

**RIGHT MEDICINE PHARMACY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2017**

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# RIGHT MEDICINE PHARMACY LIMITED

## Company Information

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| <b>Directors</b>         | Mr M Embrey<br>Mr N J Wicks<br>Mr J Burton   |
| <b>Secretary</b>         | Mrs E Embrey   |
| <b>Company number</b>    | SC228623   |
| <b>Registered office</b> | Unit 79-81<br>Bandeath Industrial Estate<br>Throsk<br>Stirling<br>Stirlingshire<br>FK7 7NP |
| <b>Auditor</b>           | Condie & Co<br>10 Abbey Park Place<br>Dunfermline<br>Fife<br>KY12 7NZ                      |
| <b>Bankers</b>           | Bank of Scotland Plc<br>Teviot House<br>41 South Gyle Crescent<br>Edinburgh<br>EH12 9DR    |
| <b>Solicitors</b>        | Muirhead Buchanan<br>8 Allan Park<br>Stirling<br>Scotland<br>FK8 2QE                       |

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# RIGHT MEDICINE PHARMACY LIMITED

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# RIGHT MEDICINE PHARMACY LIMITED

## Strategic Report

For The Year Ended 28 February 2017

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The directors present the strategic report for the year ended 28 February 2017.

### Fair review of the business

The principal activity of the company during the year was to provide the service of dispensing chemists and to retail medical and orthopaedic goods.

The group has had another strong year of trading which is reflected in the financial results reported. Turnover has increased following the inclusion of a full years trading for acquisitions in the prior year, and the acquisition of a further two pharmacies during the current year. The maintenance of core business coupled with the clear execution of our buying strategy has also led to continued improved gross margins being achieved.

Administrative expenses have increased as a result of the acquisitions noted above but operating profit has remained resilient given the improved margins achieved.

The group has completed a further acquisition since the year end and are continually considering both organic and acquisitive growth opportunities.

### Principal risks and uncertainties

The directors are ultimately responsible for the system of internal control, which covers all aspects of the business, and for reviewing its effectiveness. However, any such system is designed to manage, rather than eliminate, the risk of failure to achieve the company's objectives. Therefore any system is only able to provide reasonable, and not absolute assurance against material misstatement or loss. The directors regularly review the risks to which the company is exposed, as well as the operation and effectiveness of the system of internal controls. This is an ongoing process, involving the identification, evaluation and management of the significant risks faced by the company.

Risks are assessed on a regular basis across all areas but, in particular, health and safety, information flow, asset protection and regulatory requirements.

### Key performance indicators

The key financial indicators used by the directors are detailed below:

|                  | 2017<br>£000 | 2016<br>£000 | 2015<br>£000 |
|------------------|--------------|--------------|--------------|
| Turnover         | 13,835       | 10,669       | 9,444        |
| Gross profit     | 4,996        | 3,709        | 2,887        |
| Operating Profit | 1,071        | 654          | 1,021        |

The directors also make use of a number of monthly non-financial metrics based around the NHS service provision to provide insight and assist decision making within the group.

On behalf of the board

Mr N J Wicks

Director

30 October 2017



# **RIGHT MEDICINE PHARMACY LIMITED**

## **Directors' Report**

### **For The Year Ended 28 February 2017**

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The directors present their annual report and financial statements for the year ended 28 February 2017.

#### **Directors**

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

Mr M Embrey  
Mr N J Wicks  
Mr J Burton

#### **Results and dividends**

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £196,000. The directors do not recommend payment of a further dividend.

#### **Post reporting date events**

Since the year end the group has completed the acquisition of another pharmacy.

#### **Auditor**

The auditor, Condie & Co, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

#### **Strategic report**

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the principal activities, business review and principal risks and uncertainties of the group.

# RIGHT MEDICINE PHARMACY LIMITED

## Directors' Report (Continued)

For The Year Ended 28 February 2017

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### Statement of disclosure to auditor

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

On behalf of the board



**Mr N J Wicks**

Director

30 October 2017

# **RIGHT MEDICINE PHARMACY LIMITED**

## **Independent Auditor's Report**

### **To The Members Of Right Medicine Pharmacy Limited**

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We have audited the financial statements of Right Medicine Pharmacy Limited for the year ended 28 February 2017 which comprise the Group Statement of Comprehensive Income, the Group Statement Of Financial Position, the Company Statement Of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 February 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# **RIGHT MEDICINE PHARMACY LIMITED**

## **Independent Auditor's Report (Continued)**

### **To The Members Of Right Medicine Pharmacy Limited**

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#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Sharon Collins (Senior Statutory Auditor)**  
for and on behalf of **Condie & Co**

31 October 2017

**Chartered Accountants**  
**Statutory Auditor**

10 Abbey Park Place  
Dunfermline  
Fife  
KY12 7NZ

# RIGHT MEDICINE PHARMACY LIMITED

## Group Statement Of Comprehensive Income

For The Year Ended 28 February 2017

|   | Notes | 2017<br>£        | 2016<br>£        |
|---|-------|------------------|------------------|
| Turnover  | 3     | 13,834,756       | 10,668,667       |
| Cost of sales   |       | (8,838,721)      | (6,960,070)      |
| <b>Gross profit</b>   |       | <b>4,996,035</b> | <b>3,708,597</b> |
| Administrative expenses                                     |       | (3,987,441)      | (3,063,004)      |
| Other operating income                                      |       | 62,023           | 9,019            |
| <b>Operating profit</b>                                     | 4     | <b>1,070,617</b> | <b>654,612</b>   |
| Share of results of associates and joint ventures           |       | (8,526)          | 80,463           |
| Interest receivable and similar income                      | 8     | 2,295            | 527              |
| Interest payable and similar expenses                       | 9     | (177,177)        | (93,467)         |
| <b>Profit before taxation</b>                               |       | <b>887,209</b>   | <b>642,135</b>   |
| Taxation  | 10    | (273,823)        | (137,276)        |
| <b>Profit for the financial year</b>                        |       | <b>613,386</b>   | <b>504,859</b>   |
| Profit for the financial year is attributable to:           |       |                  |                  |
| - Owners of the parent company                              |       | 517,079          | 497,550          |
| - Non-controlling interests                                 |       | 96,307           | 7,309            |
|   |       | <b>613,386</b>   | <b>504,859</b>   |
| Total comprehensive income for the year is attributable to: |       |                  |                  |
| - Owners of the parent company                              |       | 517,079          | 497,550          |
| - Non-controlling interests                                 |       | 96,307           | 7,309            |
|   |       | <b>613,386</b>   | <b>504,859</b>   |

The income statement has been prepared on the basis that all operations are continuing operations.

