	904

On behalf of the Board,

K R Jacob
Director
28 September 2022

Registered Office:
70 Ballygomartin Road
Belfast
BT13 3NE

Directors' report

The Directors present their report and unaudited financial statements for the year ended 30 June 2022.

Dividend
During the year, the Directors do not propose a dividend for the year (year ended 30 June 2021: £nil).

Directors
The Directors who held office during the year and up to the date of signing the financial statements were as follows:
S Hobbs
K R Jacob

Company Secretary:
T R J Ferguson

The Directors benefited from third party indemnity provisions in place during the financial year and at the date of this report.

Employees
The main communication with employees is via the intranet site. This includes business specific information provided through Branch Support e-mails. All managers are kept informed about the Well group's performance through annual reports, management bulletins and the electronic weekly news service.

The Company's policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employees are also consulted on a regular basis so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

Financial Risk Management
The principal financial risk of the Company relates to the generation and availability of sufficient funds to meet business needs, including payments to members. The Company has exposure to commodity prices and fluctuations in interest and foreign exchange rates, which can impact on financial performance.

The Board is responsible for approving the Company's strategy, its principal markets and the level of acceptable risks. The Company operates a risk management process that identifies the key risks to the business. Each operation has a risk register that identifies the likelihood and impact of those risks occurring and the actions being taken to manage those risks.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company has no credit risk because all of its external trade receivables are guaranteed to be paid by the National Health Service on their due date.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The ultimate parent undertaking, Bestway Group Limited, has indicated that it will continue to provide financial and other support to the extent necessary to enable the Company to continue to trade and meet its financial obligations for the foreseeable future and specifically for at least twelve months from the date of signature of the accounts.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is not exposed to currency risk, as all revenue is derived from the United Kingdom, and all expenditure is incurred within the United Kingdom.

Directors' Report (continued)

Corporate Governance
The Company is an indirect subsidiary of Bestway Panacea Holdings Limited. The Directors sit on the Well Businesses Board who determine the major operating decisions of this Company.

The Board meets monthly and reviews operating performance against the strategic business plan and detailed management budgets. This strategic business plan incorporates all aspects of strategy and associated risks; all proposals for contract variations are vetted before approval against the plan. The Board reserves its own decision on contractual expenditure above a certain amount and associated funding. The Board comprises of three Directors from the business and a Non-Executive Director.

The Board, after seeking appropriate external advice, decides upon the accounting policies which are appropriate for the Company and ensures they are consistently applied. The Board has instigated a rigorous process of internal control, under the discipline of contractual agreements, in order to safeguard the outcomes for the Company in terms of operational performance, financial control, legal and regulatory compliance provisions for risk factors and longer term relationships.

Future development and performance of the business
Refer to the Strategic Report on page 2 for details on the future development of the business, principle risks and business review.

Political contributions
The Company has made no political donations during the year (year ended 30 June 2021: £nil).

Streamlined Energy and Carbon Reporting (SECR) disclosure
Refer to the annual report of Bestway Panacea Holdings Limited, which has included the Company in its consolidated SECR disclosure.

Going concern
The financial statements are prepared on a going concern basis which the Directors believe to be appropriate. The Company made a post-tax profit of £501,000 in the current year (year ended 30 June 2021: £410,000) and the Company had net assets of £1,798,000 as at 30 June 2022 (30 June 2021: £1,297,000).

Based on this the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

On behalf of the Board,

K R Jacob
Director
28 September 2022

Registered Office:
70 Ballygomartin Road
Belfast
BT13 3NE

Profit and Loss Account
for the year ended 30 June 2022

	Note	2022	2021
		£'000	£'000
Revenue		**6,918**	6,788
Cost of sales		**(4,477)**	(4,369)
Gross profit		**2,441**	2,419
Other income		**7**	7
Administrative expenses		**(1,822)**	(1,806)
Profit before interest and taxation	3	**626**	620
Interest payable and similar expenses	6	**(4)**	(5)
Profit before taxation		**622**	615
Tax (charge)/credit on profit	7	**(121)**	(205)
Profit for the financial year		**501**	410

All amounts relate to continuing activities.

