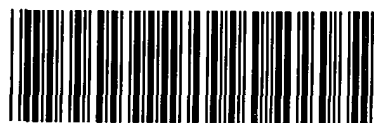


Registered Number 03802593

Pharmacy2U Limited
Annual report and consolidated financial
statements for the year ended 31 March 2015

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Pharmacy2U Limited

Annual report and consolidated financial statements for the year ended 31 March 2015

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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)
C Spencer	(Non-executive Director) (Appointed 28 April 2014)
B Haigh	(Non-executive Director)
G Brand	(Non-executive Director)
M Glatman	(Non-executive Director)

Company secretary

S Fawcett

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

03802593

Pharmacy2U Limited

Strategic report for the year ended 31 March 2015

The directors present their strategic report on the group for the year ended 31 March 2015.

Business review

Pharmacy is in the middle of a fundamental structural change which is being brought about by the introduction of the Electronic Prescription System (EPS) and Pharmacy2U is poised to take advantage of this significant market opportunity. At 31 March 2015 approximately 50% of all GP practices in England were using EPS release 2 enabled systems allowing electronic communication with pharmacies.

Established in 1999, Pharmacy2U was the UK's first internet pharmacy and is now the country's leading dedicated NHS contracted internet pharmacy serving the growing number of people who are unable or unwilling to visit high street pharmacies.

Pharmacy2U is run by pharmacists and operates to the highest professional standards. It is registered with the General Pharmaceutical Council, the Care Quality Commission and holds an NHS wholly mail order pharmacy contract.

The Electronic Prescription Service allows prescriptions and medicines to be delivered direct to the doorstep. Like traditional pharmacies, Pharmacy2U can offer patients expert advice, and its investment in technology has also allowed it to introduce new and innovative services, such as electronic requesting of repeat prescriptions and a repeat prescription reminder service that ensures patients are ordering and taking their medicines appropriately. During the financial year ended 31 March 2015 the proportion of GPs in England that use EPS enabled systems increased from c.20% to c.50%. This has vastly increased the number of patients that Pharmacy2U is now able to offer its convenient prescription delivery services to.

During the year and in the period since the year end the group has undertaken significant investment to design and create the UK's largest automated dispensing operation. This ground breaking project is running to plan and is expected to go live in the last quarter of 2015, vastly increasing the group's operational capacity and allowing the group to capitalise on this significant opportunity created by the electronic prescription service. The new facility will significantly reduce operating costs and increase the overall profitability of the group.

During the year ended 31 March 2015, the group delivered further growth with turnover increasing by 3% to £17,545,000 (2014: £17,078,000). The investment in NHS patient recruitment and the Online Doctor business drove strong growth in these areas which was partly offset by volume reductions in private prescriptions and online retail.

EBITDA decreased by £904,000 to a loss of £628,000 as a result of the significant investment in NHS marketing. The group made a loss of £860,000 for the year ended 31 March 2015 (2014: £8,000 profit). At 31 March 2015, the group had net assets of £2,519,000 (2014: £3,359,000).

Future outlook

The group is well positioned to capitalise on the continued national roll-out of the NHS Electronic Prescription Service. In addition, the group continues to seek to develop and grow its online doctor and over-the-counter business and, whilst these markets are 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

Strategic report for the year ended 31 March 2015 (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 is exposed to interest rate risk on its cash balances and borrowings. Borrowings are impacted by changes in the Bank of England base rate. 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 sterling and therefore there is minimal currency risk.

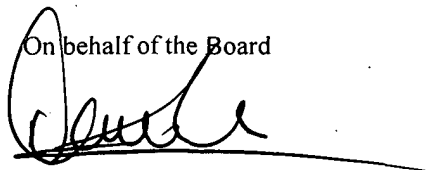
Key performance indicators ("KPIs")

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.

