



**Bestway Belfast Chemists Limited**

**Directors' report and financial statements**

Registered number NI626625

30 June 2021

<b>Contents</b>	<b>Page</b>
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 2021.

### 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 £6,788,000 (year ended 30 June 2020: £6,395,000) with profit before taxation of £615,000 (year ended 30 June 2020: £396,000). The net assets position of the Company as at 30 June 2021 was £1,297,000 (2020: £887,000).

Throughout the Covid pandemic the Company has experienced changes in people's habits in how they have sought prescription dispensing in addition to doctors' prescribing lengths. We have also seen a reduction in non-prescription income following the impact of lockdowns on footfall. Despite the challenges and risks posed by the pandemic our pharmacies have remained open throughout the various lockdowns and restrictions giving our patients and customers their essential medicines and access to products to support their self-care needs.

Additional costs incurred in making pharmacies safe and keeping our colleagues safe were also incurred along with ensuring we could remain open and able to support our customers and communities. The NHS in all regions have provided funding to support extra costs incurred and, in order to aid the industry as a whole, provided repayable cash advances to ensure pharmacies could continue to trade within difficult supply chain conditions; the group has begun to repay these cash advances.

### 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.

#### NHS funding

The changing government policy around NHS funding continues to present a key risk to community pharmacies. The business has taken steps to improve its customer experience and ensure it's in a strong position to maximise performance against the contract. However, the Company recognises that the flat funding model of the community pharmacy sector presents a risk as the sector incurs upwards inflationary costs pressures, including among others those relating to National Living Wage changes, energy costs and inflation-linked rent reviews.

#### Coronavirus

The uncertain operating environment created by the COVID-19 pandemic has resulted in a volatile working environment, particularly within the front-line stores and the supply chain which offer essential services throughout the pandemic. The business responded by setting up an agile management team consisting of expertise across the business who have been able to identify pinch points and risks and take corrective action to minimise the disruption to customers. As the situation around the COVID-19 virus outbreak continues to evolve, our primary concern is keeping our customers and colleagues safe, helping support the NHS to continue to serve the communities in which we operate.

#### Data

The safe retention of both our customers' and staff's data has been identified of key importance to the maintaining of trust in the business. To support this the business has taken robust steps to improve the governance of data as well as strengthening its cyber security.

#### Qualified Pharmacists

We have regular, open dialogue with HMRC over issues that could affect Well Group or the industry generally, such as the self-employed status of locums. The discussions have highlighted differences in interpretation between HMRC and the industry and HMRC have made a policy level decision to look at the self-employed status of locums.

As of the date of this report, the review by HMRC into industry practice is still ongoing. However, Well Group believes that locums are self-employed individuals and are accounted for on this basis. As a result, the company has not provided for any National Insurance contributions or Income Taxation, which would be the case if these individuals were deemed employees.

The Company also recognises the wider influence on workforce availability across the sector resulting from a general reduction of available qualified workforce capacity and the associated operational and cost-inflationary impacts that has across the community pharmacy sector. Given the regulatory requirements around qualified personnel and its commitments to providing the best service it can for the communities it serves, the Company continues to manage these closely in order to minimise their ongoing effects.

## 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) Ongoing response to COVID-19 pandemic

Given the nature of the continued impact of the COVID-19 pandemic on pharmacies, particular efforts continued in the protection of the supply to and operation of the pharmacies. The Board continued to support the Company in its efforts to ensure effective operation of the business within the constraints demanded by the pandemic.

A significant focus on the safety and wellbeing of all employees, ensuring that at all times the Company adhered to both legislative requirements as well as the updated guidance issued by the government and relevant regulatory bodies. While there were some colleagues who contracted illness during this time, the Board was reassured that the health and safety processes and investigations put into place meant that there was no evidence of workplace transmission.

