

Registered Number 03802593

Pharmacy2U Limited

Annual report and consolidated financial
statements for the year ended 31 March 2013

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Pharmacy2U Limited

Annual report and consolidated financial statements for the year ended 31 March 2013

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Pharmacy2U Limited

Directors and advisers

Directors

A Hornby	(Non-executive Chairman)
D Lee	(Managing Director)
J Harrison	(Commercial Director)
S Fawcett	(Finance Director)
K McCullagh	(Non-executive Director)
N Laycock	(Non-executive Director)
B Haigh	(Non-executive Director)
G Brand	(Non-executive Director)
M Glatman	(Non-executive Director)

Company secretary

S Fawcett	(appointed 17 December 2012)
C Taverner	(resigned 17 December 2012)

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Solicitors

Pinsent Masons
1 Park Row
Leeds
LS1 5AB

Bankers

Barclays Bank PLC
PO Box 190
2nd Floor
1 Park Row
Leeds
LS1 5WU

Registered Office

1 Hawthorn Park
Coal Road
Leeds
LS14 1PQ

Registered Number

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Pharmacy2U Limited

Directors' report for the year ended 31 March 2013

The directors present their report together with the audited consolidated financial statements of the company for the year ended 31 March 2013

Business review and principal activities

Pharmacy2U was the UK's first internet pharmacy, established in 1999. It is now the country's largest dedicated internet and mail order pharmacy, serving the growing number of people who are unable or unwilling to visit high street pharmacies. It allows prescriptions, over-the-counter medicines and personal care products to be delivered direct to the customer's doorstep without having to leave the comfort of their own home.

Pharmacy2U is principally an online and mail order pharmacy, deriving revenue from the dispensing of NHS and private prescriptions and the over-the-counter sale of medicines and health and beauty products online.

In December 2012 the company received full accreditation for release 2 of the NHS Electronic Prescription Service. This is a major strategic milestone for the company which is now well positioned to capitalise on the national roll-out of the NHS Electronic Prescription Service. The company also acquired a lease for an additional warehouse unit located close to its current site, which will enable the company to expand its operational capacity to support the anticipated growth in both its NHS and non-NHS markets.

In August 2012 the company acquired Private Meds Limited, an online doctor consultation specialist which complements the company's private prescription dispensing activities. This acquisition was rebranded as Pharmacy2U Online Doctor and presents the company with a significant growth opportunity as the demand for online medical consultations continues to increase.

During the year ended 31 March 2013, the group delivered satisfactory results despite challenging market conditions. The results for the year ended 31 March 2013 show sales of £15,815,000 (2012: £18,634,000) and EBITDA of £203,000 (2012: £502,000). The group broke even for the year ended 31 March 2013 (2012: £200,000 profit after tax). At 31 March 2013, the company had net assets of £3,323,000 (2012: £3,070,000).

During the period since 31 March 2013, the group has performed strongly and is benefitting from its continued investment in operational infrastructure, with significant projects underway to improve and integrate its IT systems and to expand and enhance its dispensing and distribution operations.

Future outlook

The group is well positioned to capitalise on the national roll-out of the NHS Electronic Prescription Service, which is currently in the early stages. The integration of our Online Doctor website is now complete and presents another significant opportunity in a growing market. In addition, the group continues to seek to develop and grow its private prescription and over-the-counter business and, whilst these markets are mature and highly competitive, the Directors are confident that through the company's expertise in these market segments, further growth opportunities can be identified and exploited.

Pharmacy2U Limited

Directors' report for the year ended 31 March 2013 (continued)

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks

The key business risks and uncertainties affecting the group are primarily considered to relate to competition from national and internet pharmacies and retailers and to the difficult economic environment in which we are currently operating. Additionally, the continuation of the current UK Government's focus on reducing the country's budget deficit provides a higher level of uncertainty as to future reimbursement levels for NHS prescriptions.

Financial risk management

Exposure to credit, interest rate and currency risk arises in the normal course of the company's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. The company does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The group does not have any borrowings and therefore is only exposed to interest rate risk on its cash balances. Surplus cash, when available, is invested to achieve the best possible interest rate taking into account the period over which it will be invested.