# RIGHT MEDICINE PHARMACY LIMITED

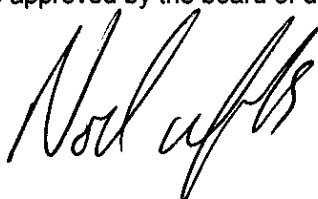
## Group Statement Of Financial Position

As At 28 February 2017

|  | Notes | 2017<br>£        | £ | 2016<br>£        | £ |
|--|-------|------------------|---|------------------|---|
| <b>Fixed assets</b>  |       |                  |   |                  |   |
| Goodwill   | 12    | 6,580,309        |   | 4,931,313        |   |
| Tangible assets  | 13    | 1,159,689        |   | 1,061,303        |   |
| Investment properties  | 14    | 150,000          |   | 150,000          |   |
|  |       | <u>7,889,998</u> |   | <u>6,142,616</u> |   |
| <b>Current assets</b>  |       |                  |   |                  |   |
| Stocks   | 19    | 1,022,976        |   | 918,235          |   |
| Debtors  | 20    | 1,793,153        |   | 1,427,711        |   |
| Cash at bank and in hand                                       |       | 1,129,093        |   | 1,045,239        |   |
|  |       | <u>3,945,222</u> |   | <u>3,391,185</u> |   |
| <b>Creditors: amounts falling due within one year</b>          | 21    | (3,263,103)      |   | (2,649,923)      |   |
| <b>Net current assets</b>                                      |       | <u>682,119</u>   |   | <u>741,262</u>   |   |
| <b>Total assets less current liabilities</b>                   |       | <u>8,572,117</u> |   | <u>6,883,878</u> |   |
| <b>Creditors: amounts falling due after more than one year</b> | 22    | (6,527,674)      |   | (5,270,190)      |   |
| <b>Provisions for liabilities</b>                              |       |                  |   |                  |   |
| Provisions   | 24    | 26,605           |   | 18,079           |   |
| Deferred tax liability   | 25    | 22,847           |   | 18,004           |   |
|  |       | <u>(49,452)</u>  |   | <u>(36,083)</u>  |   |
| <b>Net assets</b>  |       | <u>1,994,991</u> |   | <u>1,577,605</u> |   |
| <b>Capital and reserves</b>                                    |       |                  |   |                  |   |
| Called up share capital  | 28    | 95               |   | 95               |   |
| Capital redemption reserve                                     |       | 5                |   | 5                |   |
| Profit and loss reserves                                       |       | 1,714,683        |   | 1,393,604        |   |
|  |       | <u>1,714,783</u> |   | <u>1,393,704</u> |   |
| <b>Equity attributable to owners of the parent company</b>     |       | <u>1,714,783</u> |   | <u>1,393,704</u> |   |
| <b>Non-controlling interests</b>                               |       | 280,208          |   | 183,901          |   |
|  |       | <u>1,994,991</u> |   | <u>1,577,605</u> |   |

The financial statements were approved by the board of directors and authorised for issue on 30 October 2017 and are signed on its behalf by:

Mr N J Wicks  
Director



# RIGHT MEDICINE PHARMACY LIMITED

## Company Statement Of Financial Position

As At 28 February 2017

|  | Notes | 2017<br>£          | £ | 2016<br>£          | £ |
|--|-------|--------------------|---|--------------------|---|
| <b>Fixed assets</b>  |       |                    |   |                    |   |
| Goodwill   | 12    | 2,754,526          |   | 1,438,289          |   |
| Tangible assets  | 13    | 334,582            |   | 248,776            |   |
| Investments  | 15    | 21                 |   | 21                 |   |
|  |       | <u>3,089,129</u>   |   | <u>1,687,086</u>   |   |
| <b>Current assets</b>  |       |                    |   |                    |   |
| Stocks   | 19    | 541,108            |   | 509,105            |   |
| Debtors  | 20    | 1,512,165          |   | 1,411,632          |   |
| Cash at bank and in hand                                       |       | <u>691,586</u>     |   | <u>807,701</u>     |   |
|  |       | 2,744,859          |   | 2,728,438          |   |
| <b>Creditors: amounts falling due within one year</b>          | 21    | <u>(1,640,566)</u> |   | <u>(1,422,277)</u> |   |
| <b>Net current assets</b>                                      |       | <u>1,104,293</u>   |   | <u>1,306,161</u>   |   |
| <b>Total assets less current liabilities</b>                   |       | <u>4,193,422</u>   |   | <u>2,993,247</u>   |   |
| <b>Creditors: amounts falling due after more than one year</b> | 22    | (2,474,790)        |   | (1,650,805)        |   |
| <b>Provisions for liabilities</b>                              |       | (13,183)           |   | (12,725)           |   |
| Deferred tax liability   | 25    | <u>13,183</u>      |   | <u>12,725</u>      |   |
| <b>Net assets</b>  |       | <u>1,705,449</u>   |   | <u>1,329,717</u>   |   |
| <b>Capital and reserves</b>                                    |       |                    |   |                    |   |
| Called up share capital  | 28    | 95                 |   | 95                 |   |
| Capital redemption reserve                                     |       | 5                  |   | 5                  |   |
| Profit and loss reserves                                       |       | <u>1,705,349</u>   |   | <u>1,329,617</u>   |   |
| <b>Total equity</b>  |       | <u>1,705,449</u>   |   | <u>1,329,717</u>   |   |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £571,732 (2016 - £485,892 profit).

