

Strategic Report,
Report of the Directors and
Audited Financial Statements
for the Year Ended 31 August 2018
for
Morningside (Leicester) Limited

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for the Year Ended 31 August 2018

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Morningside (Leicester) Limited
Company Information
for the Year Ended 31 August 2018

DIRECTORS:

D Gadhia
S K Gadhia
Mrs T K Gadhia
A L Thomas

SECRETARY:

Mrs T K Gadhia

REGISTERED OFFICE:

Morningside House
Unit C, Harcourt Way
Meridian Business Park
Leicester
LE19 1WP

REGISTERED NUMBER:

02277762 (England and Wales)

SENIOR STATUTORY AUDITOR: Ashok Patel

INDEPENDENT AUDITORS:

Sharman Fielding
Chartered Accountants
& Statutory Auditors
57 New Walk
Leicester
Leicestershire
LE1 7EA

Strategic Report
for the Year Ended 31 August 2018

The directors present their strategic report for the year ended 31 August 2018.

REVIEW OF BUSINESS

The principal activity of the company continued to be that of operating pharmacy shops, retailing and dispensing of pharmaceutical products, including wholesale to related trades.

The results of the company show a loss for the year before taxation amounting to £448,883 (2017: £566,147). Turnover has decreased in the year by 9.45% from £5,487,060 to £4,968,432. The gross profit margin however, compared to the previous year, has increased by 1.67%, to 31.70% in the year.

Shareholders' funds amounted to £1,056,187 at 31 August 2018 (2017: £4,342,161).

In October 2017 the property assets held by the company were sold to a member of Alvedius group by way of dividends in species for the distribution of assets.

Under a reorganisation carried out on 23rd February 2018, the company was demerged from Alvedius group in a share for share exchange. It then became a wholly owned subsidiary and part of a group headed by Adiuvara Limited.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties impacting the management of the business and the execution of the company's strategies are subject to a number of risks. The key risks continue to nearby competition and industry regulation primarily related to licensing and product development research.

The directors of the company manage competition risk by maintaining good standards of customer care to retain existing customers, and remaining competitive on price and service. In respect of industry regulation, the company has undertaken practices within their control to ensure that they comply with protocol and regulations in place.

FINANCIAL KEY PERFORMANCE INDICATORS

The company monitors its performance by reviewing turnover, gross profit margins, other operating income which have been covered under the business review above and profit before taxation. The results for the year show a loss of £448,883.

The directors consider that the above financial key performance indicators are all satisfactory and in line with expectations.

ON BEHALF OF THE BOARD:



S K Gadhia - Director

29 May 2019

Report of the Directors
for the Year Ended 31 August 2018

The directors present their report with the financial statements of the company for the year ended 31 August 2018.

DIVIDENDS

Dividends amounting to £1,640,000 (2017: £10,208,165) have been paid during the year.

No final dividend is recommended by the directors.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 September 2017 to the date of this report.

D Gadhia
S K Gadhia
Mrs T K Gadhia
A L Thomas

FINANCIAL INSTRUMENTS

The principle financial instruments of the company are basic financial instruments like bank balances, trade creditors, trade debtors, and loans to and from related and other parties.

Due to the nature of the financial instruments used by the company there is no exposure to price risk and little liquidity risk as the company has strong cash reserves built up to meet its liabilities as they fall due with no requirement to have any formal overdraft facility in place.

Trade creditors are paid on normal commercial terms and liquidity risk is minimised as described above.

Trade debtors are managed in respect of credit and cashflow risks policies concerning credit offered to customers and regular monitoring of amounts for both time and credit terms.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the company since the year end.

DISCLOSURE IN THE STRATEGIC REPORT

Items required to be disclosed in the Report of the Directors under schedule 7 of the Companies Act 2006 are set out in the Strategic Report in accordance with applicable laws and regulations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Report of the Directors
for the Year Ended 31 August 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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

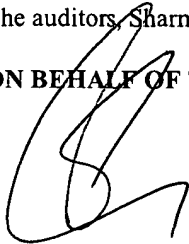
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Sharman Fielding, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:



S K Gadhia - Director

29 May 2019

Report of the Independent Auditors to the Members of
Morningside (Leicester) Limited (Registered number: 02277762)

Opinion

We have audited the financial statements of Morningside (Leicester) Limited (the 'company') for the year ended 31 August 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
Morningside (Leicester) Limited (Registered number: 02277762)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages three and four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

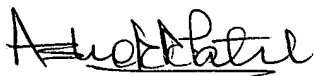
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.