Currency risk

All of the company's sales and most of the company's purchase transactions are denominated in GBP sterling and therefore there is minimal currency risk.

Pharmacy2U Limited

Directors' report for the year ended 31 March 2013 (continued)

Key performance indicators ("KPIs")

In our opinion, the Pharmacy2U business has thrived due to focus on providing a first-class customer experience. We maintain and monitor a full range of financial and operational KPI's typical for a business of this size and in this market sector and take regular feedback from our customers to ensure we continue to deliver best-in-class customer service.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below.

D Lee
J Harrison
S Fawcett (appointed 17 December 2012)
C Taverner (resigned 16 January 2013)
A Hornby (appointed 1 June 2012)
K McCullagh
N Laycock (appointed 4 February 2013)
S Riddell (resigned 4 February 2013)
B Haigh
G Brand
M Glatman

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pharmacy2U Limited

Directors' report for the year ended 31 March 2013 (continued)

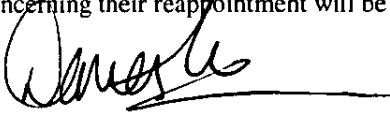
Disclosure of information to auditors

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information

On behalf of the Board

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting



D Lee

Director

27 September 2013

Pharmacy2U Limited

Independent auditors' report to the members of Pharmacy2U Limited

We have audited the group and parent company financial statements ("the financial statements") of Pharmacy 2U Limited for the year ended 31 March 2013 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2013 and of the group's result and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Pharmacy2U Limited

Independent auditors' report to the members of Pharmacy2U Limited (continued)

Matters on which we are required to report by exception

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

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



Gemma Clark (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

7 October 2013

Pharmacy2U Limited

Consolidated profit and loss account for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Turnover	1	15,815	18,634
Cost of sales		(11,046)	(13,406)
Gross profit		4,769	5,228
Distribution costs		(2,959)	(3,145)
Administrative expenses		(1,868)	(1,738)
Operating (loss)/profit	2	(58)	345
Analysed as			
EBITDA		203	502
Depreciation	9	(183)	(157)
Amortisation of goodwill	8	(78)	-
Operating (loss)/profit		(58)	345
Interest receivable and similar income	5	13	11
(Loss)/profit on ordinary activities before taxation		(45)	356
Tax on (loss)/profit on ordinary activities	6	45	(156)
(Loss)/profit for the financial year	16	-	200

All items dealt with in arriving at operating (loss)/profit above relate to continuing operations

The group has no recognised material gains and losses other than the (loss)/profit above and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the year stated above and their historical cost equivalents

Pharmacy2U Limited

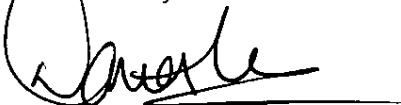
Consolidated balance sheet as at 31 March 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	8	2,342	-
Tangible assets	9	519	502
Current assets			
Stocks	11	637	890
Debtors amounts falling due within one year	12	2,029	2,109
Debtors amounts falling due after more than one year	12	231	186
Cash at bank and in hand		1,253	2,413
		4,150	5,598
Creditors: amounts falling due within one year	14	(3,688)	(3,030)
Net current assets		462	2,568
Total assets less current liabilities		3,323	3,070
Net assets		3,323	3,070

Capital and reserves

Called up share capital	15	638	628
Share premium account	16	4,006	3,787
Profit and loss account	16	(1,321)	(1,345)
Total shareholders' funds	17	3,323	3,070

The financial statements on pages 8 to 27 were approved by the board of directors on 27 September 2013 and were signed on its behalf by



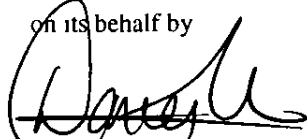
D Lee
Director
 Pharmacy2U Limited, registered number 03802593

