BESTWAY PANACEA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER: 09225479

FOR THE YEAR ENDED

30 JUNE 2020

BESTWAY PANACEA HOLDINGS LIMITED

For the year ended 30 June 2020

Contents

BESTWAY PANACEA HOLDINGS LIMITED
For the year ended 30 June 2020

Company Information

Registered number	09225479
Registered office	Merchants Warehouse Castle Street Castlefield Manchester M3 4LZ
Directors	Hon. H Z Choudrey Lord Z M Choudrey S Hobbs L G Krige Sir M A Pervez
Non-Executive Directors	D Coles N Gordon
Secretary	T R J Ferguson
Independent Auditors	PricewaterhouseCoopers LLP No 1 Spinningfields 1 Hardman Square Manchester M3 3EB

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report
For the year ended 30 June 2020

The Directors present their annual strategic report of Bestway Panacea Holdings Limited and its subsidiaries (the 'Group') for the year ended 30 June 2020. In previous years, the company's results, along with those of its subsidiaries, were consolidated into the audited financial statements of the ultimate parent undertaking, Bestway Group Limited. This is the first year that Bestway Panacea Holdings Limited has prepared its own consolidated IFRS financial statements.

Principal activities
The principal activities of the Group during the year were retail pharmacy and pharmaceutical wholesale and distribution in the UK. The principal activity of the Company was as a holding company.

Business review
The results of the Group for the year are set out in the profit and loss account on page 24. Revenue for the year was £790,452,000 (year ended 30 June 2019: £790,259,000). The profit for the year before taxation was £2,187,000 (year ended 30 June 2019: £6,214,000). After tax the Group made a loss of £5,984,000 (2019: profit of £2,612,000). This was as a result of one-off exceptional items, and increased finance and tax costs compared to 2019. The net assets position of the Group as at 30 June 2020 was £287,706,000 (2019: £291,622,000).

The Group owned 751 pharmacies at the end of the year.

Operating profit is the profit the Group has made before any interest income or expense, taxation and dividends received or paid. Operating profit for the year ended 30 June 2020 was £5,360,000 (year ended 30 June 2019: £7,092,000).

During quarter 3 the Covid pandemic struck which has, to a degree, impacted every industry. As a front line provider within the NHS response to the pandemic, the pharmacy industry had seen both an impact but also financial support from the NHS. The lockdown of the country brought decreased footfall with resulting impact on non-prescription trade, but also a shift in peoples habits on how they sought prescription dispensing in addition to doctors' prescribing lengths.

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

Future development and performance of the business
The future objective of the Group is to improve gross margins and maximise profitability by realising efficencies within the business. There has remained a focus on leveraging technology assets to help drive both market share and efficency gains via our Central Fulfilment and Digital Projects.

Section 172(1) statement

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

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

A majority of the Directors and the Company Secretary attended detailed training with one of the Company's external legal advisers to remind themselves of key directors' duties under statute and common law and to understand the new reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018. Those Directors who were unable to attend were provided with materials from the training session.

Stakeholder management

The Directors have also considered in detail the Company's business model in order to identify the Company's key stakeholders within a Stakeholder Register, which includes the following:

- Investors
- Employees
- Trade Union
- Suppliers
- Customers and patients
- Creditors and lenders
- Primary regulators and Government, including NHS, Department of Health and Social Care and relevant pharmacy bodies (including PSNC, CCA and GPhC)
- Industry bodies
- Pension schemes and pension recipients
- Community and the environment
- Other stakeholders, including GPs, landlords, tenants and insurers

The Board is committed to effective engagement with all of their stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each relevant stakeholder group and to have regard to these, as appropriate, in its decision making. The Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all stakeholder groups, however they consider this as part of the wider consideration of all relevant stakeholder groups to allow competent decision making.

Every month, the Board undertakes a review where they asses the financial and strategic performance of the Company and its subsidiaries for the previous month, as well as discuss the impact of significant decisions taken in the business during the period. This is presented by the Company CEO and the Company CFO, together with specific support from members of the Company's executive committee and other senior managers. The aim is to identify factors which would lead to any positive or negative impact, financial or non-financial, on the status of the Company's stakeholders (as described above).

Section 172 statement (continued)

Stakeholder management (continued)

The Board and its executive team regularly share reports on issues concerning the Company's stakeholders (as described above), which it takes into account in its discussions and in its decision-making process under section 172.

In addition to this, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly as appropriate. Some of the ways in which the Board, either directly through the Company or via their position on one of the subsidiary boards, have engaged directly with stakeholders over the year are shown below.

Stakeholder	Their interests	How we engage	How the Board engages
Employees	•Fair remuneration and benefits •Training, development and career progression •Health & safety and working conditions •Diversity & inclusion •Human rights and modern slavery	•Staff Intranet ("The Hub"), direct email communications, corporate Facebook pages •Regular executive-led all hands huddles •Learning and development availability for all employees •Regular colleague surveys	•The Board has appointed Executive and remuneration Committees, who have responsibility for setting clear employee strategies and remuneration terms respectively •The Board visits with employees in key locations from time to time (prior to the commencement of UK COVID-19 restrictions)
Shareholders	•Comprehensive view of financial and sustainable performance of the business •Return on investment	•Monthly Board meetings •Annual Report and financial statements of the Company and its subsidiaries	•Monthly Board meetings •Transparent communication as the Board of Directors are the same for the Company and its shareholder •Engagement through Shareholder circulars for ultimate shareholders as needed
Suppliers, insurers and contractors	•Success of the business •Payment terms •Supply chain and logistics •Anti-bribery and corruption •Human rights and modern slavery •Long-term partnerships •Responsible sourcing requirements •Audits •Terms and conditions •Payment terms	•Direct engagement •Supplier website •Supplier conferences •Supplier surveys •Collaborative working groups •Initial meetings and negotiations •Direct senior management engagement •Annual report •Corporate website •Press releases published on the website	•Targeted engagement with critical and key suppliers which seek suppliers' views in relation to their interaction and experiences with the Company •Management action plans and set out focus areas for further improvement. •Board approval on significant capital and non-capital transactions and investments •Director engagement with senior executives of suppliers (for example Alliance), insurers (including the Company's brokers, Aon) and contractors •The Board also meets with HMRC

Section 172 statement (continued)

Stakeholder management (continued)

Stakeholder	**Their interests**	**How we engage**	**How the Board engages**
Customers and patients	•Range and product availability, with focus on prescription items in stock •Competitive prices •Timeliness •Ease of use of website and app for Digital customers •Delivery against customer promises •B2B product availability and ease of ordering	•Customer surveys •Customer complaints (Freedom to Speak Up framework) •Patient contact centres •Company reports •Sector groups (e.g. CPPSG) •Corporate Website and App •Direct marketing and communications	•Annual Report and financial statements •Board updates on trading and customer initiatives •Corporate website •Directors engagement with sector and industry bodies
Government and regulatory authorities	•Compliance with regulations •Worker pay and conditions •Waste and environment •Gender Pay •Brand reputation •Health and safety •Treatment of suppliers and customers	•Corporate Website •Annual Report •Direct engagements with regulators (see below) •HMRC & Statutory Audits	•Regular reports from business on range of regulatory issues and engagement •Board review and approval of audited accounts •Proactive eEngagement with key sector partners (PSNC, CCA, GPhC), including senior NHS counterparts, Department of Health and Social Care, participation with strategic pharmacy bodies •The Board hosted a visit to the HSC with several senior NHS and Department of Health & Social Care stakeholders

Section 172 statement (continued)

Employee Statement

The Board is committed to effective engagement with its employees. Throughout the Company, line managers engage with its employees through a well-documented performance management process and frequent 1-2-1 meetings, where employees are encouraged to provide transparent feedback. In addition to the Board seeking to understand the relative interests and priorities of the employees of the Company by receiving updates from various metrics and feedback tools. The Board has also engaged with employees of subsidiaries in a variety of ways over the year, including through the "Big Colleague Survey". These include attending seminars and conference sessions with employees, meeting with representatives of the Company's employee groups and attending the Well Awards in 2019 held to celebrate and reward the achievements of employees for their hard work and commitment to the Company.

Decision Making

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

1. Appointment of new CEO
Following agreement with former CEO, John Nuttall, on his retirement, the Board conducted an extensive search exercise which concluded with the appointment of Sebastian Hobbs as the new Well CEO. Mr Hobbs commenced working in the business and in July 2019 and completed his handover with Mr Nuttall and commenced fully in role by the end of September 2019.

The Board took into account a number of factors when making the appointment, including the experience of Mr Hobbs in delivering customer focussed change and transformation in order to best respond to the demands of the changing landscape of community pharmacy and those of the NHS, Department of Health and Social Care and the growing emphasis on serving customers and patients digitally.

2. Delivering Well Strategy
During the year the Board reviewed the corporate strategy of the Company and approved the adoption of the Delivery Well Strategy (DWS). As part of the review of the DWS, the Board considered positive or negative impact, financial or non-financial, on the status of the Company's key stakeholders, including among others the Company's investors, employees and customers and patients.

The Board acknowledged that while the proposal would result in some change to the ways that the Company's employees would need to operate to deliver the benefits of the DWS, the Company as a whole would benefit from the anticipated increase in return to the Company's investors and improvement in range and quality of products and services for the Company's patients and customers.

Section 172 statement (continued)

3. Governance
During the year the Board reviewed and approved the establishment and effectiveness of committees reporting to the Board. As part of the review of this proposal, the Board considered positive or negative impact, financial or non-financial, on the status of the Company's key stakeholders, including among others the Company's investors and employees.

The Board acknowledged that while the proposal would result in some change to the way that senior employees operate, the Company as a whole would benefit from greater decision-making clarity and accountability in the delegated committees allowing for more effective decisions and engagements with key stakeholder groups, including the Company's investors, employees, and external stakeholders (for example GPhC).

4. Central Fulfilment
During the year the Board reviewed the rollout of the Central Fulfilment programme. As part of the review of this proposal, the Board considered positive or negative impact, financial or non-financial, on the status of the Company's and its subsidiaries' key stakeholders, including employees, customers and patients.

The Board acknowledged that while the proposal would result in an impact on some of the Company's employees necessitating changes in working practices, the Company and its subsidiaries as a whole would benefit from the increased efficiency of a centralised prescription fulfilment operation that would permit pharmacy teams more time to engage with customers and patients.

5. Response to COVID-19 Pandemic
In the second half of the year the Board was required to respond to the accelerating impact of the COVID-19 pandemic. Recognising that much of the impact on Well as a pharmacy business was operational with both the distribution centre and the pharmacies themselves, the Board supported the CEO and Executive Committee in its prioritisation of key activities, which included the following:

- Prescription medication and associated product availability through the pharmacy stores, Digital pharmacy, Home Delivery Service and new OTC website in order to support and protect customers and patients;
- Protecting the safety of all employees through the timely acquisition and distribution of protective equipment and new ways of working (including remote working where appropriate);
- Compliance with law and regulations as well as relevant governmental and regulatory guidance; and
- Minimising the financial impacts created by the pandemic. The Board also approved payments to front-line pharmacy colleagues in recognition of their commitment to their patients and customers.

Statement of Private Company Governance Arrangements

The Directors of Bestway Panacea Holdings Limited (the "Company") apply good standards of corporate governance when conducting their day to day roles and give careful consideration to improvements in corporate governance arrangements where required for the benefit of the Company.

In light of the requirements within the Companies (Miscellaneous Reporting) Regulations 2018, the Bestway Group Limited ("Bestway Group" or "Group") took this opportunity to conduct a wider review of corporate governance arrangements on behalf of itself and its subsidiaries during the financial year. As a result of such review, the Bestway Group cascaded the following Bestway Corporate Governance Principles.

The Board of the Company is pleased to present its Statement of Corporate Governance Arrangements for the year ended 30 June 2020. The Board is committed to the creation of long-term sustainable value for its shareholders.