#### (ii) Investment in employees

The Board recognises the significant efforts that its workforce has made during the course of the pandemic and, as a result, took the decision to make a one-off "thank you" payment to each of its front-line colleagues in recognition for the significant efforts every one of them has made in delivering an exemplary service to their communities' customers and patients during challenging circumstances.

Additionally, the Board also approved a significant investment into training for colleagues, again recognising the importance of providing real and relevant development opportunities.

### Key performance indicators

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

	2021	2020
Revenue (£'000)	6,788	6,395
Profit before taxation (£'000)	615	396
Net assets (£'000)	1,297	887
Prescription volume (Number of core items dispensed '000)	904	926

On behalf of the Board,



K R Jacob  
Director

Date: 23/03/2022

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 2021.

### **Dividend**

During the year, the Directors do not propose a dividend for the year (year ended 30 June 2020: £4,789,000).

### **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

(appointed 29 January 2021)

L G Krige

(resigned 29 January 2021)

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 2020: £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 £410,000 in the current year (year ended 30 June 2020: £414,000) and the Company had net assets of £1,297,000 as at 30 June 2021 (30 June 2020: £887,000).

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

Date: 23/03/2022

Registered Office:  
70 Ballygomartin Road  
Belfast  
BT13 3NE

**Profit and Loss Account**  
**for the year ended 30 June 2021**

	Note	2021 £'000	2020 Restated £'000
Revenue		6,788	6,395
Cost of sales		(4,369)	(4,157)
<b>Gross profit</b>		<b>2,419</b>	<b>2,238</b>
Other income		7	-
Administrative expenses		(1,806)	(1,836)
<b>Profit before interest and taxation</b>	3	<b>620</b>	<b>402</b>
Interest payable and similar expenses	6	(5)	(6)
<b>Profit before taxation</b>		<b>615</b>	<b>396</b>
Tax (charge)/credit on profit	7	(205)	18
<b>Profit for the financial year</b>		<b>410</b>	<b>414</b>

All amounts relate to continuing activities.

Prior year restatement is in relation to leases that were previously not recognised under IFRS16 that should have transitioned on 1st July 2019.

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 19 form part of these Financial Statements.

**Balance Sheet  
at 30 June 2021**

	Note	2021 £'000	2020 Restated £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	450	530
Intangible assets	9	68	68
Deferred tax asset	10	1	7
<b>Total non-current assets</b>		<b>519</b>	<b>605</b>
<b>Current assets</b>			
Inventories	11	480	444
Trade and other receivables	12	565	475
Cash at bank and in hand		30	25
<b>Total current assets</b>		<b>1,075</b>	<b>944</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(202)</b>	<b>(533)</b>
<b>Net current assets</b>		<b>873</b>	<b>411</b>
<b>Total assets less current liabilities</b>		<b>1,392</b>	<b>1,016</b>
<b>Creditors: amounts falling due after more than one year</b>			
Lease liabilities	14	(95)	(129)
<b>Net Assets</b>		<b>1,297</b>	<b>887</b>
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Retained earnings		1,297	887
<b>Total shareholders' funds</b>		<b>1,297</b>	<b>887</b>

Prior year restatement is in relation to leases that were previously not recognised under IFRS16 that should have transitioned on 1st July 2019.

For the year ending 30 June 2021 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 19 form an integral part of these Financial Statements.

These financial statements on pages 6 to 19 were approved by the Board of Directors and were signed on its behalf by:

*K R Jacob*

K R Jacob  
Director  
Company registered number: NI626625

Date: 23/03/2022



**Statement of changes in equity  
for the year ended 30 June 2021**

	Called up share capital	Retained earnings	Total share- holders' funds
	£'000	£'000	£'000
Balance at 1 July 2019	-	5,262	5,262
Profit for the financial year (restated)	-	414	414
Dividends	-	(4,789)	(4,789)
<b>Balance at 30 June 2020 (restated)</b>	<b>-</b>	<b>887</b>	<b>887</b>
Profit for the financial year	-	410	410
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>1,297</b>	<b>1,297</b>

Prior year restatement is in relation to leases that were previously not recognised under IFRS16 that should have transitioned on 1st July 2019.