Pharmacy2U Limited

Company balance sheet as at 31 March 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	8	2,406	-
Tangible assets	9	519	502
Investment in subsidiary undertaking	10	25	-
Current assets			
Stock	11	637	890
Debtors amounts falling due within one year	12	2,029	2,109
Debtors amounts falling due after more than one year	12	231	186
Cash at bank and in hand		1,253	2,413
		4,150	5,598
Creditors: amounts falling due within one year	14	(3,713)	(3,030)
Net current assets		437	2,568
Total assets less current liabilities		3,387	3,070
Net assets		3,387	3,070
Capital and reserves			
Called up share capital	15	638	628
Share premium account	16	4,006	3,787
Profit and loss account	16	(1,257)	(1,345)
Total shareholders' funds	17	3,387	3,070

The financial statements on pages 8 to 27 were approved by the board of directors on 27 September 2013 and were signed on its behalf by



D Lee

Director

Pharmacy2U Limited, registered number 03802593

Pharmacy2U Limited

Consolidated cash flow statement for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	20	437	1,135
Returns on investments and servicing of finance			
Interest received	5	13	11
Net cash inflow from returns on investments and servicing of finance		13	11
Taxation		(132)	(2)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets	9	(200)	(252)
Proceeds from sale of tangible fixed assets		1	-
Net cash outflow from capital expenditure and financial investments		(199)	(252)
Acquisitions			
Purchase of subsidiary undertakings (net of cash acquired)	21	(1,279)	-
Net cash outflow from acquisitions		(1,279)	-
(Decrease)/increase in cash		(1,160)	892
Opening cash		2,413	1,521
Closing cash		1,253	2,413

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2013

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom and in accordance with the Companies Act 2006. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of accounting

The financial statements are prepared on the going concern basis under the historical cost convention.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared using uniform accounting policies for the same reporting date as the Company. Intra group transactions are eliminated.

Share based payments

The company issues share options to certain employees which are measured at fair value at the date of grant and recognised as an expense in the profit and loss account on a straight line basis over the expected vesting period with a corresponding increase in the profit and loss account reserve.

At each balance sheet date, the company revises its estimates of the number of options that are expected to vest and the expected vesting period and the company recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to the profit and loss account reserve.

Turnover

Turnover is the invoiced value of goods and services supplied during the year, excluding value added tax. Turnover is recognised at the point of goods being despatched.

Tangible fixed assets

Tangible fixed assets are stated at their historic purchase price, together with any incidental expenses of acquisition, less accumulated depreciation. Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used are as follows:

Plant and machinery	10 – 33 33% (including website development costs)
Fixtures and fittings	20%

Stocks

Stocks are stated at the lower of cost and net realisable value using the first in, first out (FIFO) basis of valuation. Provisions are made for obsolete and slow moving items, as required.

Pension costs

The company operates a defined contribution retirement pension scheme for the benefit of all of its employees. The costs of providing pension and related benefits under this scheme are charged to the profit and loss account as incurred.

Website development costs

Specific projects to replace large sections of the website are capitalised, as part of tangible assets, and amortised over a period of 3 years. Where development costs are incurred to continually improve and enhance the website, these are charged to the profit and loss account in the period in which they are incurred.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2013 (continued)

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable

Taxation

The charge for taxation is based on the results for the period. In accordance with FRS19, deferred tax has been recognised as a liability or asset if transactions have occurred by the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred by the balance sheet date

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013

1 Turnover

Turnover consists of sales originating and derived substantially from the United Kingdom. The directors consider that the group has only one class of business, an online and mail order pharmacy.

2 Operating (loss)/profit

	2013 £'000	2012 £'000
Operating (loss)/profit is stated after charging/(crediting)		
(Profit)/loss on disposal of fixed assets	(1)	3
Amortisation of goodwill (note 8)	78	-
Depreciation of tangible fixed assets		
- owned assets (note 9)	183	157
Operating lease rentals -- plant and machinery (note 18)	8	4
- other (note 18)	163	105
Website development costs	1	13
Services provided by the company's auditors		
Fees payable for the audit	19	12
Other services pursuant to legislation	10	6
Tax services	8	6

3 Employee information

	2013 £'000	2012 £'000
Wages and salaries	1,586	1,595
Social security costs	168	166
Other pension costs (note 23)	100	74
Share option expense (note 19)	24	32
	1,878	1,867