Corporate Governance Principles

The principles of corporate governance adopted by the Board, together with examples of how these have been applied by the Company, during the year ended 30th June 2020 are set out below. A governance framework is in place for all subsidiary companies in the Group to ensure that the Company's values, policies and processes are adhered in order to ensure the Company's subsidiaries act in a clear, accountable and consistent manner.

Principle 1: Vision and Purpose. *Each Board should endorse the vision of the Group and the purpose of its relevant company and by enabling its values, strategy and culture to compliment such vision and purpose.*

The Company is a privately-owned enterprise and it is its purpose to generate long-term value to ensure the future sustainability of the business. This is for the benefit of the Company's shareholders, employees, customers, suppliers and our wider stakeholder base. This is embedded in how the Board reviews opportunity and risk across its business.

Together with the incorporation of the Bestway Group's wider vision, the Board has set a clear vision and purpose for the Company and which is promoted to all employees: "Here for the wellbeing of our patients and customers". This clearly states the purpose of the Company as a provider of healthcare and wellbeing to its patients and customers (both individual and B2B). This is supported by the Delivering Well Strategy (DWS), which is outlined in the Company's s.172 statement under the Decision Making section. The DWS sets out the core components of the short and long term strategy of the Company and its subsidiaries in order to deliver the best value for its stakeholders, including (among others) shareholder value and quality and consistency to its customers and patients through pharmacies and digital channels.

Members of the Board hold regular business update meetings to share progress on the delivery of the DWS and other key performance and culture metrics to bring the DWS and Company vision to life.

Principle 2: Board Structure. *The Group should ensure an effective Board structure of suitable size where there is a balance of diversity of skills, knowledge and experience amongst the Directors.*

The Board is made up of members drawn from within the Group as well as appointments from outside Bestway, including the Company CEO, Company CFO and, as at the date of this report, two independent non-executive directors, David Coles and Noel Gordon (the latter being appointed after the end of the year ended 30 June 2020).

Corporate Governance Principles (continued)

The Board operates to clear terms of reference and delegates certain of its functions to its key committees. During the year, the Board reviewed and approved the restructure of committees (including their terms of reference) reporting up to the Board in order to develop greater efficiency and effectiveness of the Company. The main standing committees of the Board are:

- Executive Committee – chaired by the Company CEO and comprising the Company's senior managers, this committee meets monthly and is responsible for the day to day decision-making of the Company.

- Remuneration Committee – chaired by the Non-Executive Director and with the following members: Non-Executive Director, Bestway Group CEO and Bestway Group CFO, with regular attendees including the Company CEO and Company CFO. This committee meets monthly and is responsible for setting the remuneration of the Board, its non-executive directors and senior managers of the Company. It also approves the terms of Company annual pay awards and the terms of Company short and long-term incentive plans.

- Audit Committee – chaired by the Bestway Group CFO and with the following members: the Company CEO, Company CFO, the Company Secretary and the Company Head of Internal Audit. The Company's external auditors are also invited to join. As well as reviewing the annual report and accounts with the Company's external auditors, the committee also reviews the findings of regular and ad hoc audits carried out by the Company's internal audit function. The Audit Committee provides necessary support and challenge to the Board on the Company's corporate risks (see below).

Through the year, the Board consisted of a diverse group of individuals with a range of professional qualifications and/or trade expertise, allowing decisions to be made with a suitable degree of insight and challenge. The Board comprises the Bestway Group Chairman, Bestway Group CEO, Bestway Group CFO and Company CEO and Company CFO. The Board has an independent non-executive director who brings health sector-specific experience to guide and challenge the Board in its decision-making. The directors notify the Company Secretary should they become aware of any potential conflict situations so that adequate measures may be taken in light of the potential conflict.

The Board meets on a monthly basis to discuss the following matters, amongst others, for which a board pack utilising established and relevant KPIs and performance measures is circulated in advance of the meeting to facilitate an effective and informative board meeting;

- The previous month's consolidated financial performance for the Company and its subsidiaries.
- A review of outstanding action points from the previous month's meeting.
- A review of performance of the Company and its subsidiaries presented by the Company CEO and Company CFO, both supported by members of the Company's senior management team as required. These set out the key KPIs for all aspects of the Company's and its subsidiaries' performance for the preceding month and year to date.
- An update of performance of material projects of the Company and its subsidiaries.

Corporate Governance Principles (continued)

- Monthly presentations on specific areas of the Company and its subsidiaries, as agreed by the Board, which may cover some of the following:

- Sales
- Trading
- Operations
- IT & Digital
- Logistics
- Digital
- Legal, Regulatory & Governance
- Reforecast & Budgets
- Risk
- Strategy
- Any items that require Board Approval via the Delegation of Authority within the Company and its subsidiaries.
- Any item that would have a material impact on stakeholders of the Company and its subsidiaries.

Principle 3: Director Accountability. *All Directors should be accountable for their responsibilities, with policies and procedures to enable each Board to make expeditious decisions following independent challenge.*

The Company is proud of what it does and of our heritage as a family owned business. The Board promotes a culture of inclusiveness for the Company's employees to encourage and inspire them to be the best they can be for themselves and the communities they serve. Further, the Board aims to foster an open and honest culture underpinned by diligence and integrity.

Members of the Board and senior management of the Company and its subsidiaries received training on their statutory and regulatory duties during the year, In particular, the Board recognises its specific pharmacy regulatory responsibilities to the Company and its customers, patients and the NHS.

The Board as a whole is collectively responsible for the success of the Company, and in doing so, complying with their duties under section 172 of the Companies Act 2006. The Board is responsible for providing entrepreneurial leadership when setting the Company's strategic aims, monitoring performance, providing a framework of controls for the Company's risk to be assessed and managed, engaging with and meeting its obligations to the Company's shareholder(s), and acting in accordance with all relevant and applicable legislative and regulatory rules. Furthermore, the Board is responsible for setting levels of delegated authority throughout the Company, whilst ensuring it assumes overall responsibility for the governance of the Company. The Company carried out an internal Board evaluation during the financial year, to reflect on current performance and identify improvements in ways of working. The Board also moved its monthly meetings to become formal Board meetings, documented with minutes and actions.

Corporate Governance Principles (continued)

Directors attended board meetings during the financial year as follows:

Name	Role	Number of attendances
Sir Anwar Pervez	Bestway Group Chairman	0/12*
Lord Zameer Choudrey	Bestway Group CEO	12/12
Hon. Haider Choudrey	Bestway Group CFO	10/12**
Sebastian Hobbs	CEO	10/12**
Lynn Krige	CFO	12/12
David Coles	Non-Executive Director	8/12***
John Nuttall	CEO (former)	2/12****

*As Bestway Group Chairman, Sir Anwar Pervez is appointed to each subsidiary board, but delegates his functions to Lord Choudrey.

**Appointed with effect from September 2019, although Hon. Haider Choudrey was in attendance at all meetings even where not appointed as a statutory director.

***David Coles was absent from the UK for a period of time across winter 2019/2020 although continued to received board papers and input via discussion with the CEO and CFO.

****Retired as a director and Company CEO following August 2019 board meting.

The Board are regularly provided with training as required. Please refer to the section 172 statement for further information on training provided within the financial year.

Principle 4: Opportunity and Risk. *Each Board should continually strive for the sustainable long-term success of its relevant company, in light of its responsibility to identify and mitigate risks while exploring opportunities to create value.*

The vision and strategy of the Company are specifically designed to deliver long term value, both financially to the Company's shareholders and also in its role as a primary healthcare provider, this most significantly during the COVID-19 pandemic.

The DWS is designed to deliver long term sustainable value for shareholders, customers and patients, as well as the NHS. To Support this, the Board has commissioned consultancy to support the identification of opportunities to maximise long term sustainable value. In addition, the Board has adopted a structured risk framework to identify and mitigate its key risks.

The Company recognises the need to assess opportunity and risk without introducing copious amounts of bureaucracy which may diminish the Company's ability to execute on opportunities or mitigate risks in an efficient manner – typically a strength for private limited companies wholly owned as a family business.

The Bestway Group has clearly defined its vision and purpose and this has been embedded in the strategy of each its subsidiaries. When opportunities arise for the Company, they are assessed on whether they create long-term value, on whether they ensure the Company's business model remains sustainable in the long-term and whether they are in the best interests of each relevant stakeholder base. The Company's willingness to accept risk also changes depending on the extent to which an opportunity aligns with the Bestway Group's vision and purpose.

The Board considers risk management as a fundamental part of furthering the Company's vision, purpose and ongoing strategy. Therefore, the Board seeks to proactively identify, assess and manage risks relating to the Company, by putting in place a risk management framework that is fit for purpose, reflecting the size and nature of operations and utilising the skills and capabilities of resource suitably.

Corporate Governance Principles (continued)

The directors of the Company have adopted the COSO Enterprise Risk Management framework to support the management of risks and ensure they are managed within the risk appetite set out by the directors. The Company risk registers are reviewed quarterly by the directors and reviewed and challenged by the Audit Committee. The Board reviewed the risk management framework during the financial year and identified the following key risk areas:

- Cyber and Data Security
- IT Infrastructure/Systems
- Failure to comply with regulators and law
- Supply chain and operations
- People - Costs, rentention, capability, recruitment, payments
- External Enviroment/Market Opportunities
- Digitalisation, disruptive technology and other innovation
- Financial Risk
- Financial Control
- Culture

The directors have a zero tolerance for fraud and direct various activities to prevent, detect and investigate any spurious/fraudulent activity (both internal and external) directed against the business including:

• Risk assessments: anti-fraud sessions conducted by the Company's finance team to identify high risk fraud areas and asses the controls.

• Control environment: including standards, processes and structures that aim to control the risks of fraud in the business.

• Control activities: including various management reviews and systematic audits to assess and detect incidents as well as control deficiencies that might allow an environment of fraud to go undetected.

• Monitoring activities: including proactive datamining within the Internal Audit team to detect incidences of theft and fraud which are the investigated.

• Communications: including activities that educate the employees to the risk and symptoms of fraud against the business.

Principle 5: Stakeholder Engagement. *Each board must establish oversight in developing relationships with stakeholders, including the workforce, to allow for meaningful engagement and proactive consideration of each during any material decision-making process.*

The Board leads on stakeholder engagement, from its shareholders, to the NHS, Department of Health and Social Care, the PSNC and other relevant pharmacy bodies.

The Board also commissioned the Big Colleague Survey to understand the attitudes and concerns of all employees, with actions derived from it delegated to the Executive Committee.

The Company believes it is its responsibility to support the communities it operates in and to promote social mobility at large. The Board believes the best ways of enabling social mobility is by focusing on education and healthcare initiatives and, as a result, corporate social responsibility activities are focused in these two areas. In addition to this, the Company supports sector related charities and offers training and development programs and employment and advancement opportunities across the business.

Stakeholder Engagement
Please refer to the section 172 statement herein for further information on stakeholder engagement within the financial year.

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

NHS funding
The changing government policy around NHS funding continues to present a key risk to community pharmacies. The business has taken steps to improve its customer experience and ensure it's in a strong position to maximise performance against the contract.

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

Since the news of the virus broke in February, we have followed the advice from the Government and the NHS at all times and will continue to do so. We have taken action as appropriate to protect our people and our operations. We are following the situation closely.

The impact on our business will depend on the severity and duration of the COVID-19 pandemic. The following key actions have been undertaken to manage the impact of the pandemic on our business:

- Introduced distancing and hygiene measures in stores and depots to keep customers and colleagues safe.
- Ensured our staff were safe and supplied with the correct PPE at all times.
- Extended our working hours; working through the Easter weekend to ensure our customers were given support through the pandemic.
- Operational activities have been amended to comply with the government guidance to prioritise safety of colleagues, customers and others involved.
- Daily meetings of crisis management were held with key management and executive management team to address the risks, concerns and develop effective solutions.
- We are engaged with all relevant stakeholders including the government, specialist advisors NHS England and community Pharmacy regulatory bodies.
- Took decisive actions to reduce our cost base, whilst supporting our colleagues who were furloughed in line with Coronavirus Job Retention Scheme, implemented enhanced financial controls over approval of all spend and immediately reacted to government initiatives such as business rates holiday, tax and VAT payment deferrals.
- Worked quickly with suppliers across the business as the scale of the virus became apparent, to both maintain continuity of supply, and where needed, cancel or defer orders.