Going concern

The financial statements have been prepared on the going concern basis as the directors have reviewed cash flow forecasts and the availability of future funding and therefore believe that the company has sufficient funds to enable it to meet its liabilities for at least one year from the date of approval of these financial statements.

On behalf of the Board



D Lee
Director
9 October 2015

Pharmacy2U Limited

Directors' report for the year ended 31 March 2015

The directors present their report together with the audited consolidated financial statements for the year ended 31 March 2015.

The directors do not propose payment of a dividend in respect of the financial year ended 31 March 2015 (2014: £nil).

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
A Hornby
K McCullagh
N Laycock (Resigned 28 April 2014)
B Haigh
G Brand
M Glatman
C Spencer (Appointed 28 April 2014)

Research and development

The group undertakes research and development activities in two key areas; research in pharmacology science in order to better understand the correlation between pharmacist intervention and patient health, and bespoke IT systems development.

Future prospects, going concern and financial risk management

Please refer to the Strategic Report on pages 2 to 3.

Pharmacy2U Limited

Directors' report for the year ended 31 March 2015 (continued)

Statement of directors' responsibilities

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

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

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

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.

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.

On behalf of the Board



D Lee

Director

9 October 2015

Pharmacy2U Limited

Independent auditors' report to the members of Pharmacy2U Limited

Report on the financial statements

Our opinion

In our opinion, Pharmacy2U 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 31 March 2015 and of the group's loss 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.

What we have audited

The financial statements comprise:

- the consolidated and company balance sheets as at 31 March 2015;
- the consolidated profit and loss account for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Pharmacy2U Limited

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & 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.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and consolidated financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
9 October 2015

Pharmacy2U Limited

Consolidated profit and loss account for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Turnover	1	17,545	17,078
Cost of sales		(10,778)	(10,815)
Gross profit		6,767	6,263
Distribution costs		(5,218)	(4,175)
Administrative expenses		(2,579)	(2,138)
Operating loss	2	(1,030)	(50)
Analysed as:			
EBITDA		(628)	276
Depreciation	9	(281)	(205)
Amortisation of goodwill	8	(121)	(121)
Operating loss		(1,030)	(50)
Interest (payable)/receivable and similar income	5	(12)	3
Loss on ordinary activities before taxation		(1,042)	(47)
Tax on loss on ordinary activities	6	182	55
(Loss)/profit for the financial year	18	(860)	8

All items dealt with in arriving at operating loss 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.

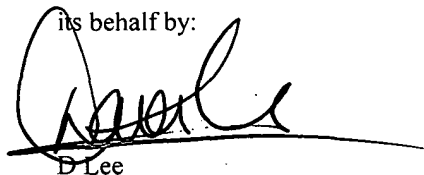
There are no material differences between the loss on ordinary activities before taxation and the (loss)/profit for the year stated above and their historical cost equivalents.

Pharmacy2U Limited

Consolidated balance sheet as at 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	8	2,100	2,221
Tangible assets	9	1,535	540
Investments	10	1	-
		3,636	2,761
Current assets			
Stocks	11	1,000	662
Debtors: amounts falling due within one year	12	2,738	2,051
Debtors: amounts falling due after more than one year	12	361	386
Cash at bank and in hand		127	422
		4,226	3,521
Creditors: amounts falling due within one year	14	(4,455)	(2,923)
Net current (liabilities)/assets		(229)	598
Total assets less current liabilities		3,407	3,359
Creditors: amounts falling due after more than one year	15	(888)	-
Net assets		2,519	3,359
Capital and reserves			
Called up share capital	17	638	638
Share premium account	18	4,006	4,006
Profit and loss account	18	(2,125)	(1,285)
Total shareholders' funds	19	2,519	3,359

The financial statements on pages 8 to 27 were approved by the board of directors on 9 October 2015 and were signed on its behalf by:



D. Lee

Director

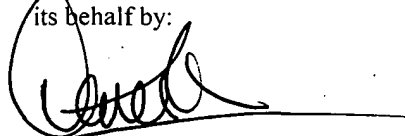
Pharmacy2U Limited, registered number: 03802593