Included within note 9, tangible fixed assets are in total £38,000 of internal staff costs (2012: £nil) which have been capitalised and are excluded from the above analysis.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

3 Employee information (continued)

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

	2013 Number	2012 Number
Selling and distribution	34	37
Administration	17	15
	51	52

4 Directors' emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	512	488
Company contributions to money purchase pension schemes	49	47
	561	535

Highest paid director	2013 £'000	2012 £'000
Aggregate emoluments	176	227
Company contributions to money purchase pension schemes	15	16
	191	243

Retirement benefits are accruing to 3 (2012: 2) directors under a defined contribution scheme

5 Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable and similar income	13	11

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

6 Tax on (loss)/profit on ordinary activities

	2013 £'000	2012 £'000
Current tax		
UK corporation tax on profits for the year	-	(1)
Adjustment in respect of prior years	-	1
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	57	(13)
Recognition of carried forward trading losses	-	(108)
Changes in tax rates	(55)	(23)
Adjustments in respect of prior years	43	(12)
Total deferred tax (note 13)	45	(156)
Total tax credit/(charge) on profit on ordinary activities	45	(156)

The current year tax is higher (2012 lower) than the small rate of corporation tax in the UK of 20% (2012 standard rate of corporation tax in the UK of 26%) The differences are explained below

	2013 £'000	2012 £'000
(Loss)/profit on ordinary activities before taxation	(45)	356
(Loss)/profit on ordinary activities multiplied by standard rate in the UK of 20% (2012 26%)	(9)	93
Capital allowances and other timing differences	2	(13)
Expenses not deductible	23	29
Trading losses not utilised/(utilised)	55	(108)
Relief for research and development expenditure	(71)	-
Adjustments in respect of prior years	-	(1)
Total current tax	-	-

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

7 Company profit and loss account

The company has taken advantage of the exemption contained within Section 408 of the Companies Act 2006 and consequently a profit and loss account for Pharmacy2U Limited is not presented. The profit within the financial statements of the company is £64,000 (2012: £200,000).

8 Intangible assets

	Goodwill - Group £'000	Goodwill - Company £'000
Cost		
At 1 April 2012	-	-
Arising on acquisition of subsidiary (note 21)	2,420	-
Arising on intra-group transfer of trade and assets (note 21)	-	2,406
At 31 March 2013	2,420	2,406
Accumulated amortisation		
At 1 April 2012	-	-
Charge for the year	78	-
At 31 March 2013	78	-
Net book amount		
At 31 March 2013	2,342	2,406
At 31 March 2012	-	-

The goodwill on the company balance sheet of £2,406,000 arose when the trade and assets of Private Meds Limited were transferred to Pharmacy2U Limited at their net book value of £25,000 on 31 March 2013 (note 21). This balance was transferred from investments (note 10).

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

9 Tangible assets

Group and Company	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2012	873	345	1,218
Additions	165	35	200
Disposals	-	(2)	(2)
At 31 March 2013	1,038	378	1,416
Accumulated depreciation			
At 1 April 2012	(488)	(228)	(716)
Charge for the year	(168)	(15)	(183)
Disposals	-	2	2
At 31 March 2013	(656)	(241)	(897)
Net book amount			
At 31 March 2013	382	137	519
At 31 March 2012	385	117	502

Included within plant and machinery above is £90,000 (2012 £nil) in relation to assets in the course of construction, on which depreciation has not yet commenced

Included within fixtures and fittings above is £110,000 (2012 £92,000) in relation to assets in the course of construction, on which depreciation has not yet commenced

Included within additions for the year in plant and machinery is £38,000 (2012 £nil) of internal staff costs incurred as part of website development

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

10 Investment in subsidiary undertaking

Company	2013 £'000	2012 £'000
Investment in Private Meds Limited	25	-

The company acquired 100% of the issued share capital of Private Meds Limited on 10 August 2012. On 31 March 2013 the trade and assets of Private Meds Limited were transferred to Pharmacy2U Limited and Private Meds Limited became dormant. Refer to note 21 for further detail.