Principal risks and uncertainties (continued)

Data

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

Qualified Pharmacists

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

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

Key performance indicators

The key performance indicators of the Group, which are monitored by the Directors, relate to the performance of the Group, including revenue, operating profit, the levels of cash and cash equivalents, and the number of prescriptions dispensed.

	2020	2019
Revenue (£'000)	**790,452**	790,259
Operating profit (£'000)	**5,360**	7,092
Cash and cash equivalents (£'000)	**63,795**	47,979
Prescription volume (Number of core items dispensed '000)	**71,960**	72,136

On behalf of the Board,

Krige

L G Krige
Director
15 January 2021

Registered Office:
Merchants Warehouse
Castle Street
Manchester
M3 4LZ

BESTWAY PANACEA HOLDINGS LIMITED
Directors' Report
For the year ended 30 June 2020

The Directors present their report and audited consolidated financial statements of Bestway Panacea Holdings Limited and its subsidiaries (the 'Group') for the year ended 30 June 2020.

Directors

The Directors who were in office during the year and up to the date of signing the financial statements were as follows:

Hon. H Z Choudrey	(appointed 23 September 2019)
Lord Z M Choudrey	
D Coles (Non-Executive Director)	
N Gordon (Non-Executive Director)	(appointed 1 November 2020)
S Hobbs	(appointed 23 September 2019)
L G Krige	
Sir M A Pervez OBE HPk	
J B Nuttall	(resigned 23 September 2019)

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

Dividend

The Directors do not recommend the payment of a dividend (year ended 30 June 2019: £nil).

Employees

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

The Company's policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities. Employees are also consulted on a regular basis so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

Employee and other stakeholder management

Refer to the Strategic Report for further details about how the Group engages with employees and other stakeholders.

Financial risk management

The principal financial risk of the Group relates to the generation and availability of sufficient funds to meet business needs, including payments to members. The Group has exposure to fluctuations in interest, which can impact on financial performance. The Board is responsible for approving the Group's strategy, its principal markets and the level of acceptable risks. The Group operates a risk management process that identifies the key risks to the business. Each operation has a risk register that identifies the likelihood and impact of those risks occurring and the actions being taken to manage those risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group has limited credit risk because the majority of its external trade receivables are guaranteed to be paid by the National Health Service on their due date. Refer to note 14 for further details.

The Group has a non interest bearing loan receivable with other Bestway group undertakings. There is no significant credit risk associated with this balance. The credit risk in respect of inter-company receivables is £nil (2019: £nil).

The credit risk in respect of cash and cash equivalents and other financial assets is limited because the counterparties with significant balances are established international banks whose credit ratings are monitored on an ongoing basis. These balances are therefore considered to have low credit risk on initial recognition.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, by monitoring cash flows and uses group funding where necessary.

Market Risk

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

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

The Group is not exposed to currency risk, as all dealings are within the United Kingdom.

Future development and performance of the business

Refer to the Strategic Report on page 4 for details on the future development of the business, principal risks and business review.

Political contributions

The Group has made no political donations during the year (year ended 30 June 2019: £nil).

Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. The Group made a profit before tax of £2,187,000 (year ended 30 June 2019: £6,214,000), had net current assets of £7,078,000 as at 30 June 2020 (2019: liabilities of £38,000, 2018: liabilities of £26,845,000) and net assets of £287,706,000 as at 30 June 2020 (2019: £291,622,000, 2018: £289,012,000).

The Directors have prepared cash flow forecasts, including a severe, but plausible, downside scenario, for a period of at least 12 months from the date of approval of these financial statements, which indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

During quarter 3 the Covid pandemic struck which has, to a degree, impacted every industry. As a front line provider within the NHS response to the pandemic, the pharmacy industry had seen both an impact but also financial support from the NHS. The lockdown of the country brought decreased footfall with resulting impact on non-prescription trade, but also a shift in peoples habits on how they sought prescription dispensing in addition to doctors' prescribing lengths.

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

As part of the going concern review, a Covid Pandemic second wave impact was factored into projections. Cash advances received were forecast to be repaid, either over a 10 month period or based on the agreed repayment schedule as agreed with the Welsh and Scottish NHS.

Based on this the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The Group has provided a letter of support to its sister company, Bestway Retail Limited.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006 PricewaterhouseCoopers LLP have offered themselves for reappointment at the AGM.

Streamlined Energy and Carbon Reporting (SECR) disclosure

The Group acknowledges that energy efficiency is vital for business productivity, supporting the transition to a low-carbon economy. Following the government announcing the replacement of the CRC Energy Efficiency Scheme and extension of the scope of the Mandatory Carbon Reporting, we report in line with new SECR regulations, which are provided below:

UK Greenhouse gas emissions and energy use data	
Energy consumption used to calculate emissions (kWh)	26,567,960
Energy consumption break down (kWh)	
Natural gas	1,139,354
Electricity	15,636,940
Direct transport	9,791,666
Scope 1 emissions in metric tonnes CO2e	
Natural gas consumption	210
Direct transport	2,333
Total scope 1	2,543
Scope 2 emissions in metric tonnes CO2e - Purchased electricity	2,695
Carbon intensity ratio (tCO2e/£m T/O)	7.0

SECR data notes

Reporting period	1 July 2019 - 30 June 2020
Boundary (consolidation approach)	Financial control approach
Alignment with financial reporting	The only variation is that the GHG emission/energy data presented does not account for single let properties or properties for which we do not have management control. This is because we do not have control or influence over the utility consumption in these buildings. However, the rental income of these properties is included in our financial statements.
Reporting method	The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines; including streamlined energy and carbon reporting guidance.
Emissions factor source	DEFRA emission factors have been used for all emission sources. Market based emission factors have been sourced from each relevant supplier.

Measures taken to improve energy efficiency

During the year we have implemented programmes to replace old energy meters for smart meters across 167 pharmacies, replace more than 10,000 light fittings for new LED lighting across 501 pharmacies, and update tills for more energy effificent systems across 742 pharmacies.

Statement of Directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have properly prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards, in conformity with the requirements of the Companies Act 2006, have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group 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.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The financial statements on pages 24 to 72 were approved by the Board of Directors on 15 January 2021 and signed on its behalf by:

L G Krige
Director

Registered Office:
Merchants Warehouse
Castle Street
Manchester
M3 4LZ

Independent Auditors' Report to the members of Bestway Panacea Holdings Limited

For the year ended 30 June 2020

Report on the audit of the financial statements

Opinion

In our opinion:

- Bestway Panacea Holdings Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2020 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 30 June 2020; the Consolidated Statement of Income and Other Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements in Changes of Equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report *other than the financial statements and* our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or 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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Companies Act 2006 exception reporting

Other required reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the years ended 30 June 2019 and 30 June 2018, forming the corresponding figures of the financial statements for the year ended 30 June 2020, are unaudited.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
15 January 2021

BESTWAY PANACEA HOLDINGS LIMITED
Consolidated Statement of Income and Other Comprehensive Income
For the year ended 30 June 2020

	Note	**2020** **£'000**	Unaudited 2019 £'000
Revenue	4	**790,452**	790,259
Cost of Sales		**(515,818)**	(512,249)
Gross Profit		**274,634**	278,010
Other operating income	5	**459**	253
Administrative expenses before exceptional items	6	**(264,910)**	(269,849)
Exceptional items	6	**(4,823)**	(1,322)
Total administrative expenses		**(269,733)**	(271,171)
Operating Profit	6	**5,360**	7,092
Financial income	8	**736**	1,103
Financial expenses	9	**(3,909)**	(1,981)
Net financing expense		**(3,173)**	(878)
Profit before taxation		**2,187**	6,214
Tax on profit	10	**(8,171)**	(3,602)
(Loss)/Profit after taxation		**(5,984)**	2,612
Total comprehensive (loss)/ income for the year		**(5,984)**	2,612

The notes from part of these financial statements.

IFRS 16 was adopted on 1 July 2019 for our statutory reporting without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2020 and an IAS 17 basis for 2019. Note 1 provides the summary of the impact on the results for the year ended 30 June 2020.

BESTWAY PANACEA HOLDINGS LIMITED

Consolidated Balance Sheet

As at 30 June 2020

	Note	2020	Unaudited 2019	Unaudited 2018
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	11	**149,650**	71,193	73,950
Goodwill	12	**41,277**	43,374	46,014
Intangible assets	12	**189,146**	207,196	227,409
		380,073	321,763	347,373
Current Assets				
Inventories	13	**69,125**	60,768	52,551
Trade and other receivables	14	**99,768**	112,520	97,115
Investments		**15**	59	215
Cash and cash equivalents	15	**63,795**	47,979	63,366
		232,703	221,326	213,247
Total assets		**612,776**	543,089	560,620
Current liabilities				
Trade and other payables	16	**(210,308)**	(212,410)	(221,341)
Tax payable		**(2,231)**	(1,027)	(79)
Provisions	18	**(537)**	(7,927)	(18,672)
Lease liabilities	17	**(12,549)**	-	-
		(225,625)	(221,364)	(240,092)
Net current assets/(liabilities)		**7,078**	(38)	(26,845)
Non-current liabilities				
Provisions	18	**(2,188)**	-	-
Deferred tax liabilities	19	**(31,238)**	(30,103)	(31,516)
Lease liabilities	17	**(66,019)**	-	-
		(99,445)	(30,103)	(31,516)
Total liabilities		**(325,070)**	(251,467)	(271,608)
Net assets		**287,706**	291,622	289,012
Equity attributable to equity holders of the parent				
Share capital	20	**-**	-	-
Retained earnings		**287,706**	291,622	289,012
		287,706	291,622	289,012

The notes from part of these financial statements

IFRS 16 was adopted on 1 July 2019 for our statutory reporting without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2020 and an IAS 17 basis for 2019. Note 1 provides the summary of the impact on the results for the year ended 30 June 2020.

The financial statements on pages 24 to 72 were approved by the Board of Directors on 15 January 2021 and signed on its behalf by:

Krige

L G Krige
Director

Company registration number: 09225479

BESTWAY PANACEA HOLDINGS LIMITED

Company Balance Sheet

As at 30 June 2020

	Note	2020 £'000	Unaudited 2019 £'000
Non-current assets			
Investments	29	**17,191**	17,978
Total fixed assets		**17,191**	17,978
Current Assets			
Trade and other receivables	30	**3,116**	12,676
Total current assets		**3,116**	12,676
Total assets		**20,307**	30,654
Current liabilities			
Trade and other payables	31	**(38,368)**	(47,975)
		(38,368)	(47,975)
Net Current liabilities		**(35,252)**	(35,299)
Non-current liabilities			
Loans		**(163)**	-
		(163)	-
Total liabilities		**(38,531)**	(47,975)
Net liabilities		**(18,224)**	(17,321)
Equity attributable to equity holders of the parent			
Share capital	32	**-**	-
Accumulated losses		**(18,224)**	(17,321)
Total shareholder's deficit		**(18,224)**	(17,321)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement. The parent company loss for the year was £904,000 (2019: £1,634,000).

The notes from part of these financial statements.

The financial statements on pages 24 to 72 were approved by the Board of Directors on 15 January 2021 and signed on its behalf by

Krige

L G Krige

Director

Company registration number: 09225479

BESTWAY PANACEA HOLDINGS LIMITED
Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 July 2018 (unaudited)	-	**289,010**	**289,010**
Total comprehensive income for the year	-	2,612	2,612
Balance at 30 June 2019 (unaudited)	**-**	**291,622**	**291,622**
Adoption of IFRS 16*	-	2,068	2,068
Restated balance at 1 July 2019	-	**293,690**	**293,690**
Loss for the financial year	-	(5,984)	(5,984)
Balance at 30 June 2020	**-**	**287,706**	**287,706**

*The impact of the adoption of IFRS 16 has been explained further in Note 1.