The financial statements were approved by the board of directors and authorised for issue on 30 October 2017 and are signed on its behalf by:

Mr N J Wicks  
Director



Company Registration No. SC228623

# RIGHT MEDICINE PHARMACY LIMITED

## Group Statement Of Changes In Equity

For The Year Ended 28 February 2017

|  |       | Share<br>capital | Capital<br>redemption<br>reserve | Profit and<br>loss<br>reserves | Total<br>controlling<br>interest | Non-<br>controlling<br>interest | Total     |
|--|-------|------------------|----------------------------------|--------------------------------|----------------------------------|---------------------------------|-----------|
|  | Notes | £                | £                                | £                              | £                                | £                               | £         |
| <b>Balance at 1 March 2015</b>                     |       | 95               | 5                                | 1,093,754                      | 1,093,854                        | 80,721                          | 1,174,575 |
| <b>Year ended 28 February 2016:</b>                |       |                  |                                  |                                |                                  |                                 |           |
| Profit and total comprehensive income for the year |       | -                | -                                | 497,550                        | 497,550                          | 7,309                           | 504,859   |
| Dividends  | 11    | -                | -                                | (197,700)                      | (197,700)                        | -                               | (197,700) |
| Acquisition of non-controlling interests           |       | -                | -                                | -                              | -                                | 95,871                          | 95,871    |
| <b>Balance at 28 February 2016</b>                 |       | 95               | 5                                | 1,393,604                      | 1,393,704                        | 183,901                         | 1,577,605 |
| <b>Year ended 28 February 2017:</b>                |       |                  |                                  |                                |                                  |                                 |           |
| Profit and total comprehensive income for the year |       | -                | -                                | 517,079                        | 517,079                          | 96,307                          | 613,386   |
| Dividends  | 11    | -                | -                                | (196,000)                      | (196,000)                        | -                               | (196,000) |
| <b>Balance at 28 February 2017</b>                 |       | 95               | 5                                | 1,714,683                      | 1,714,783                        | 280,208                         | 1,994,991 |

# RIGHT MEDICINE PHARMACY LIMITED

## Company Statement Of Changes In Equity

For The Year Ended 28 February 2017

|  | Notes | Share<br>capital<br>£ | Capital<br>redemption<br>reserve<br>£ | Profit and<br>loss<br>reserves<br>£ | Total<br>£ |
|--|-------|-----------------------|---------------------------------------|-------------------------------------|------------|
| <b>Balance at 1 March 2015</b>                     |       | 95                    | 5                                     | 1,041,425                           | 1,041,525  |
| <b>Year ended 28 February 2016:</b>                |       |                       |                                       |                                     |            |
| Profit and total comprehensive income for the year |       | -                     | -                                     | 485,892                             | 485,892    |
| Dividends  | 11    | -                     | -                                     | (197,700)                           | (197,700)  |
| <b>Balance at 28 February 2016</b>                 |       | 95                    | 5                                     | 1,329,617                           | 1,329,717  |
| <b>Year ended 28 February 2017:</b>                |       |                       |                                       |                                     |            |
| Profit and total comprehensive income for the year |       | -                     | -                                     | 571,732                             | 571,732    |
| Dividends  | 11    | -                     | -                                     | (196,000)                           | (196,000)  |
| <b>Balance at 28 February 2017</b>                 |       | 95                    | 5                                     | 1,705,349                           | 1,705,449  |

# RIGHT MEDICINE PHARMACY LIMITED

## Group Statement Of Cash Flows

For The Year Ended 28 February 2017

|  | Notes | 2017<br>£          | £ | 2016<br>£          | £ |
|--|-------|--------------------|---|--------------------|---|
| <b>Cash flows from operating activities</b>                    |       |                    |   |                    |   |
| Cash generated from operations                                 | 34    | 1,541,062          |   | 1,164,439          |   |
| Interest paid  |       | (177,177)          |   | (93,467)           |   |
| Income taxes paid  |       | (172,196)          |   | (195,152)          |   |
| <b>Net cash inflow from operating activities</b>               |       | <b>1,191,689</b>   |   | <b>875,820</b>     |   |
| <b>Investing activities</b>                                    |       |                    |   |                    |   |
| Purchase of intangible assets                                  |       | (2,161,000)        |   | (2,862,630)        |   |
| Proceeds on disposal of intangibles                            |       | -                  |   | 25                 |   |
| Purchase of tangible fixed assets                              |       | (158,834)          |   | (868,133)          |   |
| Proceeds on disposal of tangible fixed assets                  |       | -                  |   | 16,000             |   |
| Purchase of shares in subsidiary from non-controlling interest |       | -                  |   | 95,871             |   |
| Proceeds from other investments and loans                      |       | 15,991             |   | 49,183             |   |
| Interest received  |       | 2,295              |   | 47,691             |   |
| <b>Net cash used in investing activities</b>                   |       | <b>(2,301,548)</b> |   | <b>(3,521,993)</b> |   |
| <b>Financing activities</b>                                    |       |                    |   |                    |   |
| Repayment of bank loans  |       | 1,389,713          |   | 3,060,254          |   |
| Payment of finance leases obligations                          |       | -                  |   | (21,995)           |   |
| Dividends paid to equity shareholders                          |       | (196,000)          |   | (197,700)          |   |
| <b>Net cash generated from financing activities</b>            |       | <b>1,193,713</b>   |   | <b>2,840,559</b>   |   |
| <b>Net increase in cash and cash equivalents</b>               |       | <b>83,854</b>      |   | <b>194,386</b>     |   |
| Cash and cash equivalents at beginning of year                 |       | 1,045,239          |   | 850,853            |   |
| <b>Cash and cash equivalents at end of year</b>                |       | <b>1,129,093</b>   |   | <b>1,045,239</b>   |   |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements

### For The Year Ended 28 February 2017

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#### 1 Accounting policies

##### Company information

Right Medicine Pharmacy Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Unit 79-81, Bandeath Industrial Estate, Throsk, Stirling, Scotland, FK7 7NP.