The Company has no recognised income or expenses in the current or prior period other than those included in the profit and loss shown above.

The notes on pages 9 to 20 form part of these Financial Statements.

Balance Sheet
at 30 June 2022

	Note	2022	2021
		£'000	£'000
Non-current assets			
Property, plant and equipment	8	720	450
Intangible assets	9	68	68
Deferred tax asset	10		1
Total non-current assets		788	519
Current assets			
Inventories	11	446	480
Trade and other receivables	12	845	565
Cash at bank and in hand		40	30
Total current assets		1,331	1,075
Creditors: amounts falling due within one year	13	(258)	(202)
Net current assets		1,073	873
Total assets less current liabilities		1,861	1,392
Creditors: amounts falling due after more than one year			
Deferred tax liability		(13)	-
Lease liabilities	14	(50)	(95)
Total non-current liabilities		(63)	(95)
Net Assets		1,798	1,297
Capital and reserves			
Called up share capital	15	-	-
Retained earnings		1,798	1,297
Total shareholders' funds		1,798	1,297

For the year ending 30 June 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The notes on pages 9 to 20 form an integral part of these Financial Statements.

These financial statements on pages 6 to 20 were approved by the Board of Directors and were signed on its behalf by:

K R Jacob
Director
Company registered number: NI626625
28 September 2022

Statement of changes in equity
for the year ended 30 June 2022

	Called up share capital	Retained earnings	Total share-holders' funds
	£'000	£'000	£'000
Balance at 1 July 2020	-	887	887
Profit for the financial year	-	410	410
Dividends	-		-
Balance at 30 June 2021	-	1,297	1,297
Profit for the financial year	-	501	501
Balance at 30 June 2022	-	1,798	1,798

The notes on pages 9 to 19 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies
The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Reporting entity
Bestway Belfast Chemists Limited (the Company) is a private company limited by shares and domiciled in Northern Ireland. The address of the Company's registered office is Well, 70 Ballygomartin Road, Belfast, BT13 3NE.

1.2 Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') under the historical cost convention.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking, Bestway Panacea Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Bestway Panacea Holdings Limited, which are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:
•Paragraph 38 of IAS 1, 'Presentation of financial statements' - comparative information requirements in respect of:
-paragraph 79(a)(iv) of IAS 1 a reconciliation of share capital;
-paragraph 73(e) of IAS 16, 'Property, plant and equipment' a reconciliation of fixed assets;
-paragraph 118(e) of IAS 38, 'Intangible assets' a reconciliation of intangible assets.
•The following paragraphs of IAS 1, 'Presentation of financial statements':
-10(d) a statement of cash flows for the period;
-16 a statement of compliance with all IFRS;
-38A a requirement for a minimum of two primary statements, including cash flow statements;
-111 cash flow statement information; and
-134-136 capital management disclosures.
•IAS 7, 'Statement of cash flows'.
•Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
•Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
•The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
•The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers'.
•Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
•Paragraphs 91 to 99 of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7.

1.3 New standards implemented in the year

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2021:

• Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets)
• Reference to the Conceptual Framework (Amendments to IFRS 3, Business Combinations),
• Proceeds before Intended Use (Amendments to IAS 16, Property, Plant and Equipment (PPE)),

The adoption of these amended standards did not have a material effect on the accounts.

Notes to the Financial Statements *(continued)*

1. Accounting policies (continued)

1.4 Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate. The Company made a post-tax profit of £501,000 in the current year (year ended 30 June 2021: £410,000) and the Company had net assets of £1,798,000 as at 30 June 2022 (30 June 2021: £1,297,000).

Based on this the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Property, plant, and equipment

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2.5% per annum
Fixtures and fittings	-	10% - 33% per annum

The residual value, if not insignificant, is reassessed annually.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

No depreciation is provided on freehold land.

1.6 Intangible assets

(i) Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates, and joint ventures. In respect of business acquisitions that have occurred since 11 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

(ii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the Financial Statements *(continued)*

1. Accounting policies (continued)

1.7 Impairment

The carrying amount of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.An annual impairment review of goodwill is carried out in accordance with IAS

1.8 Pensions and other post-retirement benefits
The Company makes contributions towards the personal (defined contribution) pension scheme. Pension costs charged against profits represent the amounts payable to the schemes in respect of the year.