Company Statement of Changes in Equity
For the year ended 30 June 2020

	Share Capital £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 1 July 2018	-	(15,687)	(15,687)
Loss for the financial year	-	(1,634)	(1,634)
Balance at 30 June 2019	**-**	**(17,321)**	**(17,321)**
Loss for the financial year	-	(903)	(903)
Balance at 30 June 2020	**-**	**(18,224)**	**(18,224)**

The notes from part of these financial statements

BESTWAY PANACEA HOLDINGS LIMITED

Consolidated Cash Flow Statement

For the year ended 30 June 2020

	2020	Unaudited 2019
	£'000	£'000
Cash flows from operating activities		
Profit before Tax	2,187	6,214
Adjustments for:		
Financial income	(736)	(1,103)
Financial expense	3,909	1,981
Change in value of investment property	44	46
Depreciation of property, plant and equipment	25,744	15,413
Amortisation of intangible assets	24,610	25,564
Amortisation of lease premiums	-	803
Impairment of intangible assets and Goodwill	1,846	2,734
Impairment/(reversal of impairment) of fixed assets	533	(1,201)
Loss on disposal of property, plant and equipment, and intangible assets	166	214
Increase in trade and other receivables	(30)	(14,405)
Increase in inventories	(8,357)	(7,992)
Increase in trade and other payables	38,474	15,307
Decrease in provisions	(5,202)	(12,158)
Cash generated from operations	**83,188**	**31,417**
Tax paid	(5,833)	(4,071)
Interest paid	(1,548)	(2,563)
Net cash generated from operating activities	**75,807**	**24,783**
Cash flows from investing activities		
Interest received	736	1,224
Acquisition of property, plant and equipment	(7,404)	(13,202)
Proceeds on disposal of branches	1,392	804
Development costs capitalised	(5,814)	(4,755)
Acquisition of subsidiary, net of cash acquired	(1,590)	(1,141)
Net cash used in investing activities	**(12,680)**	**(17,070)**
Cash flows from financing activities		
Repayment of loan from parent company	(36,987)	(23,101)
Principal elements of lease payments	(10,324)	-
Net cash used in financing activities	**(47,311)**	**(23,101)**
Net increase / (decrease) in cash and cash equivalents	15,816	(15,388)
Cash and cash equivalents at beginning of year	47,979	63,367
Cash and cash equivalents at end of year	**63,795**	**47,979**

The notes form part of these financial statements

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements
For the year ended 30 June 2020

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Reporting entity

Bestway Panacea Holdings Limited (the company) is a private company limited by shares incorporated and domiciled in the UK and registered in England and Wales. The address of the Company's registered office is Merchants Warehouse, Castle Street, Manchester, M3 4LZ.

Basis of preparation

The consolidated Group financial statements have been prepared by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRSs"). These financial statements have also been prepared in accordance with The Companies Act 2006 as applicable to companies using IFRS. These financial statements have also been prepared in accordance with IFRS Intepretations Committee (IFRS IC).

In previous years, the Company's results, along with those of its subsidiaries (together, the "Group"), were consolidated into the audited financial statements of the ultimate parent undertaking, Bestway Group Limited. During the year, as part of the wider Bestway Group restructure, the Company's ultimate parent undertaking is no longer required to prepare consolidated financial statements for the year ended 30 June 2020. As a result, the Group can no longer take exemptions under FRS 101 Reduced Disclosure Framework and thus has adopted IFRS for the consolidated financial statements for the year ended 30 June 2020.

This is the first year that Bestway Panacea Holdings Limited has prepared its own consolidated IFRS financial statements. IFRS 1 – "First time adoption of international financial reporting standards" has therefore been applied to the consolidated financial statement for the year ended 30 June 2020. The date of transition to IFRS was 1 July 2018.

In accordance with IFRS 1 the group is entitled to a variety of voluntary and mandatory exemptions from full restatement, the most significant of which are as follows:

•IAS 16 'Property, Plant and Equipment': the group has taken advantage of the exemption available under IAS 16 to elect to measure the value of property, plant and equipment at 1 July 2018 at historic cost.

The financial statements have been prepared under the historical cost convention. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

IMPACT OF NEW STANDARDS AND INTERPRETATIONS

a) New and amended standards adopted by the Group. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2019:

- IFRS 16 'Leases'

b) The following standards have been issued but have not been applied by the Group in these financial statements. These amendments to standards and interpretations had no significant impact on the financial statements:

- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IFRS 4 'Insurance Contracts'
- Amendments to IFRS 9 'Financial Instruments'
- Amendments to IAS 28 'Investments in Associates and Joint Ventures'
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'

1. Significant accounting policies (continued)

c) At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued, but are not yet effective, and had not yet been adopted by the UK Endorsement board:
• Amendments to IFRS 3 'Definition of a Business'
• Amendments to IAS 1 and IAS 8 'Definition of Material'
• IFRS 17 'Insurance Contracts'
• Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'
• Amendments to IFRS 9, IAS 39 and IFRS 17 'Interest Rate Benchmark Reform'
• Various standards Amendments to References to the Conceptual Framework in IFRS Standards The amendments to standards and interpretations noted above are expected to have no significant impact on the financial statements.

Please see below for further information about the transition to IFRS 16.

IFRS 16 ' Leases' became effective for accounting periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. Lease liabilities are measured at the present value of future lease payments over the reasonably certain lease term. Variable lease payments that do not depend on an index or a rate are not included in the lease liability. Such payments are expensed as incurred throughout the lease term.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has applied IFRS 16 using the modified retrospective approach measuring right-of-use assets at an amount based on their respective lease liability on adoption, with the cumulative effect of adopting the standard recognised at the date of initial application without restatement of comparative information.

The Group as a lessee
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

• the contract involves the use of an identified asset-this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

• the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

• the Group has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

• the Group has the right to operate the asset; or

• the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

1. Significant accounting policies (continued)

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate. The weighted average incremental borrowing rate applied by the Group on adoption of IFRS 16 was 3.4%.

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

As a lessee under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

1. Significant accounting policies (continued)

Transition options used
In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2020

1. Significant accounting policies (continued)

The Group's lease portfolio

The Group's leases include retail estate leases of pharmacies, offices, a distribution centre, motor vehicles, plant and machinery, and IT equipment. The Group classified these as operating leases under IAS 17. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Retail estate leases

The Group leases 558 retail estate units from which it conducts its pharmacy business, not including pharacies operating from freehold premises. The lease terms, and the remaining lease terms at the date of the initial application of IFRS 16, vary. In some cases, the remaining lease term at the date of initial application of IFRS 16 was less than 12 months, therefore the short term practical expedient has been applied to any leases meeting this criteria. The leases of retail pharmacies that have been more recently entered into typically run for a period of 10 to 15 years.

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

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

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

Central support centre leases

The Group leases its central support centre. The non-cancellable period of the lease is 10 years. The lease payments are adjusted for in line with changes in the consumer price index at relevant review periods. The Group does not hold an option to extend the lease other than via statutory protections covered by the Landlord and Tenant Act 1954.

Distribution centre leases

The Group leases its distribution centre. The non-cancellable period of the lease is 20 years and the full lease term is 25 years. The lease payments are adjusted in line with market based changes at relevant review periods. The Group does not hold an option to extend the lease other than via statutory protections covered by the Landlord and Tenant Act 1954.

Motor vehicles leases

The Group leases vehicles that it uses to transport dispensed products from its retail stores to patients' homes as well as company cars used by employees. At the year end, the Group leased 464 vehicles. Leases of vehicles are generally limited to a term of 4 years.

Plant & machinery leases

The Group leases some plant and machinery in its distribution centre. The non-cancellable term of these leases is 12 months or less. The Group has elected to apply the recognition exemption for short-term leases to these leases.

IT equipment leases

The Group leases IT equipment, such as printers for use by staff in its central support centre. The Group has elected to apply the recognition exemption for leases of low-value assets to these leases.

Residential leases

The Group sub-leases out 26 residential properties above its pharmacies. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

1. Significant accounting policies (continued)

Impact of the adoption of IFRS 16

The full impact of the adoption of IFRS 16 on the Group has been explained below:

Impact on Statement of Financial Position as at 1 July 2019	**£'000**
Increase in fixed assets - right of use assets	93,136
Decrease in other assets - advance rent and other prepayments	(1,989)
Decrease in other assets - lease premium	(10,793)
Increase in total assets	**80,354**
Increase in other liabilities - lease liability against right of use assets	(81,875)
Decrease in other liabilities - accruals	3,589
Increase in net assets	**2,068**

Reconciliation of lease liabilities to operating lease commitments recognised under IAS 17	**£'000**
Operating lease commitments disclosed as at 30 June 2019	100,271
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(18,058)
(Less): short-term leases not recognised as a liability	(866)
Add: contracts reassessed as lease contracts	528
Lease liability recognised as at 1 July 2019	**81,875**
Of which are:	
Current lease liabilities	7,965
Non-current lease liabilities	73,910
	81,875

Impact on Statement of Comprehensive Income for the year ended 30 June 2020	**£'000**
Increase in finance expense - lease liability against right of use assets	(2,722)
(Increase)/Decrease in administrative expenses:	
Depreciation	(12,574)
Rent expense	13,476
Expense relating to variable lease payments not included in the measurement of lease liabilities	(400)
Decrease in profit before tax	**(2,220)**
Decrease in tax	(118)
Decrease in profit after tax	**(2,338)**

1. Significant accounting policies (continued)

Property, plant and equipment as at 30 June 2020 comprises	Note	2020 £'000
Property plant and equipment owned		64,964
Right of Use assets		84,686
	11	**149,650**

Lease liabilities included in the statement of financial position as at 30 June 2020		£'000
Current		10,190
Non-Current		68,378
	17	**78,568**

Maturity Analysis - Contractual undiscounted cash flows

	2020 £'000
Less than one year	12,912
One year to five years	39,931
More than five years	40,558
Total undiscounted lease liabilities as at 30 June 2020	**93,401**

Amounts recognised in the statement of cash flows

	2020 £'000
Cash payments for the interest portion consistent with presentation of interest payments activities	363
Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities	1,057
Cash payments for the principal portion of the lease liabilities as cash flows from financing	10,324
Total cash flow for leases	**11,744**

1. Significant accounting policies (continued)

i. Operating leases as a lessor

The Group sub-leases out some of the residential properties above its pharmacies. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020
	£'000
Less than one year	456
Total undiscounted lease payments receivable as a lessor	**456**

ii. Finance leases as a lessor

The Company has no leases that it classifies as a finance lease.

1. Significant accounting policies (continued)

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

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

Principles of consolidation

Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The Acquisition date is the date on which control is transferred to the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to any non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Associates
Associates are those entities over which (the Group has significant influence over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost except for in the individual financial statements of the investor, where this is held at cost less any impairment losses. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

1. Significant accounting policies (continued)

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combinations with entities under common control

Business combinations arising from the acquisition of entities that are under the control of the shareholders that controls the Group are accounted from the date of transfer. The assets and liabilities acquired are recognised at the carrying amounts recognised in the acquirer's financial statements. The Group elects to present the comparative figures from the previous consolidate financial statements to present the combining entities as if they have historically always been one consolidated entity. The difference between the consideration paid and the book value of the assets and liabilities acquired is reflected as a merger reserve in the statement of changes in equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of an investment in an associate or a joint venture.

Business combinations

Business combinations (other than those with entities under common control) are accounted for by applying acquisition accounting principles from the date on which control is transferred to the Group.

The assets and liabilities and contingent liabilities of a Subsidiary are 'measured at fair value at the date of acquisition.