The group consists of Right Medicine Pharmacy Limited and its subsidiaries, Web Pharmacy Ltd and AMR Drug Co. Ltd plus associated companies.

#### 1.1 Accounting convention

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

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

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

#### 1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Right Medicine Pharmacy Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 28 February 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

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#### 1 Accounting policies

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

#### 1.3 Going concern

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

#### 1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax. Turnover is analysed between over the counter, NHS, wholesale and other sales.

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

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years. Goodwill arising on group reorganisations is amortised over a 20 year period.

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

#### 1.6 Tangible fixed assets

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

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

|                              |                      |
|------------------------------|----------------------|
| Heritable property           | 2% straight line     |
| Leasehold land and buildings | 10% straight line    |
| Plant and machinery          | 33% straight line    |
| Fixtures and fittings        | 20/25% straight line |
| Office equipment             | 33% straight line    |
| Motor vehicles               | 33% straight line    |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

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#### **1 Accounting policies**

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

#### **1.7 Investment properties**

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the income statement.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

#### **1.8 Fixed asset investments**

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

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

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

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

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

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### 1 Accounting policies

#### 1.9 Impairment of fixed assets

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

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

#### 1.10 Stocks

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

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

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

#### 1.11 Cash and cash equivalents

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

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

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#### 1 Accounting policies

##### 1.12 Financial instruments

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

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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

##### Basic financial assets

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

##### Other financial assets

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

##### Impairment of financial assets

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

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

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

##### Derecognition of financial assets

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

##### Classification of financial liabilities

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

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

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#### 1 Accounting policies

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

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

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

#### Other financial liabilities

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

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

#### Derecognition of financial liabilities

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

#### 1.13 Equity instruments

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

#### 1.14 Taxation

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

#### Current tax

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

# **RIGHT MEDICINE PHARMACY LIMITED**

## **Notes To The Financial Statements (Continued)**

### **For The Year Ended 28 February 2017**

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#### **1 Accounting policies**

##### **Deferred tax**

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

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

##### **1.15 Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

##### **1.16 Employee benefits**

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

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

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

##### **1.17 Retirement benefits**

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

##### **1.18 Leases**

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

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

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

#### 2 Judgements and key sources of estimation uncertainty

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

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

#### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

|                                  | 2017<br>£  | 2016<br>£  |
|----------------------------------|------------|------------|
| <b>Turnover</b>                  |            |            |
| Sale of goods                    | 13,834,756 | 10,668,667 |
| <b>Other significant revenue</b> |            |            |
| Interest income                  | 2,295      | 47,691     |
| Rental income                    | 25,101     | 16,050     |
| Management charges receivable    | 24,598     | 743        |
| Other income                     | 12,272     | (7,774)    |

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

#### 4 Operating profit

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| Operating profit for the year is stated after charging/(crediting): |           |           |
| Depreciation of owned tangible fixed assets                         | 86,954    | 96,244    |
| Profit on disposal of tangible fixed assets                         | -         | (1,303)   |
| Amortisation of intangible assets                                   | 486,004   | 310,208   |
| Profit on disposal of intangible assets                             | -         | (25)      |
| Cost of stocks recognised as an expense                             | 9,232,588 | 7,051,721 |
| Operating lease charges   | 237,707   | 217,902   |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

#### 5 Auditor's remuneration

|   | 2017<br>£     | 2016<br>£     |
|---|---------------|---------------|
| Fees payable to the company's auditor and associates:           |               |               |
| <b>For audit services</b>                                       |               |               |
| Audit of the financial statements of the group and company      | 7,000         | 7,118         |
| Audit of the financial statements of the company's subsidiaries | 7,617         | 5,000         |
|   | <u>14,617</u> | <u>12,118</u> |

#### 6 Employees

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

|                      | Group<br>2017<br>Number | 2016<br>Number | Company<br>2017<br>Number | 2016<br>Number |
|----------------------|-------------------------|----------------|---------------------------|----------------|
| Administrative Staff | 152                     | 124            | 82                        | 76             |
| Management Staff     | 3                       | 3              | 3                         | 3              |
|                      | <u>155</u>              | <u>127</u>     | <u>85</u>                 | <u>79</u>      |

Their aggregate remuneration comprised:

|                       | Group<br>2017<br>£ | 2016<br>£        | Company<br>2017<br>£ | 2016<br>£        |
|-----------------------|--------------------|------------------|----------------------|------------------|
| Wages and salaries    | 2,228,204          | 1,694,886        | 1,345,956            | 1,220,585        |
| Social security costs | 149,164            | 111,284          | 87,454               | 77,196           |
| Pension costs         | 112,193            | 107,538          | 107,206              | 105,951          |
|                       | <u>2,489,561</u>   | <u>1,913,708</u> | <u>1,540,616</u>     | <u>1,403,732</u> |

#### 7 Directors' remuneration

|   | 2017<br>£      | 2016<br>£      |
|---|----------------|----------------|
| Remuneration for qualifying services                          | 24,192         | 31,484         |
| Company pension contributions to defined contribution schemes | 100,000        | 100,000        |
|   | <u>124,192</u> | <u>131,484</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2016 - 3).