1.9 Inventories
Inventories are stated at the lower of cost, including attributable overheads, and net realisable value.

1.10 Trade and other receivables
Trade and other receivables are recognised at fair value, less any impairment losses. A provision for impairment is established when the carrying value of the receivable is unlikely to be recoverable. The carrying value of the receivable is reduced and any impairment loss is recognised in the profit and loss account.

The Company has adopted IFRS 9 and calculates the expected credit losses using the IFRS 9 simplified approach model. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due and no credit loss has been identified.

1.11 Cash and cash equivalents
Cash and cash equivalents includes cash in hand and cash held in bank accounts.

1.12 Trade and other payables
Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised at amortised cost.

Notes to the Financial Statements *(continued)*

1. Accounting policies (continued)

(o) Leases

(i) Lease recognition
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. At inception or on reassessment of the leases of land and buildings in which it is a lessee, the Company has elected to account for the lease and non-lease components as a single lease component.

(ii) Right of use assets
The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(iii) Lease liabilities
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate. The weighted average incremental borrowing rate applied by the Company at 30 June 2022 was 3.5%.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the income statement.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

(iv) Short-term leases and leases of low-value assets
The Company has elected not to recognise right of use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

1.14 Taxation

(i) Income tax
Income tax on the profit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements *(continued)*

1. Accounting policies (continued)

1.13 Taxation (continued)

(ii) Deferred taxation
Deferred tax is provided, with no discounting, using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.14 Revenue

(i) Pharmacy remuneration
Revenue includes cash sales and NHS dispensing, services, and fees income, exclusive of VAT. NHS community pharmacy funding comprises two key elements, being fees (remuneration) and retained margin (part of reimbursement). The NHS "fees" or "remuneration" element of funding covers a number of services and their associated fees. All pharmacies, whether they are distance selling pharmacies or located within local communities, are paid according to the same contractual pharmacy funding framework that is applicable to their country.

The majority of the NHS income is receivable within two months. The revenue for May to June is therefore estimated by reference to the number of items dispensed, services performed, together with the remuneration element published by the National Health Service. The remainder of the year is recognised as actual revenue paid by the NHS. There is also a smaller amount of NHS income that is received through invoicing local Clinical Commissioning Groups (CCGs).

The following NHS fees and services received by Pharmacy are deemed to have the control transferred at a point in time, being either the point at which the service is performed or at the point when a prescription is dispensed and collected:

- Advanced Services: There are various Advanced Services within the funding framework, being Medicines Use Reviews (MURs), the New Medicine Service (NMS), the Flu Vaccination Service, Appliance Use Reviews (AURs), Stoma Appliance Customisation (SAC), and the Community Pharmacy Consultation Service (CPCS). MURs are being phased out with the year to April 2022 the last year the service will be in place;
- 2A-2F Fees: This refers to Part IIIA of the Drug Tariff, where a number of professional fees are described. These are payments to cover the dispensing of unlicensed medicines, certain appliances, oral liquid methadone, Schedule 2 and 3 Controlled Drugs, and expensive items.

The following NHS fees received by Pharmacy are deemed to have the control transferred over time as their performance obligations as set by the health authorities are met:

- Pharmacy Quality Scheme (PQS): This scheme makes payments to community pharmacies that are meeting certain Gateway and Quality criteria. Payments are made to eligible pharmacies depending on how many of the Quality criteria they have met (the number of 'points' earned). The period under review is in line with the NHS year, i.e. April to March each year, and the criteria are updated each year. Revenue is recognised for the PQS based upon declarations provided by each pharmacy as to their progress against each criteria. Income is received through an estimated advance payment in November and a final payment in March;

In addition to NHS income, the retail pharmacies generate income from Over the Counter (OTC) sales to customers. Revenue is recognised on the day that the sale is made. Revenue through online sales are recognised on delivery to the customer.

(ii) Measuring obligations for returns, refunds and other similar obligations
Generally refunds and returns are not permitted, however on a case by case basis they can be accepted with the correct managerial authority. Any accepted returns and refunds will be recognised at the retail sale value.