Any excess of the cost of acquisition over the fair values of the separately identifiable net assets acquired is recognised as goodwill.

Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies to those used by the Group.

1. Significant accounting policies (continued)

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and liabilities acquired

Positive goodwill is recognised in the statement of financial position within intangible assets and is deemed to have an indefinite life and hence not amortised but tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred, as required by IFRS 3.

Any contingent consideration payable is recognised at fair value at the acquisition date, If the contingent consideration is classified as equity it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Subsidiaries exemption from audit by parent guarantee

The following subsidiaries are exempt from the requirements relating to the audit of individual accounts, under s479A–479C of the Companies Act 2006.

Subsidiary	Registered number
Care4U Pharmacy Limited	03983332
Donald Wardle & Son Limited	02914910
Opus Pharmaceuticals Limited	05888155
G Lightfoot & Son Limited	00626296
Portslade Medical Supplies Limited	01663067
Ideal Healthcare Limited	03443725
F.A Parkinson (Chemists) Limited	SC038900
Parkinson (Paisley) Limited	SC204178
Bestway Belfast Chemists Limited	NI626625
Ebbw Vale Consortium Limited	01338409
Pills Limited	SC271830
RLJ Consultancy Limited	03283312
Keighley Health Centre Limited	01263903
Three Swans Pharmacy Limited	06975508
Penrith Health Centre (PD) Consortium Limited	01775075
P.H.C Pharmacy Limited	SC115847
Victoria Pharmacy Limited	01933847

1. Significant accounting policies (continued)

Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. The Group made a profit before tax for the year of £2,187,000, had net current assets of £7,078,000 as at 30 June 2020 and net assets of £287,706,000 as at 30 June 2020.

The Directors have prepared cash flow forecasts, including a severe, but plausible, downside scenario, for a period of at least 12 months from the date of approval of these financial statements, which indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

During quarter 3 the Covid pandemic struck which has, to a degree, impacted every industry. As a front line provider within the NHS response to the pandemic, the pharmacy industry had seen both an impact but also financial support from the NHS. The lockdown of the country brought decreased footfall with resulting impact on non-prescription trade, but also a shift in peoples habits on how they sought prescription dispensing in addition to doctors' prescribing lengths.

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

As part of the going concern review, a Covid Pandemic second wave impact was factored into projections impacting footfall in store and incurring additional costs due to an increase in absenteeism within stores. Cash advances received were forecast to be repaid, either over a 10 month period or based on the agreed repayment schedule as agreed with the Welsh and Scottish NHS.

Based on this the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The Group has provided a letter of support to its sister company, Bestway Retail Limited.

Refer to the Company's Basis of Preparation note on page 64, which addresses the Company's net liability position.

Property, plant, and equipment

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

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

Land and buildings 2.5% per annum
Fixtures and fittings 10% - 33% per annum
Motor vehicles 25% per annum

The residual value if not insignificant, is reassessed annually.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. No depreciation is provided on freehold land.

1. Significant accounting policies (continued)

Intangible assets

(i) Goodwill

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

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

(ii) Licences

Licences acquired on acquisition of pharmacies are stated at cost less accumulated amortisation (see below) and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the Statement of Income and Other Comprehensive Income as an expense as incurred.

(iii) Development costs

Development expenditure is capitalised only if the expenditure can be measured reliably, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

(iv) Amortisation

Amortisation is charged to Administrative expenses in the Statement of Income and Other Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Licences - 20 years

(v) Subsequent expenditure

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

Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

An annual impairment review of goodwill is carried out in accordance with IAS 36. The review is performed with reference to expected (i.e. budgeted) future cash flows for each unit at a discount rate of 7.9%.

1. Significant accounting policies (continued)

Impairment (continued)

The recoverable amount of the Company's assets is the greater of their 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Pensions and other post-retirement benefits

The Company makes contributions towards the personal (defined contribution) pension scheme. Pension costs charged against profits represent the amounts payable to the schemes in respect of the period.

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses. Impairment losses are identified using fair value less costs to sell.

Investment in associated undertakings

Investments in associated undertakings are accounted for using the equity method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling, and distribution. Provision is made for obsolete and slow-moving items.

Trade and other receivables

Trade and other receivables are classified under collect business model, therefore are initially recognised at fair value, which is generally equal to face value, and subsequently held at amortised cost.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, cash held in bank accounts and card receipts recognised at the point of sale.

Trade and other creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised at fair value.

1. Significant accounting policies (continued)

Taxation

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

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

(ii) Deferred taxation

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

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

Revenue

Pharmacy remuneration
Revenue includes cash sales and NHS dispensing, services, and fees income, exclusive of VAT. NHS community pharmacy funding comprises two key elements, being fees (remuneration) and retained margin (part of reimbursement). Further details on retained margin can be found within the note on variable consideration below.

The NHS "fees" or "remuneration" element of funding covers a number of services and their associated fees. All pharmacies, whether they are distance selling pharmacies or located within local communities, are paid according to the same contractual pharmacy funding framework that is applicable to their country.

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

The following NHS fees and services received by Pharmacy are deemed to have the control transferred at a point in time, being either the point at which the service is performed or at the point when a prescription is dispensed and collected:
• Single Activity Fee (SAF): The SAF is a payment made per prescription item dispensed. This fee is paid to pharmacies each time they dispense a prescription item to a patient. The Department of Health and Social Care considers prescription volume trends and adjusts the value of the SAF to try to deliver the total agreed funding each year;
• Establishment Payment (EP): A fixed payment available to all pharmacy contractors, subject to a volume (of prescription items dispensed) threshold. This has been reduced in recent years and is due to be phased out by April 2021;

1. Significant accounting policies (continued)

Revenue (continued)

• Advanced Services: There are various Advanced Services within the funding framework, being Medicines Use Reviews (MURs), the New Medicine Service (NMS), the Flu Vaccination Service, Appliance Use Reviews (AURs), Stoma Appliance Customisation (SAC), and the Community Pharmacy Consultation Service (CPCS). MURs are being phased out with the year to April 2021 the last year the service will be in place;
• 2A-2F Fees: This refers to Part IIIA of the Drug Tariff, where a number of professional fees are described. These are payments to cover the dispensing of unlicensed medicines, certain appliances, oral liquid methadone, Schedule 2 and 3 Controlled Drugs, and expensive items.

The following NHS fees received by Pharmacy are deemed to have the control transferred over time as their performance obligations as set by the health authorities are me, both are recognised on a straight line basis:
• Pharmacy Quality Scheme (PQS): This scheme makes payments to community pharmacies that are meeting certain Gateway and Quality criteria. Payments are made to eligible pharmacies depending on how many of the Quality criteria they have met (the number of 'points' earned). The period under review is in line with the NHS year, i.e. April to March each year, and the criteria are updated each year. Revenue is recognised for the PQS based upon declarations provided by each pharmacy as to their progress against each criteria. Income is received through an estimated advance payment in November and a final payment in March;
• Pharmacy Access Scheme (PhAS): PhAS is a scheme with the stated aim of ensuring that a baseline level of patient access to NHS community pharmacy services is protected. Qualifying pharmacies receive an additional payment within two months of the relevant dispensing month.

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

Variable consideration
Purchase margin is the margin made when pharmacies are able to purchase medicines for NHS patients at prices below those at which the NHS reimburses them for those medicines. This is also known as "retained margin" and it is measured annually with a "margins survey" jointly conducted by the Department of Health and Social Care (DHSC), the NHS and the Pharmaceutical Services Negotiating Committee (PSNC).

In each government financial year, 1 April to 31 March, the PSNC and DHSC agree a figure based on the results of the margins survey. This survey examines prices paid for a representative sample of medicines by a number of independent community pharmacies, and analyses prices and wholesaler discounts gathered from invoices collected from pharmacies to estimate how much margin has been made in the year.

The survey is carried out retrospectively and so the results for any given financial year are only available in the summer of the following year (or later). Once a survey is finalised and the margin result is agreed, the PSNC and DHSC will discuss what changes, if any, are required to ensure the correct delivery of pharmacy funding. Currently, pharmacies are allowed to earn £800m retained margin collectively in each financial year.

Where it is necessary to adjust the run rate of margin delivery to pharmacy, for example because pharmacies have earned too much margin, the DHSC will make adjustments to reimbursement prices in the Drug Tariff for medicines which fall within "Category M". Category M is a category of medicines which are readily available in generic form, i.e. non-branded medicines.

The Category M provision included within NHS income is made in relation to NHS retained margin funding. This is based on an internally produced model looking at drug tariff reimbursement rates in the market relative to available pharmacy funding to estimate whether or not a funding provision is required. We make a provision when there is probability that overfunding is to be recovered. When the Group believes that underfunding is probable to be reimbursed, no revenue is accrued in advance, rather a contingent asset is disclosed. The Group performs regular review and sensitivity analysis on the model. Also included within NHS income is an element of discount on the basis of what is known as the "deduction scale". This is an assumed amount of discount received to avoid pharmacy contractors having to calculate and declare discount received on each item dispensed. Currently, the deduction scale is based in the monthly total of reimbursement prices with a minimum of 5.63% and a maximum of 11.5% deducted from the total monthly reimbursement.

1. Significant accounting policies (continued)

Wholesale revenue
Wholesale revenue is measured at the fair value of the consideration received or receivable and represents the invoiced amounts receivable for goods provided to customers in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognised when the risks and rewards of ownership are transferred to the customer, which is at the point of sale (or on despatch for delivered items). All revenue received by the Group is deemed to have control transferred at a point in time when the goods are distributed from the warehouse. The standard credit terms are 30 days from invoice date.

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

Investment Property

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 operating leases are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Interest income

Interest income is recognised using the effective interest method.

Exceptional items

The Directors apply judgement in assessing the items, which by their scale and nature should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the Group's financial performance. Items deemed to be in this category include certain items which are one-off and not representative of the underlying trading of the Group, including costs related to the implementation of development activities, external strategic reviews, and restructuring costs.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Segmental reporting

The main operation of the Group is focused on pharmacy services. The Executive Committee (who are the Chief Operating Decision Maker as defined in IFRS 8 'Operating Segments') regularly reviews the Group's performance and balance sheet position at both a consolidated and divisional level. Each division is an operating segment as defined by IFRS 8 in that the Executive Management Team evaluates performance and allocates resources at this level.

All the divisions have been aggregated into one reporting segment on the basis that they all operate entirely within the United Kingdom and share similar economic characteristics. Within note 4, the Group has provided information on the revenue split between the sale of retail goods and the sale of wholesale goods. The Executive Committee do not consider these to be separate reportable segments because, as stated above, they review the whole operations at a consolidated and divisional level when assessing performance and allocating resources.

2. Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Company's Directors to exercise judgment in applying the company's accounting policies.

Critical accounting judgements
The areas where significant judgements have been made in preparing the financial statements and their effects are as follows:

Single Activity Fee VAT treatment
As of 1 December 2016, the Single Activity Fee ("SAF") replaced a number of separate fees previously received by pharmacies, including Practice Payments, Professional Fee, Repeat Dispensing Fee and EPS Monthly Allowances. Since the introduction of the SAF as of 1 December 2016, HMRC has yet to confirm its view on the VAT treatment of such fees.

The Pharmaceutical Services Negotiating Committee (PSNC) has published a statement to the effect that until HMRC has issued its guidance, the PSNC cannot advise pharmacies on the VAT accounting position. The PSNC has however put forward to HMRC the opinion that the SAF should be entirely zero-rated for VAT purposes. To date HMRC have not responded to requests for confirmation of the applicable VAT treatment of the SAF.

Based on the ongoing discussion between the PSNC and HMRC, the Group has taken the decision to treat the whole SAF received as zero-rated for VAT purposes from 1 December 2016.