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 8 Interest receivable and similar income

|                           | 2017<br>£    | 2016<br>£  |
|---------------------------|--------------|------------|
| <b>Interest income</b>    |              |            |
| Interest on bank deposits | -            | 527        |
| Other interest income     | 2,295        | -          |
| <b>Total income</b>       | <b>2,295</b> | <b>527</b> |

Investment income includes the following:

|  |   |     |
|--|---|-----|
| Interest on financial assets not measured at fair value through profit or loss | - | 527 |
|--|---|-----|

### 9 Interest payable and similar expenses

|  | 2017<br>£      | 2016<br>£     |
|--|----------------|---------------|
| <b>Interest on financial liabilities measured at amortised cost:</b> |                |               |
| Interest on bank overdrafts and loans                                | 177,177        | 106,384       |
| Interest on finance leases and hire purchase contracts               | -              | 4,620         |
| Other interest on financial liabilities                              | -              | (17,537)      |
|  | <b>177,177</b> | <b>93,467</b> |

### 10 Taxation

|  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| <b>Current tax</b>                                   |                |                |
| UK corporation tax on profits for the current period | 258,796        | 168,063        |
| Adjustments in respect of prior periods              | 10,184         | 322            |
| <b>Total current tax</b>                             | <b>268,980</b> | <b>168,385</b> |
| <b>Deferred tax</b>                                  |                |                |
| Origination and reversal of timing differences       | 4,843          | (31,109)       |
| <b>Total tax charge</b>                              | <b>273,823</b> | <b>137,276</b> |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

#### 10 Taxation

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

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| Profit before taxation   | 887,209   | 642,135   |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 22.75%) | 177,442   | 146,078   |
| Tax effect of expenses that are not deductible in determining taxable profit                         | 67,968    | 6,566     |
| Tax effect of utilisation of tax losses not previously recognised                                    | -         | 1,135     |
| Permanent capital allowances in excess of depreciation   | 18,229    | (17,485)  |
| Under/(over) provided in prior years   | 10,184    | 322       |
| Effect of different UK tax rates on some earnings  | -         | 660       |
| Taxation charge for the year   | 273,823   | 137,276   |

#### 11 Dividends

|            | 2017<br>£ | 2016<br>£ |
|------------|-----------|-----------|
| Final paid | 196,000   | 197,700   |

#### 12 Intangible fixed assets

| Group                              | Goodwill<br>£ |
|------------------------------------|---------------|
| <b>Cost</b>                        |               |
| At 29 February 2016                | 7,015,351     |
| Additions - separately acquired    | 2,135,000     |
| At 28 February 2017                | 9,150,351     |
| <b>Amortisation and impairment</b> |               |
| At 29 February 2016                | 2,084,038     |
| Amortisation charged for the year  | 486,004       |
| At 28 February 2017                | 2,570,042     |
| <b>Carrying amount</b>             |               |
| At 28 February 2017                | 6,580,309     |
| At 28 February 2016                | 4,931,313     |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 12 Intangible fixed assets

| Company                            | Goodwill<br>£ |
|------------------------------------|---------------|
| <b>Cost</b>                        |               |
| At 29 February 2016                | 3,439,413     |
| Additions - separately acquired    | 1,451,000     |
|                                    | <hr/>         |
| At 28 February 2017                | 4,890,413     |
|                                    | <hr/>         |
| <b>Amortisation and Impairment</b> |               |
| At 29 February 2016                | 2,001,124     |
| Amortisation charged for the year  | 134,763       |
|                                    | <hr/>         |
| At 28 February 2017                | 2,135,887     |
|                                    | <hr/>         |
| <b>Carrying amount</b>             |               |
| At 28 February 2017                | 2,754,526     |
|                                    | <hr/>         |
| At 28 February 2016                | 1,438,289     |
|                                    | <hr/>         |

Amortisation of intangible fixed assets is included in administrative expenses.

The group's goodwill has a remaining amortisation period of 10 years.

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 13 Tangible fixed assets

| Group                              | Heritable<br>property | Leasehold<br>land and<br>buildings | Plant and<br>machinery | Fixtures<br>and<br>fittings | Office<br>equipment | Motor<br>vehicles | Total     |
|------------------------------------|-----------------------|------------------------------------|------------------------|-----------------------------|---------------------|-------------------|-----------|
|                                    | £                     | £                                  | £                      | £                           | £                   | £                 | £         |
| <b>Cost</b>                        |                       |                                    |                        |                             |                     |                   |           |
| At 29 February 2016                | 971,827               | 22,071                             | 7,789                  | 331,698                     | 142,254             | 55,141            | 1,530,780 |
| Additions                          | 85,809                | -                                  | -                      | 45,800                      | 42,224              | 11,000            | 184,833   |
| At 28 February 2017                | 1,057,636             | 22,071                             | 7,789                  | 377,498                     | 184,478             | 66,141            | 1,715,613 |
| <b>Depreciation and impairment</b> |                       |                                    |                        |                             |                     |                   |           |
| At 29 February 2016                | 42,797                | 22,071                             | 7,052                  | 282,191                     | 91,879              | 23,487            | 469,477   |
| Depreciation charged in the year   | 20,295                | -                                  | 577                    | 15,995                      | 39,335              | 10,245            | 86,447    |
| At 28 February 2017                | 63,092                | 22,071                             | 7,629                  | 298,186                     | 131,214             | 33,732            | 555,924   |
| <b>Carrying amount</b>             |                       |                                    |                        |                             |                     |                   |           |
| At 28 February 2017                | 994,544               | -                                  | 160                    | 79,312                      | 53,264              | 32,409            | 1,159,689 |
| At 28 February 2016                | 929,030               | -                                  | 737                    | 49,507                      | 50,375              | 31,654            | 1,061,303 |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