All items are shown net of tax.

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.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

#### 1.3 New standards implemented in the year

Following the implementation of IFRS 16 on leases that should have transitioned on 1 July 2019, the Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2020:

- Covid-19-Related Rent Concessions – Amendments to IFRS.

The changes in Covid-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification; and require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. The adoption 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 £410,000 in the current year (year ended 30 June 2020: £414,000) and the Company had net assets of £1,297,000 as at 30 June 2021 (30 June 2020: £887,000).

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 36. The review is performed with reference to expected (i.e. budgeted) future cash flows for each unit, at a discount rate of 7.9%.

The recoverable amount of the Company's assets is the greater of their net selling price 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.

In respect of these assets, an impairment loss is reversed if there has been a change in the estimates based on an event subsequent to the initial impairment used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

**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 2021 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 2021 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**

	2021	2020
	£'000	Restated £'000
<i>Profit before taxation is stated after (crediting)/charging:</i>		
Other income	(7)	-
Depreciation	101	107
Staff costs (see note 4)	1,327	1,368

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

Prior year depreciation has been restated to account for the Right of Use asset depreciation, following the implementation of IFRS 16.

**4. Staff numbers and costs**

Staff costs, including directors' remuneration, were:

	2021	2020
	£'000	£'000
Wages and salaries	1,247	1,249
Social security costs	57	94
Other pension costs	23	25
	1,327	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 £1,320,000 (year ended 30 June 2020: £1,368,000). 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:

	2021	2020
	£'000	£'000
Aggregate emoluments	7	9

The highest paid Director's emoluments were as follows:

	2021	2020
	£'000	£'000
Salaries, fees, bonuses, and benefits in kind	3	4

**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 2021 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 £23,000 (year ended 30 June 2020: £25,000). There was £4,000 outstanding at the year end (2020: £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

	2021 £'000	2020 Restated £'000
Interest relating to lease liabilities	5	6
<b>Total interest payable and similar expenses</b>	<b>5</b>	<b>6</b>

The prior year interest payable has been restated due to the interest charged on the lease liabilities, following the implementation of IFRS 16.

7. Tax charge/(credit) on profit

(i) Analysis of charge/(credit) in year	2021 £'000	2020 £'000
<b>Current tax:</b>		
UK corporation tax at 19% (2020: 19%)	120	-
Adjustments in respect of prior periods	79	-
<b>Total current tax charge</b>	<b>199</b>	<b>-</b>
<b>Deferred tax: (see note 10)</b>		
Adjustments in respect of prior periods	5	(18)
Effect of tax rate change on deferred tax balances	(1)	1
Origination and reversal of timing differences	2	(1)
<b>Total deferred tax charge/(credit)</b>	<b>6</b>	<b>(18)</b>
<b>Tax charge/(credit) on profit before taxation</b>	<b>205</b>	<b>(18)</b>

(ii) Reconciliation of tax charge / (credit)

The total tax charge for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below.

	2021 £'000	2020 £'000
Profit before taxation	615	396
Total tax at 19% (2020: 19%)	117	75
<b>Effects of:</b>		
Adjustment to tax charge in respect of previous periods	84	(18)
Fixed asset differences	4	-
Group relief claimed for nil consideration	-	(80)
Expenses not deductible for tax purposes	-	4
Effect of tax rate change on deferred tax balances	-	1
<b>Total taxation charge / (credit)</b>	<b>205</b>	<b>(18)</b>