Key sources of estimation uncertainty
The areas where significant estimates have been made in preparing the financial statements and their effects are as follows:

(a) Impairment of goodwill and intangibles
In calculating the impairment provision, the Group makes an estimate of the expected return for each cash generating unit in comparison to the goodwill and intangibles of that cash generating unit. The estimates used in projecting the discounted cash flows for use in the expected return include the expected growth rate, the WACC discount rate, and budgeted EBITDA figures for the next financial year. Sensitivity analysis is performed surrounding the effect of changes in the growth rate and WACC on the impairment model. The impairment provision for the year is disclosed in note 12.

(b) Category M funding
In the comparative year the Group has recognised a provision in relation to Category M funding adjustments in relation to NHS retained margin funding. This is based on an internally produced model looking at drug tariff rates and costs in the market to estimate a market funding provision. The Group performs regular review and sensitivity analysis on the model. The provision balance at the comparative year end is disclosed in note 18. In the current year, the Group believes the industry is in an underfunded position, however there is a risk that this may never be realised, as such this is a contingent asset which is disclosed in note 24.

3. Capital management

Management regard the capital of the business to be equity and net debt (constituting borrowings less cash and cash equivalents). The Group's objective for managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

In order to maintain the Group's going concern position, the Board of Directors set certain financial targets; such targets are monitored as part of the regular reporting processes and these form part of the Group's going concern assessment as detailed in note 1. Refer to note 23 for the reconciliation of net debt.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2020

4. Revenue

An analysis of turnover by class of business is as follows:

	2020 £'000	Unaudited 2019 £'000
Sales of goods - Retail UK	**705,072**	698,668
Sales of goods - Wholesale UK	**81,258**	87,449
Goods transferred at a point in time	**786,330**	786,117
NHS commissioned services	**4,122**	4,142
Services transferred over time	**4,122**	4,142
Total turnover	**790,452**	790,259

All turnover in the current and prior year arose within the United Kingdom.

5. Other operating income

	2020 £'000	Unaudited 2019 £'000
Property rental income	**456**	260
Other income	**3**	(7)
	459	253

6. Operating profit

Operating profit has been arrived at after charging/ (crediting):

	2020 £'000	Unaudited 2019 £'000
Management fee expenses paid to parent company	**1,200**	750
Lease premiums release to the profit and loss	**-**	803
Impairment/(release) of impairment against lease premia	**-**	(1,091)
Depreciation of property, plant and equipment	**25,744**	15,413
Amortisation of intangible assets	**24,610**	25,564
Impairment of goodwill & intangibles	**1,846**	2,734
Impairment of right of use assets	**533**	-
Profit on disposal of property, plant and equipment	**166**	214
Impairment loss recognised on trade receivables	**(38)**	100
	54,061	44,487

Exceptional items comprise:	2020 £'000	Unaudited 2019 £'000
Restructuring activities	**4,342**	1,294
External strategic review	**761**	-
Other exceptional (income)/expenditure	**(280)**	28
	4,823	1,322

6. Operating profit (continued)

Fees payable to the Group's auditors comprise:	2020 £'000	Unaudited 2019 £'000
Audit of financial statements of subsidiaries of the Company	**169**	105
Taxation compliance services	**-**	-
All other services	**73**	279
	242	384

7. Staff costs

Staff costs, including directors' remuneration, were as follows:	2020 £'000	Unaudited 2019 £'000
Wages and salaries	**150,109**	148,818
Social security costs	**11,381**	11,305
Other pension costs	**4,105**	4,026
	165,595	164,149

Under the Group's defined contribution pension schemes, employees of the Group pay contributions to an independently administered fund, into which the Group also pays contributions based upon a fixed percentage of the employee's contributions. The Group has no further payment obligations once its contributions have been paid. Contributions paid for defined contribution schemes of £4.1m (2019: £4.0m) has been recognised in the Group income statement.

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2020 Number	Unaudited 2019 Number
Office and Management	**314**	360
Retailing	**5,912**	6,144
Distribution	**433**	451
	6,659	6,955

Directors' emoluments was as follows:	2020 £'000	Unaudited 2019 £'000
Salaries, fees, bonuses and benefits in kind	**1,076**	1,221
Highest paid director	**483**	857

Key management personnel remuneration, including Directors, is disclosed in note 25.

8. Financial income

	2020	Unaudited 2019
	£'000	£'000
Other interest	16	-
Interest from parent company and group undertakings	668	1,103
Exchange gain	52	-
	736	1,103

9. Financial expenses

	2020	Unaudited 2019
	£'000	£'000
Interest on bank overdrafts	(236)	(267)
Interest relating to IFRS16 lease liabilities	(2,722)	-
Interest to parent company and group undertakings	(951)	(1,626)
Exchange loss	-	(88)
	(3,909)	(1,981)

10. Taxation

i) Analysis of charge in the year

	2020	Unaudited 2019
	£'000	£'000
<u>**Current tax expense:**</u>		
UK corporation tax on profits of the year	5,478	5,372
Adjustments to tax charge in respect of prior periods	1,558	(356)
Current tax expense	7,036	5,016
<u>**Deferred tax expense:**</u>		
Origination and reversal of timing differences	(3,295)	(807)
Adjustments to tax charge in respect of prior periods	888	(526)
Reduction in tax rate	3,542	(81)
Total deferred tax	1,135	(1,414)
Total tax expense	8,171	3,602

10. Taxation (continued)

ii) Reconciliation of effective tax rate

The charge for the year can be reconciled to the profit in the income statement as follows:

	2020 £'000	Unaudited 2019 £'000
Profit before tax on continuing activities	**2,187**	6,214
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%).	**416**	1,181
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**1,526**	4,746
Tax exempt revenues	**(97)**	(178)
IFRS 16 transitional adjustment	**393**	-
Group relief surrendered for nil consideration	-	(1,271)
Group transfers	-	(7)
Under/(over) provided in prior years	**2,446**	(882)
Rate change impact	**3,542**	94
Other differences	**(55)**	(81)
Tax expense for the year	**8,171**	3,602

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

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was enacted on 18 November 2015.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

Accordingly, the Company's profits for this accounting year are subject to tax at a rate of 19% (2019: 19%). Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 19% (2019: 17%).

11. Property, plant and equipment

	Land and buildings used within trading activities	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2018 (unaudited)	28,201	141,560	-	169,761
Additions	138	13,064	-	13,202
Acquisitions through business combinations	-	56	-	56
Disposals	(93)	(1,416)	-	(1,509)
At 30 June 2019 (unaudited)	**28,246**	**153,264**	-	**181,510**
IFRS 16 transition	90,468	-	2,668	93,136
Additions	3,254	7,301	1,403	11,958
Acquisitions through business combinations	-	100	-	100
Transfers	-	65	-	65
Disposals	(96)	(2,071)	-	(2,167)
At 30 June 2020	**121,872**	**158,659**	**4,071**	**284,602**
Accumulated depreciation and impairment				
At 1 July 2018 (unaudited)	4,963	90,848	-	95,811
Depreciation charge for the year	668	14,745	-	15,413
Disposals	(13)	(894)	-	(907)
At 30 June 2019 (unaudited)	**5,618**	**104,699**	-	**110,317**
Depreciation charge for the year	11,869	12,457	1,418	25,744
Impairment of right of use asset	533	-	-	533
Transfers	-	61	-	61
Disposals	(15)	(1,688)	-	(1,703)
At 30 June 2020	**18,005**	**115,529**	**1,418**	**134,952**
Net book value				
At 30 June 2020	**103,867**	**43,130**	**2,653**	**149,650**
At 30 June 2019 (unaudited)	22,628	48,565	-	71,193
At 30 June 2018 (unaudited)	23,238	50,712	-	73,950

11. Property, plant and equipment (continued)

	IFRS 16 Right Of Use Asset			
	L&B	**Motor vehicles**	**Lease premium**	**Total**
Cost	**£'000**	**£'000**	**£'000**	**£'000**
IFRS 16 transition	79,674	2,668	10,794	93,136
Acquisitions	3,255	1,403	-	4,658
As at 30 June 2020	**82,929**	**4,071**	**10,794**	**97,794**
Accumulated depreciation and impairment				
Depreciation charge for the year	10,352	1,418	805	12,575
Impairment of right of use asset	378	-	155	533
At 30 June 2020	**10,730**	**1,418**	**960**	**13,108**
Net book value				
At 30 June 2020	**72,199**	**2,653**	**9,834**	**84,686**

12. Intangible assets

	Goodwill	Licences	Other intangibles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2018 (unaudited)	47,191	477,599	-	524,790
Other acquisitions - internally developed	-	-	4,755	4,755
Other acquisitions - externally purchased	-	1,045	-	1,045
Disposals	-	(1,406)	-	(1,406)
At 30 June 2019 (unaudited)	**47,191**	**477,238**	**4,755**	**529,184**
Other acquisitions - internally developed	-	-	5,813	5,813
Other acquisitions - externally purchased	-	1,590	-	1,590
Disposals	(1,171)	(2,232)	-	(3,403)
At 30 June 2020	**46,020**	**476,596**	**10,568**	**533,184**
Accumulated amortisation and impairment				
At 1 July 2018 (unaudited)	1,177	250,190	-	251,367
Impairment	2,640	94	-	2,734
Charge for the year	-	25,564	-	25,564
Disposals	-	(1,051)	-	(1,051)
At 30 June 2019 (unaudited)	**3,817**	**274,797**	-	**278,614**
Impairment	1,653	193	-	1,846
Charge for the year	-	24,610	-	24,610
Disposals	(727)	(1,582)	-	(2,309)
At 30 June 2020	**4,743**	**298,018**	-	**302,761**
Net book value				
At 30 June 2020	**41,277**	**178,578**	**10,568**	**230,423**
At 30 June 2019 (unaudited)	43,374	202,441	4,755	250,570
At 30 June 2018 (unaudited)	46,014	227,409	-	273,423

The carrying amount of goodwill is allocated across multiple cash-generating units; the amount allocated to each unit is not significant in comparison to the Group's total carrying amount of goodwill.

12. Intangible assets (continued)

Pharmacy Goodwill and Licences:

	2020	Unaudited 2019	Unaudited 2018
Period on which management approved forecasts are based	**5 years**	5 years	5 years
Growth rate applied within approved forecast period	**1.0%**	2.5%	2.5%
Growth rate applied beyond approved forecast period	**0.5%**	2.0%	2.0%
Discount rate	**7.90%**	9.30%	8.10%

The growth rates used in value in use calculation reflect the average industry growth expected. The discount rates used have declined year on year due to current market conditions. In calculating this value, management have used adjusted budgeted EBITDA. Adjusted budgeted EBITDA was based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth and items such as capital expenditure.

In calculating any impairment provision, the Group makes an estimate of the expected return for each cash generating unit in comparison to the goodwill and intangibles of that cash generating unit. Any impairment is first applied to goodwill and then the related licenses recognised under intangibles. Sensitivity analysis is performed to assess the impact of changes in the key assumptions. A total impairment charge of £1.7m (2019: £2.6m) was recognised within administrative expenses.

A reasonably possible change in assumptions could lead to further impairment. If the budgeted EBITDA used in the expected return for each cash generating unit were to be 5% lower than management's estimations the group would have had to recognise a further impairment against the total carrying amount of goodwill and intangible assets of £2.7 million. In the same scenario there would be no impact to property, plant and equipment.

Licences

The pharmacy business requires licenses from relevant authorities in order to operate. Licences acquired on the acquisition of pharmacies, are stated at cost less accumulated amortisation and accumulated impairment losses. An impairment loss is recognised whenever the carrying amount of licences exceeds their recoverable amount. Licences are amortised over the useful life, deemed to be 20 years.

The carrying amount of licences are reviewed at each balance sheet date to determine whether there is any indication of impairment. This is assessed alongside goodwill noted above. If any such indication exists, the recoverable amount is estimated.

Any impairment losses are recognised in the income statement within administrative expenses.

Other intangible assets

Other intangibles comprise of development activities in relation to designing, developing, and testing new or improved processes, systems or services.