#### 13 Tangible fixed assets

| Company                            | Heritable property | Leasehold land and buildings | Fixtures and fittings | Office equipment | Motor vehicles | Total   |
|------------------------------------|--------------------|------------------------------|-----------------------|------------------|----------------|---------|
|                                    | £                  | £                            | £                     | £                | £              | £       |
| <b>Cost</b>                        |                    |                              |                       |                  |                |         |
| At 29 February 2016                | 191,474            | 22,071                       | 293,333               | 112,810          | 45,808         | 665,496 |
| Additions                          | 85,809             | -                            | 12,650                | 27,970           | 5,000          | 131,429 |
| At 28 February 2017                | 277,283            | 22,071                       | 305,983               | 140,780          | 50,808         | 796,925 |
| <b>Depreciation and Impairment</b> |                    |                              |                       |                  |                |         |
| At 29 February 2016                | 35,077             | 22,071                       | 256,654               | 81,246           | 21,672         | 416,720 |
| Depreciation charged in the year   | 4,688              | -                            | 8,027                 | 26,607           | 6,301          | 45,623  |
| At 28 February 2017                | 39,765             | 22,071                       | 264,681               | 107,853          | 27,973         | 462,343 |
| <b>Carrying amount</b>             |                    |                              |                       |                  |                |         |
| At 28 February 2017                | 237,518            | -                            | 41,302                | 32,927           | 22,835         | 334,582 |
| At 28 February 2016                | 156,397            | -                            | 36,679                | 31,564           | 24,136         | 248,776 |

Tangible fixed assets with a carrying amount of £1,159,689 (2016 - £1,061,303) have been pledged to secure borrowings of the group.

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 14 Investment property

|  | Group<br>2017<br>£ | Company<br>2017<br>£ |
|--|--------------------|----------------------|
| <b>Fair value</b>                        |                    |                      |
| At 29 February 2016 and 28 February 2017 | 150,000            | -                    |

The fair value of the investment property has been arrived at on the basis of a valuation carried out at 3 March 2015 by Allied Scotland, Chartered Surveyors, who are not connected with the group. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. The directors do not consider there to have been any material change in the value of the property since this date.

### 15 Fixed asset investments

|                           |       | Group<br>2017<br>£ | 2016<br>£ | Company<br>2017<br>£ | 2016<br>£ |
|---------------------------|-------|--------------------|-----------|----------------------|-----------|
|                           | Notes |                    |           |                      |           |
| Investments in associates | 17    | -                  | -         | 21                   | 21        |

#### Movements in fixed asset investments

| Company                                  | Shares in group<br>undertakings<br>and<br>participating<br>interests<br>£ |
|--|---|
| <b>Cost or valuation</b>                 |   |
| At 29 February 2016 and 28 February 2017 | 21  |
| <b>Carrying amount</b>                   |   |
| At 28 February 2017                      | 21  |
| At 28 February 2016                      | 21  |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 16 Subsidiaries

Details of the company's subsidiaries at 28 February 2017 are as follows:

| Name of undertaking  | Registered office | Nature of business | Class of shares held | % Held |          |
|----------------------|-------------------|--------------------|----------------------|--------|----------|
|                      |                   |                    |                      | Direct | Indirect |
| Web Pharmacy Limited | United Kingdom    | Dispensing chemist | Ordinary Shares      | 58.33  | -        |
| AMR Drug Co. Ltd     | United Kingdom    | Dispensing chemist | Ordinary Shares      | -      | 100.00   |

### 17 Associates

Details of associates at 28 February 2017 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held |          |
|---------------------|-------------------|--------------------|----------------------|--------|----------|
|                     |                   |                    |                      | Direct | Indirect |
| Carcrow Limited     | United Kingdom    | Gourmet restuarant | Ordinary shares      | 40.00  | -        |
| HKPC Limited        | United Kingdom    | Dormant company    | Ordinary shares      | 50.00  | -        |

### 18 Financial Instruments

|   | Group<br>2017<br>£ | 2016<br>£ | Company<br>2017<br>£ | 2016<br>£ |
|---|--------------------|-----------|----------------------|-----------|
| <b>Carrying amount of financial assets</b>      |                    |           |                      |           |
| Debt instruments measured at amortised cost     | 1,582,042          | 1,251,742 | 1,408,587            | 1,310,793 |
| <b>Carrying amount of financial liabilities</b> |                    |           |                      |           |
| Measured at amortised cost                      | 9,485,099          | 7,717,260 | 3,915,616            | 2,895,735 |

### 19 Stocks

|                                     | Group<br>2017<br>£ | 2016<br>£ | Company<br>2017<br>£ | 2016<br>£ |
|-------------------------------------|--------------------|-----------|----------------------|-----------|
| Finished goods and goods for resale | 1,022,976          | 918,235   | 541,108              | 509,105   |

Stock with a carrying value of £1,022,976 (2016 - £918,235) is pledged as security for the group's bank loans.

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 20 Debtors

|   | Group<br>2017    | 2016             | Company<br>2017  | 2016             |
|---|------------------|------------------|------------------|------------------|
|   | £                | £                | £                | £                |
| <b>Amounts falling due within one year:</b>                                     |                  |                  |                  |                  |
| Trade debtors   | 1,342,380        | 1,173,162        | 703,850          | 661,876          |
| Amounts due from group undertakings   | -                | -                | 507,644          | 578,088          |
| Amounts due from undertakings in which the company has a participating interest | 70,470           | 40,415           | 70,470           | 40,415           |
| Other debtors   | 281,940          | 152,556          | 168,713          | 94,522           |
| Prepayments and accrued income  | 98,363           | 61,578           | 61,488           | 36,731           |
|   | <u>1,793,153</u> | <u>1,427,711</u> | <u>1,512,165</u> | <u>1,411,632</u> |