11 Stocks

Group and Company	2013 £'000	2012 £'000
Goods for resale	637	890

12 Debtors

Group and Company	2013 £'000	2012 £'000
Trade debtors	1,366	1,603
Other debtors	337	202
Prepayments and accrued income	225	203
Deferred tax (note 13)	101	101
Debtors: amounts falling due within one year	2,029	2,109

Debtors: amounts falling due after more than one year	2013 £'000	2012 £'000
Deferred tax (note 13)	231	186

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

13 Deferred tax asset

The movement on deferred taxation during the year was

Group and Company	2013 £'000	2012 £'000
At 1 April	287	443
Credited/(charged) to the profit and loss account	100	(133)
Effect of change in tax rate	(55)	(23)
At 31 March	332	287

The amounts of deferred tax provided are as follows

	2013 £'000	2012 £'000
Accelerated capital allowances and other timing differences	(41)	(24)
Carried forward trading losses	373	311
Total deferred tax asset	332	287

The deferred tax asset of £332,000 (2012 £287,000) includes £231,000 (2012 £186,000) that has been classed as recoverable after more than one year

The group has unutilised trading losses amounting to approximately £1,863,000 (2012 £1,294,000), which are available for relief against future profits. These losses have been recognised on the basis that trading profits are expected to be generated in the foreseeable future against which these losses may be utilised in full.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Further reductions to the main rate of corporation tax were announced in the March 2013 Budget. The main rate will reduce from 23% to 21% effective from 1 April 2014 and 20% effective from 1 April 2015. As these changes have not been substantively enacted at the balance sheet date they are not recognised in these financial statements.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

14 Creditors: amounts falling due within one year

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Trade creditors	2,416	2,645	2,416	2,645
Corporation tax	39	-	39	-
Other taxation and social security	44	45	44	45
Other creditors	842	227	842	227
Accruals and deferred income	347	113	347	113
Amounts payable to group undertaking	-	-	25	-
	3,688	3,030	3,713	3,030

15 Called up share capital

Group and Company	2013 £'000	2012 £'000
Allotted and fully paid		
1,767,975 (2012 1,671,695) ordinary shares of 10p each	177	167
4,613,429 (2012 4,613,429) preferred ordinary shares of 10p each	461	461
	638	628

Preferred ordinary shares have preferential rights to the assets of the company in the event of the company being wound up. In all other respects the preferred ordinary shares rank pari passu with the ordinary shares.

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Notes to the financial statements for the year ended 31 March 2013 (continued)

16 Reserves

	Share premium account Group and Company £'000	Profit and loss account Group £'000	Profit and loss account Company £'000
At 1 April 2012	3,787	(1,345)	(1,345)
Shares issued in the year	219	-	-
Profit for the financial year	-	-	64
Adjustment in respect of employee share schemes	-	24	24
At 31 March 2013	4,006	(1,321)	(1,257)

17 Reconciliation of movements in shareholders' funds

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Shares issued in the financial year	229	-	229	-
Profit for the financial year	-	200	64	200
Adjustment in respect of employee share schemes	24	32	24	32
Net addition to shareholders' funds	253	232	317	232
Opening shareholders' funds	3,070	2,838	3,070	2,838
Closing shareholders' funds	3,323	3,070	3,387	3,070

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Notes to the financial statements for the year ended 31 March 2013 (continued)

18 Operating lease commitments

At 31 March the group had lease agreements in respect of property and a motor vehicle for which the payments extend over a number of years as follows

	Land and buildings		Other	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Annual commitments under non-cancellable operating leases				
expiring				
- within 2 – 5 years	46	-	8	7
- after 5 years	109	109	-	-

19 Share based payments

The group operates an employee share option scheme. In accordance with the requirements of FRS 20 'Share based payments', an expense is recognised in the profit and loss account in respect of all equity settled share options granted to employees.

Options are granted with a fixed exercise price equal to the market price, at the date of grant, of the shares under option. The contractual life of an option is 10 years. Options are exercisable only on flotation or trade sale of the company.