Pharmacy2U Limited

Company balance sheet as at 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	8	2,164	2,285
Tangible assets	9	1,535	540
Investments	10	26	25
		3,725	2,850
Current assets			
Stock	11	1,000	662
Debtors: amounts falling due within one year	12	2,738	2,051
Debtors: amounts falling due after more than one year	12	361	386
Cash at bank and in hand		127	422
		4,226	3,521
Creditors: amounts falling due within one year	14	(4,480)	(2,948)
Net current (liabilities)/assets		(254)	573
Total assets less current liabilities		3,471	3,423
Creditors: amounts falling due after more than one year	15	(888)	-
Net assets		2,583	3,423
Capital and reserves			
Called up share capital	17	638	638
Share premium account	18	4,006	4,006
Profit and loss account	18	(2,061)	(1,221)
Total shareholders' funds	19	2,583	3,423

The financial statements on pages 8 to 27 were approved by the board of directors on 9 October 2015 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 2015

	Note	2015 £'000	2014 £'000
Net cash (outflow)/inflow from operating activities	22	(955)	248
Returns on investments and servicing of finance			
Interest (paid)/ received	5	(12)	3
Net cash (outflow)/inflow from returns on investments and servicing of finance		(12)	3
Taxation		-	(39)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets	9	(1,276)	(227)
Net cash outflow from capital expenditure and financial investments		(1,276)	(227)
Acquisitions			
Purchase of subsidiary undertakings (net of cash acquired)		-	(816)
Net cash outflow from acquisitions		-	(816)
Financing			
Increase in borrowings		1,525	-
Loan repayments		(27)	-
Grant income		450	-
Net cash inflow from financing		1,948	-
Decrease in cash		(295)	(831)
Opening cash		422	1,253
Closing cash		127	422
Reconciliation to net (debt)/cash			
Net cash at beginning of period		422	1,253
Decrease in cash		(295)	(831)
Movement in borrowings	16	(1,498)	-
Net (debt)/cash at end of period		(1,371)	422

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2015

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.

Going concern

The financial statements have been prepared on the going concern basis as the directors have reviewed cash flow forecasts and the availability of future funding and therefore believe that the company has sufficient funds to enable it to meet its liabilities for at least one year from the date of approval of these financial statements.

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 2015 (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.

Fixed asset investments

Fixed asset investments are shown at historical cost less provision for impairment. Impairment provisions are made against assets when management considers the carrying value of the investment to be above the asset's recoverable amount.

Government grants

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015

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

	2015 £'000	2014 £'000
Operating loss is stated after charging:		
Amortisation of goodwill (note 8)	121	121
Depreciation of tangible fixed assets		
- owned assets (note 9)	281	205
Operating lease rentals – plant and machinery (note 20)	6	8
- other (note 20)	180	180
Research and development	385	266
Services provided by the company's auditors		
Fees payable for the audit	20	20
Tax services	25	8

3 Employee information

	2015 £'000	2014 £'000
Wages and salaries	2,353	1,939
Social security costs	224	201
Other pension costs (note 24)	49	70
Share option expense (note 19)	20	28
	2,646	2,238

Internal staff costs of £21,000 have been capitalised in the year (2014: £nil). These are included within note 9, tangible fixed assets and are excluded from the above analysis.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

3 Employee information (continued)

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

	2015 Number	2014 Number
Selling and distribution	56	38
Administration	22	15
	78	53

4 Directors' emoluments

	2015 £'000	2014 £'000
Aggregate emoluments	552	687
Company contributions to money purchase pension schemes	16	8
	568	695

Highest paid director	2015 £'000	2014 £'000
Aggregate emoluments	207	261

Retirement benefits are accruing to 3 (2014: 3) directors under a defined contribution scheme.