Ashok Patel (Senior Statutory Auditor)
for and on behalf of Sharman Fielding
Chartered Accountants
& Statutory Auditors
57 New Walk
Leicester
Leicestershire
LE1 7EA

29 May 2019

Morningside (Leicester) Limited (Registered number: 02277762)

Statement of Comprehensive Income
for the Year Ended 31 August 2018

		31.8.18	31.8.17
	Notes	£	£
Turnover	4	4,968,432	5,487,060
Cost of sales		3,393,601	3,839,295
Gross profit		1,574,831	1,647,765
Distribution costs		1,105,093	1,158,281
Administrative expenses		955,445	1,113,007
		2,060,538	2,271,288
		(485,707)	(623,523)
Other operating income	5	35,733	53,471
Operating loss	7	(449,974)	(570,052)
Interest receivable and similar income		1,091	3,905
Loss before taxation		(448,883)	(566,147)
Tax on loss	8	(3,301)	(275,011)
Loss for the financial year		(445,582)	(291,136)
Other comprehensive income		-	-
Total comprehensive income for the year		(445,582)	(291,136)

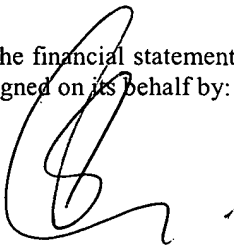
The notes form part of these financial statements

Morningside (Leicester) Limited (Registered number: 02277762)

Balance Sheet
31 August 2018

	Notes	31.8.18 £	£	31.8.17 £	£
Fixed assets					
Intangible assets	11		-		255,535
Tangible assets	12		48,592		450,277
Investment property	13		-		-
			<u>48,592</u>		<u>705,812</u>
Current assets					
Stocks	14	434,864		401,617	
Debtors	15	825,295		3,612,694	
Property Assets for Resale	16	-		304,525	
Cash at bank and in hand		507,895		380,872	
		<u>1,768,054</u>		<u>4,699,708</u>	
Creditors					
Amounts falling due within one year	17	752,608		1,052,599	
		<u>752,608</u>		<u>1,052,599</u>	
Net current assets			<u>1,015,446</u>		<u>3,647,109</u>
Total assets less current liabilities			<u>1,064,038</u>		<u>4,352,921</u>
Provisions for liabilities	19		7,449		10,750
			<u>7,449</u>		<u>10,750</u>
Net assets			<u><u>1,056,589</u></u>		<u><u>4,342,171</u></u>
Capital and reserves					
Called up share capital	20		10		10
Retained earnings	21		1,056,579		4,342,161
			<u>1,056,579</u>		<u>4,342,161</u>
Shareholders' funds			<u><u>1,056,589</u></u>		<u><u>4,342,171</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 29 May 2019 and were signed on its behalf by:



S K Gadhia - Director

Morningside (Leicester) Limited (Registered number: 02277762)

Statement of Changes in Equity
for the Year Ended 31 August 2018

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 September 2016	10	14,841,462	14,841,472
Changes in equity			
Dividends	-	(10,208,165)	(10,208,165)
Total comprehensive income	-	(291,136)	(291,136)
Balance at 31 August 2017	10	4,342,161	4,342,171
Changes in equity			
Dividends	-	(1,640,000)	(1,640,000)
Total comprehensive income	-	(1,645,582)	(1,645,582)
Balance at 31 August 2018	10	1,056,579	1,056,589

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 August 2018

1. Statutory information

Morningside (Leicester) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. Statement of compliance

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

3. Accounting policies

Basis of preparing the financial statements

The financial statements have been prepared on the historical cost convention, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and Companies Act 2006.

After reviewing the company's projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

The principal accounting policies adopted are set out below.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

The information is included in the consolidated financial statements of Adiuvara Limited as at 31 August 2018 and these financial statements may be obtained from Companies House.

Judgement and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Turnover

Turnover represents sales from the core activities of the pharmacy business; namely sales through retail outlets, NHS income (PPA sales) and wholesale sales, all excluding VAT.

Goodwill

Goodwill being the amount paid on the acquisition of the businesses is being written off equally over its estimated useful life of ten years.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

3. Accounting policies - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Plant and machinery	- 20% on reducing balance
Fixtures and fittings	- 20% on reducing balance
Motor vehicles	- 25% on reducing balance
Office equipment	- 33% on reducing balance

Leasehold improvements are depreciated over the remaining term of the lease.

Investment property

Investment properties are held for investment purposes and are stated at their original market value on acquisition. The directors do not consider it appropriate to restate the investment properties at their fair values as required by FRS 102 section 16 as these are considered not to be materially different to their stated market value on acquisition.