### 21 Creditors: amounts falling due within one year

|                                    | Notes | Group<br>2017    | 2016             | Company<br>2017  | 2016             |
|------------------------------------|-------|------------------|------------------|------------------|------------------|
|                                    |       | £                | £                | £                | £                |
| Bank loans and overdrafts          | 23    | 569,246          | 437,017          | 319,860          | 236,051          |
| Trade creditors                    |       | 1,904,966        | 1,684,008        | 996,222          | 975,604          |
| Corporation tax payable            |       | 268,950          | 172,166          | 176,630          | 156,427          |
| Other taxation and social security |       | 36,728           | 30,687           | 23,110           | 20,920           |
| Other creditors                    |       | 160,667          | 161,943          | 21,341           | 6,357            |
| Accruals and deferred income       |       | 322,546          | 164,102          | 103,403          | 26,918           |
|                                    |       | <u>3,263,103</u> | <u>2,649,923</u> | <u>1,640,566</u> | <u>1,422,277</u> |

### 22 Creditors: amounts falling due after more than one year

|                           | Notes | Group<br>2017    | 2016             | Company<br>2017  | 2016             |
|---------------------------|-------|------------------|------------------|------------------|------------------|
|                           |       | £                | £                | £                | £                |
| Bank loans and overdrafts | 23    | 6,387,674        | 5,130,190        | 2,474,790        | 1,650,805        |
| Other creditors           |       | 140,000          | 140,000          | -                | -                |
|                           |       | <u>6,527,674</u> | <u>5,270,190</u> | <u>2,474,790</u> | <u>1,650,805</u> |

Amounts included above which fall due after five years are as follows:

|                        |                  |                  |                  |                |
|------------------------|------------------|------------------|------------------|----------------|
| Payable by instalments | <u>3,925,728</u> | <u>3,290,614</u> | <u>1,090,245</u> | <u>630,847</u> |
|------------------------|------------------|------------------|------------------|----------------|

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 23 Loans and overdrafts

|   | Group<br>2017<br>£ | 2016<br>£        | Company<br>2017<br>£ | 2016<br>£        |
|---|--------------------|------------------|----------------------|------------------|
| Bank loans  | <u>6,956,920</u>   | <u>5,567,207</u> | <u>2,794,650</u>     | <u>1,886,856</u> |
| Payable within one year                                 | 569,246            | 437,017          | 319,860              | 236,051          |
| Payable after one year                                  | <u>6,387,674</u>   | <u>5,130,190</u> | <u>2,474,790</u>     | <u>1,650,805</u> |
| Amounts included above which fall due after five years: |                    |                  |                      |                  |
| Payable by instalments                                  | <u>3,925,728</u>   | <u>3,290,614</u> | <u>1,090,245</u>     | <u>630,847</u>   |

The following securities are held in respect of the company bank loans: The Bank of Scotland Plc hold legal charges dated 7th May 2013 and 27th May 2013 over all of the heritable property owned by the company.

The following securities have been granted by Web Pharmacy Limited: The Bank of Scotland Plc hold a legal charge dated 10th October 2014 over all property and undertakings of the company. The Bank of Scotland Plc also holds various standard securities over the heritable property owned by the company.

The following securities have been granted by AMR Drug Co. Ltd.: The Bank of Scotland Plc hold a legal charge dated 25th June 2015 over all property and undertakings of the company. The Bank of Scotland Plc also hold a standard security dated 3rd July 2015 over the investment property owned by the company.

The company has several fixed interest and variable interest term loans which attract fixed interest at rates of between 3.64%-3.80% and variable interest rates of 2.0%-2.1% over base rate.

The subsidiaries have term loans on which interest is charged at 2-4% over base rate payable monthly in arrears.

### 24 Provisions for liabilities

|   | Group<br>2017<br>£ | 2016<br>£     | Company<br>2017<br>£ | 2016<br>£ |
|---|--------------------|---------------|----------------------|-----------|
| Interest in net liabilities of associates | <u>26,605</u>      | <u>18,079</u> | <u>-</u>             | <u>-</u>  |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

#### 24 Provisions for liabilities

Movements on provisions:

| Group                      | Interest in net liabilities of associates<br>£ |
|----------------------------|--|
| At 29 February 2016        | 18,079   |
| Share of loss of associate | 8,526  |
| At 28 February 2017        | <u>26,605</u>                                  |

#### 25 Deferred taxation

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

| Group                          | Liabilities<br>2017<br>£ | Liabilities<br>2016<br>£ |
|--------------------------------|--------------------------|--------------------------|
| Accelerated capital allowances | 22,847                   | 20,704                   |
| Tax losses                     | -                        | (2,700)                  |
|                                | <u>22,847</u>            | <u>18,004</u>            |
|                                |                          |                          |
| Company                        | Liabilities<br>2017<br>£ | Liabilities<br>2016<br>£ |
| Accelerated capital allowances | <u>13,183</u>            | <u>12,725</u>            |
|                                |                          |                          |
| Movements in the year:         | Group<br>2017<br>£       | Company<br>2017<br>£     |
| Liability at 29 February 2016  | 18,004                   | 12,725                   |
| Charge to profit or loss       | 4,843                    | 458                      |
| Liability at 28 February 2017  | <u>22,847</u>            | <u>13,183</u>            |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

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#### 26 Acquisitions of business

On 31 January 2017 Right Medicine Pharmacy Limited acquired the business of another pharmacy for a total consideration of £1,450,000. The fair value of amounts recognised at the acquisition date in relation to the pharmacy is as follows: Tangible fixed assets - £5,000, Moveable assets - £1,000, Goodwill on acquisition - £1,444,000.

The consolidated statement of comprehensive income for the financial year includes turnover of £65,802 and profit after tax of £3,085 in respect of the acquired pharmacy since the acquisition date.

On 30 September 2016 Web Pharmacy Ltd acquired the business of a further pharmacy for a total consideration of £700,000. The fair value of amounts recognised at the acquisition date in relation to the pharmacy is as follows: Tangible fixed assets - £20,000, Moveable assets - £1,000, Goodwill on acquisition - £679,000.

The consolidated statement of comprehensive income for the financial year includes turnover of £350,608 and profit after tax of £27,423 in respect of the acquired pharmacy since the acquisition date.