5 Interest (payable)/receivable and similar income

	2015 £'000	2014 £'000
Interest receivable and similar income	-	3
Bank interest payable	(12)	-
	(12)	3

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

6 Tax on loss on ordinary activities

	2015 £'000	2014 £'000
Current tax		
UK corporation tax on losses for the year	137	-
Adjustments in respect of prior years	70	-
Total current tax credit	207	-
Deferred tax		
Origination and reversal of timing differences	111	57
Changes in tax rates	(5)	-
Adjustments in respect of prior years	(131)	(2)
Total deferred tax (note 13)	(25)	55
Total tax credit on loss on ordinary activities	182	55

The current year tax credit is lower (2014: higher) than the standard rate of corporation tax in the UK of 21% (2014: 20%). The differences are explained below.

	2015 £'000	2014 £'000
Loss on ordinary activities before taxation	(1,042)	(47)
Loss on ordinary activities multiplied by standard rate in the UK of 21% (2014: 20%)	(219)	(9)
Capital allowances and other timing differences	(83)	(16)
Expenses not deductible	33	30
Utilisation of tax losses	391	73
Adjustments in respect of prior periods	(70)	-
Relief for research and development expenditure	(259)	(78)
Total current tax	(207)	-

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (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 loss within the financial statements of the company is £1,042,000 (2014: profit of £8,000).

8 Intangible assets

	Goodwill - Group £'000	Goodwill - Company £'000
Cost		
At 31 March 2014 and 2015	2,420	2,406
Accumulated amortisation		
At 1 April 2014	199	121
Charge for the year	121	121
At 31 March 2015	320	242
Net book amount		
At 31 March 2015	2,100	2,164
At 31 March 2014	2,221	2,285

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.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

9 Tangible assets

Group and Company	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2014	1,235	378	1,613
Additions	1,009	267	1,276
At 31 March 2015	2,244	645	2,889
Accumulated depreciation			
At 1 April 2014	(827)	(246)	(1,073)
Charge for the year	(270)	(11)	(281)
At 31 March 2015	(1,097)	(257)	(1,354)
Net book amount			
At 31 March 2015	1,147	388	1,535
At 31 March 2014	408	132	540

Included within plant and machinery above is £712,000 (2014: £nil) in relation to assets in the course of construction, on which depreciation has not yet commenced.

Included within fixtures and fittings above is £315,000 (2014: £110,000) in relation to assets in the course of construction, on which depreciation has not yet commenced.

Included within fixed assets is £59,000 of internal staff costs incurred as part of website and system development. £21,000 of this was capitalised in the current year.

At 31 March 2015 the group had contractual commitments for capital expenditure of £1,526,000 (2014: £nil).

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

10 Investments

	2015 £'000	2014 £'000
Investment in Private Meds Limited (Company)	25	25
Investment in LLPs (Group and Company)	1	-

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. The directors believe that the carrying value of the investment is supported by the underlying assets.

Investment in LLPs

During the years ended 31 March 2014 and 31 March 2015, Pharmacy2U Limited acquired a 50% interest in a number of newly formed LLPs, each with one other LLP partner. The total carrying value of these investments is £600. Each LLP participates in raising awareness of Pharmacy2U's services. These are not accounted for as subsidiaries or joint ventures as the LLPs, for accounting purposes, do not carry out their own activities. The investment in the LLPs has therefore been treated as a fixed asset investment held at cost.