2. Judgements and key areas of estimation uncertainty
The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the company's directors to exercise judgment in applying the company's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors do not consider there to be any significant judgements or key areas of estimation uncertainty.

Notes to the Financial Statements *(continued)*

3. Profit before taxation

	2022	2021
	£'000	£'000
Profit before taxation is stated after (crediting)/charging:		
Other income	(7)	(7)
Depreciation	82	101
Staff costs (see note 4)	1,376	1,327

Other income represents income received under the Coronavirus Job Retention Scheme ('CJRS') to support employment.

4. Staff numbers and costs

Staff costs, including directors' remuneration, were:

	2022	2021
	£'000	£'000
Wages and salaries	1,282	1,247
Social security costs	68	57
Other pension costs	26	23
	1,376	1,368

The Company did not employ any staff in the current or comparative years. The staff were employed by an intermediary holding company, Bestway Panacea Holdings Limited, and associated costs incurred and recharged amounted to £1,281,000 (year ended 30 June 2021: £1,320,000). It is not possible to provide staff numbers as the recharge is based upon the Company's relevant proportion of Well EBITDA and number of pharmacies operated.

The Directors emoluments were as follows:

	2022	2021
	£'000	£'000
Aggregate emoluments	16	7

The highest paid Director's emoluments were as follows:

	2022	2021
	£'000	£'000
Salaries, fees, bonuses, and benefits in kind	11	3

5. Pension Scheme
The Company is an indirect subsidiary of Bestway Panacea Holdings Limited which operates a defined contribution scheme. Full details of the scheme for the year ended 30 June 2022 are disclosed in the Bestway Panacea Holdings Limited financial statements for that year.

The amount recognised as an expense in respect of the contribution for this Company was £26,000 (year ended 30 June 2021: £23,000). There was £9,000 outstanding at the year end (2021: £4,000). This is included in the staff costs as disclosed in note 4.

Notes to the Financial Statements *(continued)*

6. Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest relating to lease liabilities	4	5
Total interest payable and similar expenses	4	5

7. Tax charge/(credit) on profit

(i) Analysis of charge/(credit) in year	2022 £'000	2021 £'000
Current tax:		
UK corporation tax at 19% (2021: 19%)	108	120
Adjustments in respect of prior periods	(1)	79
Total current tax charge	107	199
Deferred tax: (see note 10)		
Adjustments in respect of prior periods	(1)	5
Effect of tax rate change on deferred tax balances	-	(1)
Origination and reversal of timing differences	15	2
Total deferred tax charge/(credit)	14	6
Tax charge/(credit) on profit before taxation	121	205

(ii) Reconciliation of tax charge / (credit)
The total tax charge for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below.

	2022 £'000	2021 £'000
Profit before taxation	622	615
Total tax at 19% (2021: 19%)	118	117
Effects of:		
Adjustment to tax charge in respect of previous periods	(2)	84
Fixed asset differences	1	4
Group relief claimed for nil consideration	-	-
Expenses not deductible for tax purposes	-	-
Effect of tax rate change on deferred tax balances	4	-
Total taxation charge / (credit)	121	205

(iii) Factors that may affect future current and total tax charges
The UK Budget 2022 announcements on 3 March 2022 included measures to support economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the Financial Statements ***(continued)***

8. Property, plant and equipment

	Land and buildings	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
Balance at 1 July 2021	498	806	1,304
Additions	-	352	352
Balance at 30 June 2022	**498**	**1,158**	**1,656**
Depreciation			
Balance at 1 July 2021	137	717	854
Charge for the year	49	33	82
Balance at 30 June 2022	**186**	**750**	**936**
Net book value			
At 30 June 2022	**312**	**408**	**720**
At 30 June 2021	361	89	450

Right of use assets

	Total
	£'000
Cost	
Balance at 1 July 2021	240
Additions	-
Balance at 30 June 2022	**240**
Depreciation	
Balance at 1 July 2021	103
Charge for the year	44
Balance at 30 June 2022	**147**
Net book value	
At 30 June 2022	**93**
At 30 June 2021	137

9. Intangible Assets

	Goodwill	Total
	£'000	£'000
Cost		
Balance at 30 June 2022 and 30 June 2021	68	68
Net book value		
At 30 June 2022 and 30 June 2021	68	68

Notes to the Financial Statements *(continued)*

10. Deferred tax (liability) / asset

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 25% (2021: 19%).