(iii) Factors that may affect future current and total tax charges

The UK Budget 2021 announcements on 3 March 2021 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
<b>Cost (restated)</b>			
Balance at 1 July 2020	492	791	1,283
Additions	6	15	21
<b>Balance at 30 June 2021</b>	<b>498</b>	<b>806</b>	<b>1,304</b>
<b>Depreciation (restated)</b>			
Balance at 1 July 2020	83	670	753
Charge for the year	54	47	101
<b>Balance at 30 June 2021</b>	<b>137</b>	<b>717</b>	<b>854</b>
<b>Net book value</b>			
<b>At 30 June 2021</b>	<b>361</b>	<b>89</b>	<b>450</b>
At 30 June 2020 (restated)	409	121	530

Opening balances have been restated to include the ROU asset associated with the implementation of IFRS 16. Further detail of the ROU asset is disclosed below.

<b>Right of use assets</b>	<b>Total £'000</b>
<b>Cost</b>	
Balance at 1 July 2020	234
Additions	6
<b>Balance at 30 June 2021</b>	<b>240</b>
<b>Depreciation</b>	
Balance at 1 July 2020	54
Charge for the year	49
<b>Balance at 30 June 2021</b>	<b>103</b>
<b>Net book value</b>	
<b>At 30 June 2021</b>	<b>137</b>
At 30 June 2020	180

9. Intangible Assets

	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>		
Balance at 30 June 2021 and 30 June 2020	68	68
<b>Net book value</b>		
At 30 June 2021 and 30 June 2020	68	68

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

**10. Deferred tax asset**

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 25% (2020: 19%).

	£'000
<i>Deferred taxation asset</i>	
At 30 June 2020	7
Income statement charge in the year	(6)
<b>At 30 June 2021</b>	<b><u>1</u></b>
<i>Comprising:</i>	
Accelerated tax depreciation on tangible assets	1
<b>At 30 June 2021</b>	<b><u>1</u></b>

**11. Inventories**

	2021 £'000	2020 £'000
Finished goods and consumables	480	444
	<b><u>480</u></b>	<b><u>444</u></b>

The amount of inventories recognised as an expense in cost of sales during the year was £5,463,000 (2020: £4,792,000). 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 (2020: £8,000).

**12. Trade and other receivables**

	2021 £'000	2020 Restated £'000
Trade receivables	486	446
Prepayments and accrued income	26	29
Amounts owed by group undertakings	53	-
	<b><u>565</u></b>	<b><u>475</u></b>
Due within one year	565	(475)
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.

Prior year figures have been restated to account for the release of a prepayment in relation to leases falling under IFRS 16.

Notes to the Financial Statements (continued)

13. Creditors: amounts falling due within one year

	2021	2020
	£'000	Restated £'000
Lease liabilities (refer to note 14)	49	53
Other payables including taxation and social security	153	89
Amounts owing from group undertakings	-	391
	<u>202</u>	<u>533</u>

Other payables includes £148,000 (2020: £84,000) in relation to Covid-19 advances. Across April and June 2020 advance funding was provided to community pharmacies by the Government in recognition of cashflow pressures facing the sector at this point in the COVID-19 pandemic. These were paid as 'uplifts' to pharmacy contractors and are to be reconciled by the NHS at a later date.

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

Prior year figures have been restated to include lease liabilities that have arisen following the implementation of IFRS 16.

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 (2020: 7) 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:	2021	2020
	£'000	Restated £'000
Lease liabilities less than one year	49	53
Lease liabilities greater than one year	95	129
	<u>144</u>	<u>182</u>

Undiscounted future minimum lease payments are as follows:

	2021	2020
	£'000	Restated £'000
Not later than one year	49	54
After one year, but not more than five years	101	142
After five years	19	22
	<u>169</u>	<u>218</u>

Prior year comparatives restated following the implementation of IFRS 16 in relation to leases within the Company.

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

**15. Called up share capital**

	2021 £'000	2020 £'000
<i>Allotted, called up and fully paid</i>		
21 (2020: 21) Ordinary shares of £1 each	<u>-</u>	<u>-</u>

**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 2021.

**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.