11 Stocks

Group and Company	2015 £'000	2014 £'000
Goods for resale	1,000	662

12 Debtors

Group and Company	2015 £'000	2014 £'000
Trade debtors	1,912	1,465
Other debtors	286	207
Prepayments and accrued income	333	379
Corporation tax debtor	207	-
Debtors: amounts falling due within one year	2,738	2,051

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

12 Debtors (continued)

	2015 £'000	2014 £'000
Debtors: amounts falling due after more than one year		
Deferred tax (note 13)	361	386

13 Deferred tax asset

The movement on deferred taxation during the year was:

Group and Company	2015 £'000	2014 £'000
At 1 April	386	332
Current year credit to the profit and loss account	105	55
Adjustment in respect of prior years	(130)	-
Effect of change in tax rate	-	(1)
At 31 March	361	386

The amounts of deferred tax provided are as follows:

	2015 £'000	2014 £'000
Accelerated capital allowances and other timing differences	(140)	(62)
Carried forward trading losses	501	448
Total deferred tax asset	361	386

The deferred tax asset of £361,000 (2014: £386,000) includes £361,000 (2014: £386,000) that has been classed as recoverable after more than one year.

The group has unutilised trading losses amounting to approximately £2,504,000 (2014: £2,240,000), 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 reduced from 23% to 21% effective from 1 April 2014 and will reduce to 20% effective from 1 April 2015. As these changes are substantively enacted at the balance sheet date they are recognised in these financial statements.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

14 Creditors: amounts falling due within one year

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
Bank and other borrowings (note 16)	1,060	-	1,060	-
Trade creditors	3,023	2,439	3,023	2,439
Amounts owed to group undertaking	-	-	25	25
Other taxation and social security	63	53	63	53
Other creditors	52	59	52	59
Accruals and deferred income	257	372	257	372
	4,455	2,923	4,480	2,948

Amounts owed to group undertaking are interest free, unsecured, and with no fixed repayment date.

15 Creditors: amounts falling due after more than one year

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
Bank and other borrowings (note 16)	438	-	438	-
Deferred government grant	450	-	450	-
	888	-	888	-

16 Bank and other Borrowings

Group and Company	2015 £'000	2014 £'000
Amounts falling due within one year		
Receivables financing	955	-
Bank loan	105	-
	1,060	-
Amounts falling due after more than one year		
Bank loan	438	-

Receivables financing liabilities are secured against the assets to which they relate.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

16 Bank and other Borrowings (continued)

The loans including the receivables financing are repayable as follows:

Group and Company	2015 £'000	2014 £'000
In one year or less, or on demand	1,060	-
Between one and two years	111	-
Between two and 5 years	327	-
	1,498	-

In November 2014 the company obtained a term loan of £570,000 from Barclays Bank. The loan is repayable over 5 years and attracts an interest rate of base rate plus 4.75%. The loan is secured by a debenture and guarantee over the group's assets.

17 Called up share capital

Group and Company	2015 £'000	2014 £'000
Allotted and fully paid		
1,767,975 (2014: 1,767,975) ordinary shares of 10p each	177	177
4,613,429 (2014: 4,613,429) preferred ordinary shares of 10p each	461	461
200,000 (2014: 200,000) A ordinary shares of 0.01p each	-	-
	638	638

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.

During the prior year, 200,000 A Ordinary shares of 0.01p each were issued at par for proceeds of £20. A Ordinary Shares shall not participate in the distribution of profits and holders of the A Ordinary Shares are not entitled to vote at general meetings of the Company. Where no Exit event has occurred with Exit proceeds exceeding £25.0m then the holders shall not participate in the distribution of the capital of the Company should the company be wound up. In the event of an Exit where the Exit Proceeds exceed £25.0m then the holders of each A Ordinary Share shall be entitled to an amount equal to 1.00 x the value attributed to one ordinary share if the value of Exit proceeds is between £25.0m and £60.0m, 1.25 x the value attributed to one ordinary share if the value of Exit proceeds is between £60.0m and £100.0m and 1.5 x the value attributed to one ordinary share if the value of Exit proceeds exceeds £100.0m. Following an Exit where the Exit proceeds exceed £25.0m then the holders of the A Ordinary Shares shall have and be entitled to the same rights as and shall rank pari passu in all respects with the holders of the Ordinary Shares already in issue.