13. Inventories

	2020	Unaudited 2019	Unaudited 2018
	£'000	£'000	£'000
Finished goods for resale	**69,125**	60,768	52,551
	69,125	60,768	52,551

The cost of inventories recognised as an expense during the year in respect of continuing operations was £595 million (2019: £573 million, 2018: £557 million), before consideration of supplier rebates.

This includes £0.3 million (2019: £nil, 2018: £nil) in respect of write-downs of inventory to net realisable value.

£69.1 million of inventories are expected to be recovered in the next twelve months (2019: £60.8 million, 2018: £52.6 million).

14. Trade and other receivables

	2020	Unaudited 2019	Unaudited 2018
	£'000	£'000	£'000
Trade receivables	**79,732**	81,368	68,738
Prepayments	**2,652**	4,281	3,053
Other receivables	**17,384**	26,871	25,324
	99,768	112,520	97,115

Trade receivables disclosed above are classified under the hold to collect business model are therefore measured at amortised cost. Trade receivables are stated net of a provision for doubtful debts of £327,000 (2019: £365,000, 2018: £265,000).

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group has limited credit risk because the majority of its external trade receivables are guaranteed to be paid by the National Health Service on their due date.

The Group manages exposure to credit risk at many levels ranging from executive Director approval being required for the credit limits of larger customers, to the use of letters of credit and cash in advance where appropriate. Internal procedures require regular consideration of credit ratings, payment history, aged items and proactive debt collection. All customers are assigned a credit limit which is subject to annual review. An increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

14. Trade and other receivables (continued)

The Group has applied the simplified approach to measuring expected credit losses, which requires lifetime expected losses to be recognised from initial recognition for trade receivables. Lifetime expected credit losses for trade receivables are calculated based on historical loss rates and adjusted where necessary for relevant forward-looking estimates. Trade receivables have been grouped for this analysis based on shared credit risk characteristics and days past due. *The concentration of credit risk is limited due to the customer base being large and unrelated.* There was no material change in the credit risk of trade and other receivables of the Group at 30 June 2020.

The majority of the NHS income is receivable within two months of the related performance obligation being delivered (or within one month for Northern Ireland). For other trade receivables, the Group's payment terms are typically 30 days. Trade receivables are specifically impaired and considered in default when the amount is in dispute, when customers are believed to be in financial difficulty or if any other reason exists which implies that there is a doubt over the recoverability of the debt. They are written off when there is no reasonable expectation of recovery, based on an estimate of the financial position of the customer.

The Group has considered the impact of COVID-19 on its expected credit loss model however this is not expected to materially affect the calculation of the expected credit loss provision at 30 June 2020.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The ageing of trade receivables at the balance sheet date was:

	Gross	**Impair-ment**	Gross	Impair-ment	Gross	Impair-ment
			Unaudited	Unaudited	Unaudited	Unaudited
	2020	**2020**	2019	2019	2018	2018
	£'000	**£'000**	£'000	£'000	£'000	£'000
Not past due	**77,721**	-	77,301	-	65,669	-
0-30 days past due	**1,680**	-	2,994	-	2,116	-
31-60 days past due	**235**	-	922	-	791	-
More than 61 days past due	**423**	**(327)**	516	(365)	427	(265)
	80,059	**(327)**	81,733	(365)	69,003	(265)

Movement in the allowance for doubtful debts:		Unaudited	Unaudited
	2020	2019	2018
	£'000	£'000	£'000
Balance at the beginning of the year	**365**	265	227
Impairment losses recognised	**-**	100	38
Provision for uncollectable debts	**(38)**	-	-
Balance at the end of the year	**327**	365	265

Other receivables

Other receivables are held at amortised cost as the objective is to collect the contractual cash flow which are solely the principal balance and related interest. All amounts are interest free, unsecured and repayable on demand.

15. Cash and Cash equivalents

	2020	Unaudited 2019	Unaudited 2018
	£'000	£'000	£'000
Cash and cash equivalents per balance sheet	**63,795**	47,979	63,366
Cash and cash equivalents per cash flow statement	**63,795**	47,979	63,366

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is equal to their fair value. Cash and cash equivalents at the balance sheet date as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

16. Trade and other payables

	2020	Unaudited 2019	Unaudited 2018
	£'000	£'000	£'000
Trade payables	**121,522**	121,256	118,545
Trade payables due to parent Company and Group undertakings	**11,539**	48,526	71,338
Accrued expenses	**40,879**	42,628	31,387
Other creditors	**36,368**	-	71
	210,308	212,410	221,341

Amounts owed to group undertakings comprises of an unsecured loan from Bestway UK Holdco Limited. The interest charged on the loan is 2.7% per annum (2019: 2.7%, 2018: 2.7%). This loan is repayable on demand.

Other creditors includes £33,712,000 (2019: £nil, 2018: £nil) in relation to COVID-19 advances. Across April and June 2020 advance funding was provided to community pharmacies by the Government in recognition of cash flow pressures facing the sector at this point in the COVID-19 pandemic. These were paid as 'uplifts' to pharmacy contractors and are to be reconciled by the NHS at a later date.

17. Lease Liabilities

The following tables show the discounted lease liabilities included in the Group balance sheet and a maturity analysis of the contractual undiscounted lease payments:

	2020	Unaudited 2019	Unaudited 2018
	£'000	£'000	£'000
Lease liabilities less than one year	**12,549**	-	-
Lease liabilities greater than one year	**66,019**	-	-
	78,568	-	-

Future minimum lease payments as at 30 June are as follows:	2020	Unaudited 2019	Unaudited 2018
	£'000	£'000	£'000
Not later than one year	**12,912**	-	-
After one year, but not more than five years	**39,931**	-	-
After five years	**40,558**	-	-
	93,401	-	-

18. Provisions

	Reduction in government pharmacy funding	Dilapidation provision	Other	Total
	£'000	£'000	£'000	£'000
Due within one year				
At 1 July 2019 (unaudited)	1,929	2,100	3,898	7,927
Additional provision in the year	-	293	-	293
Reclassification of provision due within one year	-	(2,188)	-	(2,188)
Utilisation of provision	(1,929)	(144)	(3,422)	(5,495)
At 30 June 2020	**-**	**61**	**476**	**537**
Due more than one year				
Reclassification of provision due more than one year	-	2,188	-	2,188
At 30 June 2020	**-**	**2,188**	**-**	**2,188**

Where it is known a lease is being exited, a specific dilapidation provision has been applied using a reliable estimate of potential dilapidations. For other leasehold branches, a dilapidation provision is being built up over the lease term based on an expected cost per square foot, applied across the estate. The provision for each branch will be utilised at such point the Group should exit the current property.

19. Deferred tax liabilities

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	2020	Unaudited 2019	Unaudited 2018
	£'000	£'000	£'000
Deferred tax liabilities due in less than 12 months	**4,106**	693	4,547
Deferred tax liabilities due after 12 months	**27,132**	29,410	26,969
Total deferred tax provision	**31,238**	30,103	31,516
Deferred tax liabilities	**31,403**	30,150	31,516
Deferred tax assets	**(165)**	(47)	-
	31,238	30,103	31,516

19. Deferred tax liabilities (continued)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 19% (2019: 17%).

	£'000
Deferred taxation liability	
At 1 July 2019 (unaudited)	**30,103**
Income statement charge in the year	**1,135**
At 30 June 2020	**31,238**
Comprising:	
Short-term timing differences	**110**
Accelerated tax depreciation	**882**
Intangible assets	**30,246**
At 30 June 2020	**31,238**

20. Share Capital

	2020	Unaudited 2019	Unaudited 2018
Allotted, called up and fully paid	**£**	£	£
100 (2019: 100) ordinary shares of £1 each	**100**	100	100
	100	100	100

21. Reserves

Retained earnings includes all current and prior year retained profits and accumulated losses.

22. Financial assets and liabilities

	2020	Unaudited 2019	Unaudited 2018
	£'000	£'000	£'000
Financial Assets			
Amounts receivable for sale of goods	**79,732**	81,368	68,738
Other receivables	**9,021**	8,674	10,309
Cash and cash equivalents	**63,795**	47,979	63,366
Total Financial Assets	**152,548**	138,021	142,413
Financial Liabilities			
Trade payables	**121,522**	121,256	118,545
Lease liabilities	**78,568**	-	-
Accrued expenses	**39,951**	42,628	31,387
Amounts due to parent company and group undertakings	**11,539**	48,526	71,338
Total Financial Liabilities	**251,580**	212,410	221,270

22. Financial assets and liabilities (continued)

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

	Less than 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade payables	**121,522**	**-**	**-**	**121,522**	**121,522**
Lease liabilities	**12,912**	**39,931**	**40,558**	**93,401**	**78,568**
Accrued expenses	**39,951**	**-**	**-**	**39,951**	**39,951**
Amounts due to parent company and group undertakings	**11,539**	**-**	**-**	**11,539**	**11,539**
As at 30 June 2020	**185,924**	**39,931**	**40,558**	**266,413**	**251,580**
Trade payables	121,256	-	-	121,256	121,256
Accrued expenses	42,628	-	-	42,628	42,628
Amounts due to parent company and group undertakings	48,526	-	-	48,526	48,526
As at 30 June 2019 (unaudited)	212,410	-	-	212,410	212,410
Trade payables	118,545	-	-	118,545	118,545
Accrued expenses	31,387	-	-	31,387	31,387
Amounts due to parent company and group undertakings	71,338	-	-	71,338	71,338
As at 30 June 2018 (unaudited)	221,270	-	-	221,270	221,270

23. Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	**2020**	Unaudited 2019
	£'000	£'000
Cash and cash equivalents	**63,795**	47,979
Borrowings	**(11,539)**	(48,526)
Lease liabilities	**(78,568)**	-
Net debt	**(26,312)**	(547)

	Borrowings (i)	**Leases**	**Sub-total**	**Cash**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Net debt as at 1 July 2018 (unaudited)	(71,338)	-	**(71,338)**	63,366	**(7,972)**
Cash flows	22,812	-	**22,812**	(15,299)	**7,513**
Foreign exchange adjustments	-	-	-	(88)	**(88)**
Net debt as at 30 June 2019 (unaudited)	**(48,526)**	**-**	**(48,526)**	**47,979**	**(547)**
New leases on adoption of IFRS 16	-	(81,875)	**(81,875)**	-	**(81,875)**
Cash flows	36,987	10,687	**47,674**	15,764	**63,438**
New leases	-	(4,648)	**(4,648)**	-	**(4,648)**
Other lease movements (ii)	-	(2,732)	**(2,732)**	-	**(2,732)**
Foreign exchange adjustments	-	-	-	52	**52**
Net debt as at 30 June 2020	**(11,539)**	**(78,568)**	**(90,107)**	**63,795**	**(26,312)**

(i) Borrowings represents the loan from Bestway UK Holdco Limited as disclosed in note 16.
(ii) Other lease movements includes the unwinding of lease discounting.

24. Contingent liabilities and contingent assets

(a) Contingent liabilities
The group had no contingent liabilities at 30 June 2020.

(b) Contingent assets

Category M funding
The prices in the Drug Tariff for medicine which fall within Category M can be varied by the Department of Health and Social Care, refer to note 1 for further information on the Group's Revenue from income with variable consideration. In the current year, the Group believes the industry is in an underfunded position giving rise to the possibility of a future inflow of economic benefits to the entity. The Directors therefore believe that the Group has a contingent asset in relation to Category M funding, but has not recognised this within its financial statements in line with IAS 37 due to the risk that this may never be realised and the uncertainty of the amount of any future economic benefits.

25. Related party transactions

Balances and transactions between the Company and wholly owned subsidiaries of Company's ultimate parent undertaking, Bestway Group Limited, are not required to be disclosed in accordance with IAS24. Transactions between the Group and other related parties companies are disclosed below.