	£'000
Deferred taxation asset	
At 30 June 2021	1
Income statement charge in the year	(14)
At 30 June 2022	(13)
Comprising:	
Accelerated tax depreciation on tangible assets	(13)
At 30 June 2022	(13)

11. Inventories

	2022 £'000	2021 £'000
Finished goods and consumables	446	480

The amount of inventories recognised as an expense in cost of sales during the year was £4,979,000 (2021: £5,463,000). There is no material difference between the replacement cost of inventories and the amounts stated above.

Inventories are stated after provisions for impairment of £nil (2021: £nil).

12. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	503	486
Prepayments and accrued income	27	26
Amounts owed by group undertakings	315	53
	845	565
Due within one year	845	565
Due after more than one year	-	-

The majority of the NHS income is receivable within one month of the related performance obligation being delivered. For other trade receivables, the Company's payment terms are typically 30 days. The Company calculates the expected credit losses using the IFRS 9 simplified approach model. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. No credit losses have been identified.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The repayment strategy of the amounts owed by group undertakings has been reviewed and concluded that no impairment is required.

Notes to the Financial Statements *(continued)*

13. Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Lease liabilities (refer to note 14)	49	49
Other payables including taxation and social security	209	153
	258	202

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

14. Lease liabilities

The Company's leases include retail estate leases of pharmacies. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right of use asset and a lease liability. The Company classifies its right of use assets in a consistent manner to its property, plant and equipment.

Retail estate leases

The Company leases 6 (2021: 6) retail estate units from which it conducts its pharmacy business, not including pharmacies operating from freehold premises. The lease terms vary; the leases of retail pharmacies that have been more recently entered into typically run for a period of 10 years and include a tenant-only break option at either year 5 or 6.

Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. It reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. Due to the low number of leases affected, the impact of these options to extend are immaterial to the calculation of the right of use assets.

Some retail estate pharmacy leases provide for additional rent payments that are based on changes in market rates or consumer price index in the period.

There are no significant restrictions or conditions imposed by the leases, albeit dilapidations are sometimes payable in line with the tenant's repairing obligations under the terms of the leases.

Discounted liabilities included in the balance sheet:	2022	2021
	£'000	£'000
Lease liabilities less than one year	49	49
Lease liabilities greater than one year	50	95
	99	144

Undiscounted future minimum lease payments are as follows:

	2022	2021
	£'000	£'000
Not later than one year	49	49
After one year, but not more than five years	71	101
After five years	0	19
	120	169

Notes to the Financial Statements *(continued)*

15. Called up share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
21 (2021: 21) Ordinary shares of £1 each	-	-

16. Commitments
There are no capital or contingent commitments at the end of the current and preceding financial years.

17. Contingent assets and liabilities
The company had no contingent assets or liabilities at 30 June 2022

18. Group Entities
The immediate parent undertaking of the Company is Bestway National Chemists Limited (registered address: Well, Merchants Warehouse, Castle Street, Castlefield, Manchester, England, M3 4LZ) and the ultimate parent undertaking of this Company is Bestway Group Limited (Registered Address: Newport House, 15 The Grange, St Peter Port, Guernsey, GY1 2QL; Reg. No: 68536).

The Company knows, or has reasonable cause to believe, that there is no registrable person or registrable relevant legal entity with significant control over the Company's ultimate parent undertaking.

The largest and smallest group in which the results of the company are consolidated is that headed by Bestway Panacea Holdings Limited. Copies of the group financial statements are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

19. Related parties
The Company has a related party relationship with its fellow group companies and with its Directors and key management. The Company has taken advantage of exemptions conferred by FRS 101 not to disclose transactions and amounts due to and from fellow group companies that are wholly owned by the ultimate parent company.

20. Post balance sheet events
There have been no events subsequent to the balance sheet date which would have a material effect on the Company's financial statements.