The fair value of options at grant is calculated using the Black-Scholes option pricing model. No options were granted during the year ended 31 March 2013. The fair value of options granted and the significant assumptions used in the calculation are as follows:

Grant date	28 November 2011
Share price at date of grant	£1.00
Exercise price	£0.80
Number of participating employees	1
Shares under option ('000)	50,000
Vesting period (years)	4.9
Expected volatility	25%
Option life (years)	10
Expected life (years)	4.9
Risk free rate	2.00%
Expected dividend yield	Nil
Fair value per option	£0.33

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

19 Share based payments (continued)

The expected volatility is based on the average historical volatility of certain companies whose shares are listed on a recognised stock exchange that the Directors consider to operate in a comparable market sector to the company. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

At 31 March 2013 there were 389,000 (2012: 439,000) share options in issue but not yet exercised and the company recorded an FRS 20 charge for the year then ended of £24,000 (2012: £32,000). For the purposes of calculating the FRS 20 charge for the year, it has been assumed that the expected exercise date will be 31 October 2016.

A reconciliation of option movements over the year to 31 March 2013 is shown below.

	2013		2012	
	Number '000	Weighted average exercise price £	Number '000	Weighted average exercise price £
At 1 April	439	£0.80	469	£0.79
Surrendered	-	-	-	-
Lapsed	(50)	£0.80	(80)	£0.75
Granted	-	-	50	£0.80
Outstanding at 31 March	389	£0.80	439	£0.80

No options were granted in the year. The weighted average fair value of options granted in the prior year was £16,500. No options were exercised during the year ended 31 March 2013 (2012: none) and no options were exercisable at 31 March 2013 (2012: none).

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Notes to the financial statements for the year ended 31 March 2013 (continued)

20 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2013	2012
	£'000	£'000
Operating (loss)/profit	(58)	345
Depreciation (note 9)	183	157
(Profit)/loss on disposal of fixed assets	(1)	3
Goodwill amortisation (note 8)	78	-
Decrease in stocks (note 11)	253	178
Decrease in debtors (note 12)	297	391
(Decrease)/increase in creditors (13)	(339)	29
Share based payments charge (note 19)	24	32
Net cash inflow from operating activities	437	1,135

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Notes to the financial statements for the year ended 31 March 2013 (continued)

21 Acquisition

On 10 August 2012, the company acquired Private Meds Limited for a total consideration of £2,431,000. Private Meds Limited operates an online doctor consultation service. During the year ended 31 March 2013 Private Meds Limited contributed profit of £14,000 to the Group results. For the year ended 31 March 2013 Private Meds Limited made a net profit of £159,000.

	Book and fair value £'000
Assets acquired:	
Debtors	217
Cash	107
Creditors	(143)
Corporation tax liability	(170)
Net assets acquired	11
Goodwill	2,420
Consideration	2,431
Consideration satisfied by:	
Shares	229
Cash (including acquisition costs of £24,000)	2,202
Consideration	2,431

Of the cash consideration, £816,000 was deferred and is payable 12 and 18 months after the completion date. Net of the deferred consideration and cash acquired, the cash outflow from acquisitions in the year was £1,279,000.

On 31 March 2013 the trade and assets of Private Meds Limited were transferred to Pharmacy2U Limited at their book value of £25,000, no gain or loss arose on the transfer.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

22 Related party transactions

On 3 May 2005, the group moved into premises owned by Scottish Equitable Plc as Trustee of The Scottish Equitable Self-Administered Personal Pension Scheme, the beneficiaries of which are D Lee and J Harrison, both of whom are directors of the company

The lease is on normal commercial terms. The initial term of the lease is 15 years, with rent reviews every five years. The annual rent is £109,000. There were no balances due at 31 March 2013 (2012: £nil).

During the year, the group was charged £33,000 (2012: £33,000) by EMIS plc in respect of service charges. At 31 March 2013, £8,000 (2012: £8,000) was outstanding in respect of these transactions. EMIS plc is a related party due to its shareholding and influence over the company.

The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the group.

23 Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £100,000 (2012: £74,000). £11,000 (2012: £4,000) was owed to the fund at the year end.

24 Ultimate controlling party

As a result of the composition of the company's share ownership, there is no ultimate controlling party of the group.