(a) Trading transactions
During the year, Group companies entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
		Unaudited		Unaudited
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bestway Wholesale Limited	**295**	156	**84**	97

	Management fee		Net interest payable	
		Unaudited		Unaudited
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bestway (Holdings) Limited	**1,200**	750	**283**	523

The following amounts were outstanding at the balance sheet date:	Amounts owed by related parties		Amounts owed to related parties	
		Unaudited		Unaudited
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bestway Wholesale Limited	**-**	-	**12**	20

(b) Key management personnel compensation
In addition to the Directors there are a number of individuals who are considered to be key management personnel as they are instrumental in planning, directing and controlling the activities of the Group. The aggregate remuneration of those considered to be key management personnel (including Directors) is set out below:

		Unaudited
	2020	2019
	£'000	£'000
Short-term employee benefits	**2,181**	1,895
Post-employment benefits	**57**	68
Long-term benefits	**-**	160
Termination benefits	**153**	92
Share-based payments	**-**	-
	2,391	2,215

26. Events after the reporting date

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

27. Ultimate controlling party

Control of the group
The immediate parent undertaking of this Company is Bestway UK Holdco Limited (registered address: 2 Abbey Road, Park Royal, London, NW10 7BW) and the ultimate parent undertaking and controlling party of this company is Bestway Group Limited (registered address: 2 Abbey Road, Park Royal, London, NW10 7BW).

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

28. Company only significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted several new standards, amendments to standards and IFRIC that became effective during the year and these had no material impact and are detailed in the notes to the consolidated financial statements.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has sat out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

• A cash flow statement and related notes;
• Comparative period reconciliations for share capital;
• Disclosures in respect of transactions with wholly owned subsidiaries;
• Disclosure in respect of the compensation of Key Management Personnel;
• Disclosures in respect of capital management; and
• The effects of new but not yet effective IFRSs.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements other than where stated below.

Going concern
The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. The Company made a loss after tax of £904,000 (2019: £1,634,000), had net current liabilities of £35,252,000 as at 30 June 2020 (2019: liabilities of £35,299,000) and net liabilities of £18,225,000 as at 30 June 2020 (2019: liabilities of £17,321,000).

The net liabilities are mostly a result of balances owed to Bestway National Chemists Limited, the Group's main business to consumer trading entity, and the Company's largest subsidiary investment (refer to note 30 for details of the balances).

The directors of the Group have made an assesment of going concern, giving consideration to historical and current trading togther with its forward looking projectinos and this shows that the Group should be able to operate within the level of the current cash reserves. These cashflows include Bestway National Chemists Limited.

The directors are confident that the Group has sufficient financial resources to meet its liabilities as they fall due and continue in operatinal exisitence for at least twleve months from the siging of these financial statements, hence the directors of Bestway Panacea Holdings Limited are confident that it can prepare its accounts on a going concern basis. This coupled with the confirmation that Bestway National Chemists Limited will not demand repayment of the debt for at least 12 months from the isgning of these financial statements supports the adoption of the going concern basis.

28. Company only significant accounting policies (continued)

New standards implemented in the year
IFRS 16 has been implemented during the year. Please refer to note 34 for the impact of this implementation.

Investment in subsidiaries
Investments in subsidiaries are held at cost less accumulated impairment losses. Impairment losses are identified using *fair value* less costs to sell.

Trade and other receivables
The Company applies IFRS 9 and trade and other receivables are recognised at fair value, less any impairment losses. A provision for impairment is established when the carrying value of the receivable is unlikely to be recoverable. The carrying value of the receivable is reduced and any impairment loss is recognised in the profit and loss account. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

29. Investments

	Shares in group undertakings
	£'000
Cost and net book value	
At 30 June 2019	17,978
Impairment in the year	(787)
At 30 June 2020	17,191

The investments in subsidiaries are all stated at cost less provision for impairment. The additions in the year were in relation to the acquisitions of P.H.C Pharmacy Limited and Victoria Pharmacy Limited.

	Registered office	Year end	Nature of share capital	Principal activity	Country of origin	2020 % ownership	2019 % ownership
Group undertakings							
Bestway Pharmacy NDC Limited	I	30-Jun	Ordinary	Distribution	England & Wales	100%	100%
Bestway Panacea Healthcare Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Bestway National Chemists Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Care4U Pharmacy Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Donald Wardle & Son Limited	I	30-Jun	Ordinary	Distribution	England & Wales	100%	100%
Opus Pharmaceuticals Limited	I	30-Jun	Ordinary	Distribution	England & Wales	100%	100%
G Lightfoot & Son Limited	I	30-Jun	Ordinary	Dormant	England & Wales	100%	100%
Portslade Medical Supplies Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Ideal Healthcare Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
F.A Parkinson (Chemists) Limited	II	30-Jun	Ordinary	Pharmacy	Scotland	100%	100%
Parkinson (Paisley) Limited	II	30-Jun	Ordinary	Pharmacy	Scotland	100%	100%
Bestway Belfast Chemists Limited	III	30-Jun	Ordinary	Pharmacy	N.Ireland	100%	100%
Ebbw Vale Consortium Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Pills Limited	II	30-Jun	Ordinary	Dormant	Scotland	100%	100%
RLJ Consultancy Limited	I	30-Jun	Ordinary	Dormant	England & Wales	100%	100%
Keighley Health Centre Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Three Swans Pharmacy Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Penrith Health Centre (PD) Consortium Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
P.H.C Pharmacy Limited	II	31-Mar	Ordinary	Pharmacy	Scotland	100%	67% (i)
Victoria Pharmacy Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	25%
Victoria Pharmacy Limited	I	30-Jun	A	Pharmacy	England & Wales	100%	43%

(i) under the Company's Article of Association, the company is restricted from appointing a majority on the Board of Directors and as such, it is treated as an associated undertaking.

I Well, Merchants Warehouse, Castle Street, Manchester, England M3 4LZ
II Well, 18-20 Main Street, Beith, Ayrshire, Scotland, KA15 2AD
III 70 Ballygomartin Road, Belfast BT13 3NE

30. Trade and other receivables

	2020	2019
	£'000	£'000
Lease receivable	3,116	-
Amounts owed by Well group undertakings	-	12,676
	3,116	12,676

All of the leases under Bestway Panacea Holdings Limited have been sub-let to a fellow group company, Bestway National Chemists Limited. All of these sub-leases are classified as a finance lease and have therefore been recognised as a finance lease receivable under IFRS 16.

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

31. Trade and other payables

	2020	2019
	£'000	£'000
Amounts owed to group undertakings	35,252	47,975
Lease liability	3,116	-
	38,368	47,975

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

The lease liability represents the liability owed to the lessor for those leases which have been sub-let to Bestway National Chemists Limited as disclosed in note 29.

32. Called up share capital

	2020	2019
Authorised	£	£
100 (2019: 100) ordinary shares of £1 each	100	100
	100	100

	2020	2019
Number:		
100 (2019: 100) ordinary shares of £1 each	100	100
	100	100

33. Related party transactions

Remuneration of key management personnel

The Company has taken advantage of the exemption outlined in FRS 101 and is therefore not required to disclose key management personnel compensation, analysed into five categories as prescribed by IAS 24 Related Party Disclosures.

33. Related party transactions (continued)

Transactions with related parties
The Company has taken advantage of the exemption outlined in FRS 101 and is therefore not required to disclose transactions with wholly owned subsidiaries, as prescribed by IAS 24 Related Party Disclosures, No other transactions were entered into with the Company's disclosable related parties, as defined by IAS 24.

Directors' remuneration
The costs relating to the Directors' remuneration for the Company have been borne by subsiary entities as follows:

	2020 £'000
Bestway National Chemists Limited	976
Bestway Pharmacy NDC Limited	72
Donald Wardle & Son Limited	19
Bestway Belfast Chemists Limited	9
	1,076

34. Impact of the adoption of IFRS 16

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

IFRS 16 policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

• the contract involves the use of an identified asset-this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

• the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

• the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

• the Company has the right to operate the asset; or

• the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered, or changed, on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

34. Impact of the adoption of IFRS 16 (continued)

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

• fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

• the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

• the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

• the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

• facts and circumstances indicated that it was remote that other parties would take more

• than an insignificant amount of the output, and the price per unit was neither

As a lessee

The Company recognises a lease liability at the lease commencement date. The company sub leases all of the leases and these sub-leases are classified as finance leases, therefore no right of use assets have been recognised within this entity. Accordingly, a finance lease receivable is recognised in line with IFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

• fixed payments, including in-substance fixed payments;

• variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

• amounts expected to be payable under a residual value guarantee; and

• the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Short-term leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessee under IAS 17

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

34. Impact of the adoption of IFRS 16 (continued)

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:
• applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
• relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019;
• accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
• excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
• using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRS16(C4) The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

As a lessor
When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, when the Company was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

It is noted that all of the leases under Bestway Panacea Holdings Limited have been sub-let to a fellow group company, Bestway National Chemists Limited. All of these sub-leases are classified as a finance lease and have therefore been recognised as a finance lease receivable.

The company sub-leases all of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are classified as finance leases. The company assessed the classification of the sub-lease contracts with reference to the right of-use asset rather than the underlying asset, and concluded that they are finance leases under IFRS 16.

Accordingly, a finance lease receivable is recognised which represents the net investment in the lease measured at the interest rate implicit in the head lease as the interest rate in the sub lease is not readily available.

The company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

34. Impact of the adoption of IFRS 16 (continued)

The Company's lease portfolio
The Company's leases include offices and motor vehicles. The Company did not recognise these leases under IAS 17 as they are all sub-let to a fellow group company, Bestway National Chemists Limited. All of these sub-leases are classified as a finance lease and have therefore been recognised as a finance lease receivable under IFRS 16. Each lease recognises a corresponding lease liability.

Central support centre leases
The Company leases its central support centre, which it then sub-leases to a fellow group company, Bestway National Chemists Limited. The non-cancellable period of the lease is 10 years. The lease payments are adjusted for in line with changes in the consumer price index at relevant review periods. The Company does not hold an option to extend the lease other than via statutory protections covered by the Landlord and Tenant Act 1954.

Motor vehicles leases
The Company leases vehicles that it uses to transport dispensed products from its retail stores to patients' homes as well as company cars used by employees. These vehicles are then sub-let to a fellow group company, Bestway National Chemists Limited. At the year end, the Company leased 464 vehicles. Leases of vehicles are generally limited to a term of 4 years.

Impact on the Financial Statements
The full impact of the adoption of IFRS 16 on the Company has been explained below:

Impact on Statement of Financial Position as at 1 July 2019	**£'000**
Increase in other assets - lease receivable	4,639
Increase in total assets	**4,639**
Increase in other liabilities - lease liability	(4,639)
Increase in net assets	-

Lease receivables / liabilities included in the Statement of Financial Position as at 1 July 2019

	£'000
Current	1,523
Non-Current	3,116
	4,639

The weighted average incremental borrowing rate applied by the Company on adoption of IFRS 16 was 3.2%.

Impact on Statement of Comprehensive Income for the year ended 30 June 2020	**£'000**
Increase in finance income	146
Increase in finance expense	(146)
Increase in profit before tax	-
Increase in tax	-
Increase in profit after tax	-

34. Impact of the adoption of IFRS 16 (continued)

Lease receivables / liabilities included in the Statement of Financial Position as at 30 June 2020

	£'000
Current	1,590
Non-Current	1,526
	3,116

Maturity Analysis - Contractual undiscounted cash flows

	2020
	£'000
Less than one year	1,736
One year to five years	2,997
More than five years	3
Total undiscounted lease liabilities as at 30 June 2020	**4,736**

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under IAS 17, the Company did not have any finance leases as a lessor.

	2020
	£'000
Less than one year	1,736
One year to five years	2,997
More than five years	3
Total undiscounted lease receivable as at 30 June 2020	**4,736**
Unearned finance income	(1,620)
Net investment in the lease	**3,116**

Amounts recognised in the statement of cashflows
Total lease commitments of £1,668,000 were settled in the year by the sub leasee, Bestway National Chemists Limited.

35. Events after the reporting date

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