Where the directors consider value of any investment properties exceeds its recoverable amount the property involved is written down accordingly.

No depreciation is provided in respect of investment properties which is a departure from the requirement of Companies Act 2006, however, as these are held for investment potential and not for consumption, to depreciate them would not give a true and fair view.

These were reclassified as property assets under current assets as they were sold during the year end.

The Directors consider that the policy adopted is adequate for the financial statements to give a true and fair view.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items using an average cost method.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

3. Accounting policies - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Impairment review of intangible assets and investments

Impairment of intangible assets and investments is reviewed annually on the 31st August of each financial year. Impairment tests are undertaken whenever events or changes in circumstances indicate that the carrying amount of intangible assets or investments may not be recoverable. Where the carrying value of the asset exceeds its recoverable amount the asset is written down immediately.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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

4. Turnover

All turnover arose within the United Kingdom.

5. Other operating income

	31.8.18	31.8.17
	£	£
Rents receivable	13,733	25,894
Supplier exclusivity fees	-	7,000
Regulatory income	-	(1,423)
Management charge	22,000	22,000
	<u>35,733</u>	<u>53,471</u>

6. Employees and directors

	31.8.18	31.8.17
	£	£
Wages and salaries	1,170,384	1,229,352
Social security costs	77,958	78,640
Other pension costs	21,289	19,958
	<u>1,269,631</u>	<u>1,327,950</u>

The average number of employees during the year was as follows:

	31.8.18	31.8.17
Directors	4	4
Admin	4	4
Sales staff	49	56
	<u>57</u>	<u>64</u>

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

6. Employees and directors - continued

	31.8.18	31.8.17
	£	£
Directors' remuneration	<u>118,368</u>	<u>126,964</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
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Directors remuneration includes the aggregate of directors' salary and benefits.

7. Operating loss

The operating loss is stated after charging/(crediting):

	31.8.18	31.8.17
	£	£
Depreciation - owned assets	17,186	32,819
Goodwill amortisation	255,535	255,534
Auditors remuneration	13,500	13,500
Auditors' remuneration for non audit work	9,700	9,229
Foreign exchange differences	10,624	142
Rents receivable	(13,733)	(25,894)
Rent and service charges	<u>93,370</u>	<u>80,786</u>

8. Taxation

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	31.8.18	31.8.17
	£	£
Current tax:		
UK corporation tax	-	(272,006)
Deferred tax	<u>(3,301)</u>	<u>(3,005)</u>
Tax on loss	<u>(3,301)</u>	<u>(275,011)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

8. Taxation - continued

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.8.18 £	31.8.17 £
Loss before tax	<u>(448,883)</u>	<u>(566,147)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	(85,288)	(113,229)
Effects of:		
Expenses not deductible for tax purposes	154	1,138
Adjustments to tax charge in respect of previous periods	-	(272,006)
Adjustment for items not qualifying for capital allowances	85,671	112,091
Tax rate difference	(537)	-
Deferred tax movement	<u>(3,301)</u>	<u>(3,005)</u>
Total tax credit	<u><u>(3,301)</u></u>	<u><u>(275,011)</u></u>

9. Dividends

	31.8.18 £	31.8.17 £
Ordinary shares of 0.01 each Interim	<u>1,640,000</u>	<u>10,208,165</u>

10. Exceptional items

The interest-free working capital loans totalling £1,200,000, owed by other related trading companies within the same group, were cleared during the year by way of a loan waiver.

11. Intangible fixed assets

	Goodwill £
Cost	
At 1 September 2017 and 31 August 2018	<u>2,811,175</u>
Amortisation	
At 1 September 2017	2,555,640
Amortisation for year	<u>255,535</u>
At 31 August 2018	<u>2,811,175</u>
Net book value	
At 31 August 2018	<u>-</u>
At 31 August 2017	<u><u>255,535</u></u>

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

12. Tangible fixed assets

	Freehold property £	Leasehold improvements £	Plant and machinery £	
Cost				
At 1 September 2017	470,000	134,009	13,929	
Disposals	(470,000)	(134,009)	-	
At 31 August 2018	-	-	13,929	
Depreciation				
At 1 September 2017	84,600	134,009	11,066	
Charge for year	(74)	-	573	
Eliminated on disposal	(84,526)	(134,009)	-	
At 31 August 2018	-	-	11,639	
Net book value				
At 31 August 2018	-	-	2,290	
At 31 August 2017	385,400	-	2,863	
	Fixtures and fittings £	Motor vehicles £	Office equipment £	Totals £
Cost				
At 1 September 2017	64,025	50,240	109,778	841,981
Additions	-	-	976	976
Disposals	-	-	-	(604,009)
At 31 August 2018	64,025	50,240	110,754	238,948
Depreciation				
At 1 September 2017	44,424	30,845	86,761	391,705
Charge for year	3,920	4,849	7,918	17,186
Eliminated on disposal	-	-	-	(218,535)
At 31 August 2018	48,344	35,694	94,679	190,356
Net book value				
At 31 August 2018	15,681	14,546	16,075	48,592
At 31 August 2017	19,601	19,395	23,017	450,276