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Notes to the financial statements for the year ended 31 March 2015 (continued)

18 Reserves

	Share premium account Group and Company £'000	Profit and loss account Group £'000	Profit and loss account Company £'000
At 1 April 2014	4,006	(1,285)	(1,221)
Loss for the financial year	-	(860)	(860)
Adjustment in respect of employee share schemes	-	20	20
At 31 March 2015	4,006	(2,125)	(2,061)

19 Reconciliation of movements in shareholders' funds

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
(Loss)/profit for the financial year	(860)	8	(860)	8
Adjustment in respect of employee share schemes	20	28	20	28
Net (reduction)/addition to shareholders' funds	(840)	36	(840)	36
Opening shareholders' funds	3,359	3,323	3,423	3,387
Closing shareholders' funds	2,519	3,359	2,583	3,423

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

20 Operating lease commitments

At 31 March the group and company 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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Annual commitments under non-cancellable operating leases expiring:				
- within 2 – 5 years	-	-	6	8
- after 5 years	204	188	-	-

21 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 or exercised during the year. During the year ended 31 March 2014 130,700 options were granted. The fair value of options granted and the significant assumptions used in the calculation of the most recent grants are as follows:

Grant date	24 January 2014	28 November 2011
Share price at date of grant	£1.00	£1.00
Exercise price	£0.80	£0.80
Number of participating employees	14	1
Shares under option ('000)	130,700	50,000
Vesting period (years)	2.8	4.9
Expected volatility	25%	25%
Option life (years)	10	10
Expected life (years)	2.8	4.9
Risk free rate	2.00%	2.00%
Expected dividend yield	Nil	Nil
Fair value per option	£0.30	£0.33

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

21 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 2015 there were 520,000 (2014: 520,000) share options in issue but not yet exercised and the company recorded an FRS 20 charge for the year then ended of £20,000 (2014: £28,000). 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 2017.

A reconciliation of option movements over the year to 31 March 2015 is shown below:

	2015		2014	
	Number '000	Weighted average exercise price £	Number '000	Weighted average exercise price £
At 1 April	520	£0.80	389	£0.80
Lapsed	-	-	-	-
Granted	-	-	131	£0.80
Outstanding at 31 March	520	£0.80	520	£0.80

No options were exercised during the year ended 31 March 2015 (2014: none) and no options were exercisable at 31 March 2015 (2014: none).

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

22 Reconciliation of operating loss to net cash inflow from operating activities

	2015 £'000	2014 £'000
Operating loss	(1,030)	(50)
Depreciation (note 9)	281	205
Goodwill amortisation (note 8)	121	121
Increase in stocks (note 11)	(338)	(25)
Increase in debtors (note 12)	(480)	(123)
Increase in creditors (note 14)	471	92
Share based payments charge (note 19)	20	28
Net cash (outflow)/inflow from operating activities	(955)	248

23 Reconciliation of net debt

	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
Cash	422	(295)	-	127
Debt due within one year	-	-	(1,060)	(1,060)
Debt due after more than one year	-	(1,498)	1,060	(438)
Net cash/(debt)	422	(1,793)	-	(1,371)

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

24 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 2015 (2014: £nil).

During the year, the group was charged £42,000 (2014: £35,000) by EMIS plc in respect of service charges. At 31 March 2015, £14,000 (2014: £9,000) was outstanding in respect of these transactions. EMIS plc is a related party due to its shareholding and influence over the company.

During the year, Pharmacy2U Limited acquired a 50% interest in a number of newly formed LLPs (see note 10). At 31 March 2015, £11,000 (2014: £7,000) was receivable from the LLPs, comprising costs funded by the Company and re-charged to the LLPs, net of fees payable to the LLPs.

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

25 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 £49,000 (2014: £70,000). £9,000 (2014: £6,000) was owed to the fund at the year end.

26 Ultimate controlling party

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

27 Post balance sheet event

On 24 July 2015 the Group raised £2,004,060 through the issue of 691,282 ordinary shares to support the business in its investment and expansion that is disclosed further in the Strategic Report.