#### 27 Retirement benefit schemes

|   | 2017    | 2016    |
|---|---------|---------|
| Defined contribution schemes  | £       | £       |
| Charge to profit or loss in respect of defined contribution schemes | 112,193 | 107,538 |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

#### 28 Share capital

|                               | Group and company |      |
|-------------------------------|-------------------|------|
|                               | 2017              | 2016 |
| Ordinary share capital        | £                 | £    |
| Issued and fully paid         |                   |      |
| 95 Ordinary shares of £1 each | 95                | 95   |

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 29 Operating lease commitments

#### Lessee

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

|                            | Group<br>2017<br>£ | 2016<br>£      | Company<br>2017<br>£ | 2016<br>£     |
|----------------------------|--------------------|----------------|----------------------|---------------|
| Within one year            | 25,308             | 32,641         | 10,008               | 17,341        |
| Between two and five years | 68,885             | 75,172         | 37,285               | 43,572        |
| In over five years         | 54,025             | 63,146         | -                    | 3,721         |
|                            | <u>148,218</u>     | <u>170,959</u> | <u>47,293</u>        | <u>64,634</u> |

### 30 Reserves

Share capital account - This reserve records the nominal value of shares that have been issued.

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses. This reserve also includes a revaluation reserve of £70,691 which is non-distributable.

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

### For The Year Ended 28 February 2017

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#### 31 Related party transactions

Mr N Wicks, Mr J Burton and Mr M Embrey provided a personal guarantee to Bank of Scotland Plc to the value of £300,000 in respect of the bank loans.

During the year, the company traded with its subsidiary, Web Pharmacy Limited, providing goods and services amounting to £197,072 (2016- £99,967) and receiving management charges amounting to £214,013 (2016- £96,648). Right Medicine Pharmacy Limited purchased goods and services from Web Pharmacy Limited amounting to £31,297 (2016- £31,938). All transactions were under normal commercial terms.

At 28 February 2017 the company was due £508,095 (2016- £574,489) from Web Pharmacy Limited. Included within this amount is a loan due from Web Pharmacy Limited of £211,818(2016- £162,376). The loan is interest free and has no fixed repayment terms.

During the year, the company traded with its subsidiary, AMR Drug Co. Ltd., providing goods and services amounting to £21,531 (2016- £14,735) and receiving management charges amounting to £24,598 (2016- £9,446). All transactions were under normal commercial terms.

At 28 February 2017 the company owed £451 (2016- (£3,599)) from AMR Drug Co. Ltd.. The balance is interest free and has no fixed repayment terms.

During the year, the company paid expenses on behalf of HKPC Limited amounting to £Nil (2016- £18,956). Right Medicine Pharmacy Limited owns 50% of the share capital in HKPC Limited and Mr N Wicks is also a director. Included within other debtors is a loan due from HKPC Limited of £44,122 (2016- £33,416). The loan is interest free and has no fixed repayment terms.

During the year, the company paid expenses on behalf of Carcrow Limited amounting to £Nil (2016- £Nil). Right Medicine Pharmacy Limited owns 40% of the share capital in Cacrow Limited and Mr N Wicks is also a director. Included within other debtors is a loan due from Cacrow Limited of £26,347 (2016- £6,999). The loan is interest free and has no fixed repayment terms.

The key management personnel are considered to be the directors of the company and therefore the aggregate of key management compensation includes amounts as detailed in note 7, plus Social Security costs of £Nil (2016 - £Nil)

# RIGHT MEDICINE PHARMACY LIMITED

## Notes To The Financial Statements (Continued)

For The Year Ended 28 February 2017

### 32 Directors' transactions

| Description    | %<br>Rate | Opening<br>balance | Amounts<br>advanced | Interest<br>charged | Amounts<br>repaid | Closing<br>balance |
|----------------|-----------|--------------------|---------------------|---------------------|-------------------|--------------------|
|                |           | £                  | £                   | £                   | £                 | £                  |
| Mr N J Wicks - | 3.00      | 25,252             | 64,000              | 1,906               | (9,680)           | 81,478             |
| Mr J Burton -  | 3.00      | (1,040)            | 24,000              | 389                 | (4,780)           | 18,569             |
| Mr M Embrey -  | 3.00      | (1,040)            | -                   | -                   | -                 | (1,040)            |
|                |           | <u>23,172</u>      | <u>88,000</u>       | <u>2,295</u>        | <u>(14,460)</u>   | <u>99,007</u>      |

Dividends totalling £196,000 (2016 - £197,700) were paid in the year in respect of shares held by the company's directors.

The directors' loans are repayable on demand and interest is charged on overdrawn balances at a rate of 3%.

### 33 Controlling party

The company was under the control of the directors throughout the current and previous year. No individual party has an overall majority shareholding.

### 34 Cash generated from group operations

|  | 2017<br>£        | 2016<br>£        |
|--|------------------|------------------|
| Profit for the year after tax                        | 613,386          | 504,859          |
| Adjustments for:                                     |                  |                  |
| Share of results of associates and joint ventures    | 8,526            | (80,463)         |
| Taxation charged                                     | 273,823          | 137,276          |
| Finance costs  | 177,177          | 93,467           |
| Investment income                                    | (2,295)          | (527)            |
| Gain on disposal of tangible fixed assets            | -                | (1,303)          |
| Gain on disposal of intangible assets                | -                | (25)             |
| Amortisation and impairment of intangible assets     | 486,004          | 310,208          |
| Depreciation and impairment of tangible fixed assets | 86,447           | 96,245           |
| Movements in working capital:                        |                  |                  |
| (Increase) in stocks                                 | (104,741)        | (227,650)        |
| (Increase) in debtors                                | (365,442)        | (76,060)         |
| Increase in creditors                                | 368,177          | 408,412          |
| <b>Cash generated from operations</b>                | <u>1,541,062</u> | <u>1,164,439</u> |