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

13. Investment property

	Total £
Fair value	
Disposals	(304,525)
Reclassification/transfer	304,525
At 31 August 2018	-
Net book value	
At 31 August 2018	-

14. Stocks

	31.8.18 £	31.8.17 £
Goods for resale	434,864	401,617

The annual stock take was verified and valued at the year end by independent professional valuers. The amount of stock recognised as an expense in cost of sales during the year is £3,426,848 (2017: £3,741,508).

15. Debtors: amounts falling due within one year

	31.8.18 £	31.8.17 £
Trade debtors	31,076	31,249
PPA debtor	345,100	772,479
Other debtors	-	1,200,000
Morningside H/Care Ltd loan	84,187	28,765
Directors' loan accounts	524	940,000
S455 Tax recoverable	235,000	235,000
Tax	57,235	309,656
VAT	54,281	72,860
Prepayments & deferred income	17,892	22,685
	825,295	3,612,694

Interest is not charged on balances repayable on demand arising between Group companies.

16. Current asset investments

	31.8.18 £	31.8.17 £
Property assets for resale	-	304,525

These assets were sold at its carrying fair value during the year.

Morningside (Leicester) Limited (Registered number: 02277762)

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

17. Creditors: amounts falling due within one year

	31.8.18	31.8.17
	£	£
Trade creditors	631,854	1,013,173
Social security and other taxes	14,774	18,085
Other creditors	86,979	-
Accrued expenses	19,001	21,341
	<u>752,608</u>	<u>1,052,599</u>

18. Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.8.18	31.8.17
	£	£
Within one year	65,000	82,000
Between one and five years	260,000	260,000
In more than five years	359,250	424,250
	<u>684,250</u>	<u>766,250</u>

19. Provisions for liabilities

	31.8.18	31.8.17
	£	£
Deferred tax	<u>7,449</u>	<u>10,750</u>
		Deferred tax
		£
Balance at 1 September 2017		10,750
Provided during year		<u>(3,301)</u>
Balance at 31 August 2018		<u>7,449</u>

20. Called up share capital

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.8.18	31.8.17
			£	£
1,000	Ordinary	0.01	<u>10</u>	<u>10</u>

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

21. Reserves

	Retained earnings £
At 1 September 2017	4,342,161
Deficit for the year	(1,645,582)
Dividends	(1,640,000)
At 31 August 2018	<u>1,056,579</u>

22. Pension commitments

The company operates a defined contribution scheme. The amount recognised in the profit or loss account as an expense in relation to the defined contribution scheme was £21,289 (2017: £19,958).

23. Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Adiuvara Limited. The ultimate parent company and controlling party is Adiuvara Limited, a company registered in England and Wales.

24. Directors loan account

Advances and credits granted to a director subsisted during the years ended 31 August 2018 and 31 August 2017:

	31.8.18 £	31.8.17 £
S K Gadhia		
Balance outstanding at start of year	940,000	940,000
Amounts repaid	(940,000)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>940,000</u>

The loan has been repaid in full during the year.

Notes to the Financial Statements - continued
for the Year Ended 31 August 2018

25. Related party disclosures

During the year:

(a) the company made charitable donations of £nil (2017: £102,965) to Remedy Trust, a registered charity in the UK of which two of the directors of Morningside (Leicester) Ltd are also trustees of the charity.

(b) the company paid rent of £17,000 (2017: £17,000) on a commercial basis to Morningside (Leicester) Ltd Executive Pension Scheme of which directors are also beneficiaries.

(c) the company made pension contributions of £nil (2017: £nil) into the Morningside (Leicester) Ltd Executive Pension Scheme on behalf of the directors.

(d) total dividends of £690,000 (2017: £nil) were paid to other related parties controlled by the directors.

Other related party loan

(a) Previously, other debtors included interest-free working capital loans totalling £1,200,000 owed by other related trading companies and which are related to the company directors. The loans were repayable on demand.

The loans were cleared during the year by way of a loan waiver.

(b) Key management personnel remuneration paid during the year £118,368 (2017: £126,964).