

BESTWAY PANACEA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER: 09225479

FOR THE YEAR ENDED

30 JUNE 2021

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BESTWAY PANACEA HOLDINGS LIMITED

For the year ended 30 June 2021

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BESTWAY PANACEA HOLDINGS LIMITED

For the year ended 30 June 2021

Company Information

Registered number	09225479
Registered office	Merchants Warehouse Castle Street Castlefield Manchester M3 4LZ
Directors	H Z Choudrey Lord Z M Choudrey S Hobbs K R Jacob Sir M A Pervez
Non-Executive Directors	N Gordon
Secretary	T R J Ferguson
Independent Auditors	Mazars LLP One St Peters Square Manchester M2 3DE

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report

For the year ended 30 June 2021

The Directors present their annual strategic report of Bestway Panacea Holdings Limited and its subsidiaries (the 'Group') for the year ended 30 June 2021.

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 consolidated statement of income and other comprehensive income on page 25. Revenue for the year was £824,211,000 (year ended 30 June 2020: £790,452,000). The profit for the year before taxation was £29,151,000 (year ended 30 June 2021: £2,187,000). After tax the Group made a profit of £13,135,000 (2020: loss of £5,984,000). The increase in profit was driven by greater focus on cost control within the business as part of the Group's Delivering Well strategy. The net assets position of the Group as at 30 June 2021 was £240,779,000 (2020: £287,706,000).

The Group owned 749 pharmacies at the end of the year (2020: 751).

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 2021 was £32,099,000 (2020: £5,360,000).

Throughout the Covid pandemic the Group has experienced changes in people's habits in how they have sought prescription dispensing in addition to doctors' prescribing lengths. We have also seen a reduction in non-prescription income following the impact of lockdowns on footfall. Despite the challenges and risks posed by the pandemic our pharmacies have remained open throughout the various lockdowns and restrictions giving our patients and customers their essential medicines and access to products to support their self-care needs.

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; the group has begun to repay these cash advances.

During the year the Group undertook restructuring activities culminating in the biggest people change within the business to date. The result of these activities being pharmacist leaders in every pharmacy, increased collaboration between pharmacies and field teams, and a framework to ensure support and coaching for teams to deliver the best care and ability to run their business in the best way possible.

Despite the ongoing funding challenges facing pharmacy, we continue to invest in our sector showing our commitment to pharmacy and offering accessible healthcare services to local communities. During the year we demonstrated our commitment through the acquisitions of Pharma-Z Limited and R.D. & M.R. Parry (Chemists) Limited, strengthening our footprint in Norfolk and South Wales.

Future development and performance of the business

The future objective of the Group is to improve gross margins and maximise profitability by realising efficiencies within the business. There has remained a focus on leveraging technology assets to help drive both market share and efficiency gains via our Central Fulfilment, Digital, and Omnichannel projects.

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2021

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;
- the need to act fairly as between members of the Company.

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 | • Suppliers |
| • Trade Union | • Creditors and lenders |
| • Customers and patients | • Industry bodies |
| • Employees | • Pension schemes and pension recipients |
| • Primary regulators and Government, including NHS, Department of Health and Social Care and relevant pharmacy bodies (including PSNC, CCA and GPhC) | • 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 assess 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).

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.

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2021

Section 172 statement (continued)

Stakeholder management (continued)

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	<ul style="list-style-type: none"> •Fair remuneration and benefits •Training, development and career progression •Health & safety and working conditions •Diversity & inclusion •Human rights and modern slavery 	<ul style="list-style-type: none"> •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 	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •Comprehensive view of financial and sustainable performance of the business •Return on investment 	<ul style="list-style-type: none"> •Monthly Board meetings •Annual Report and financial statements of the Company and its subsidiaries 	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •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 	<ul style="list-style-type: none"> •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 	<ul style="list-style-type: none"> •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

BESTWAY PANACEA HOLDINGS LIMITED**Strategic Report (continued)**

For the year ended 30 June 2021

Section 172 statement (continued)**Stakeholder management (continued)**

Stakeholder	Their Interests	How we engage	How the Board engages
Customers and patients	<ul style="list-style-type: none">•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	<ul style="list-style-type: none">•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	<ul style="list-style-type: none">•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	<ul style="list-style-type: none">•Compliance with regulations•Worker pay and conditions•Waste and environment•Gender Pay•Brand reputation•Health and safety•Treatment of suppliers and customers	<ul style="list-style-type: none">•Corporate Website•Annual Report•Direct engagements with regulators (see below)•HMRC & Statutory Audits	<ul style="list-style-type: none">•Regular reports from business on range of regulatory issues and engagement•Board review and approval of audited accounts•Proactive engagement 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

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2021

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 and meeting with representatives of the Company's employee groups. The Board and its executive team regularly engage with the whole business through monthly business updates open to all employees and additionally with the Well Leadership Team (circa 50 senior managers) through regular briefing sessions. During the pandemic these have been conducted safely via video calling, although where safely permitted the Board and executive team seek to interact with employees on a face to face basis.

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.

(i) Appointment of new Chief Financial Officer

Following a decision by Lynn Krige to leave her role as CFO on a date agreed with the Board, the Board conducted an extensive search exercise which concluded with the appointment of Katherine Jacob as the new Well CFO. Ms Jacob commenced working in the business and in January 2021 completed a handover with Mrs Krige.

The Board took into account a number of factors when making the appointment, including the experience of Ms Jacob in delivering customer focussed change and transformation along with strong financial rigour to support the next phases of the Delivering Well Strategy (which was launched in the previous financial year).

(ii) 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.

Recognising the need to continue to evolve and improve the effective governance of the business, the Board took the decision that the executive committee structure of the Company be developed. Coinciding with the decisions of the IT & Digital Director and the former Operations Director to pursue roles outside the Company, the Board decided to introduce a new Executive Directors Strategy committee meeting, comprising the Company's CEO, CFO, Operations Director and People Director. This has the responsibility of supporting the Board in taking a longer view of the strategic direction of the Company. At the same time the Executive Committee was expanded to include a number of functional leads to ensure that the operational leadership of the Company continues to retain its high priority and to bring the Company's performance closer to the Board.

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2021

Section 172 statement (continued)

Decision making (continued)

(iii) Ongoing response to COVID-19 pandemic

Given the nature of the continued impacts of the COVID-19 pandemic on pharmacies, particular efforts continued in the protection of the supply to and operation of the pharmacies. The Board continued to support the Company in its efforts to ensure effective operation of the business within the constraints demanded by the pandemic.

A significant focus on the safety and wellbeing of all employees, ensuring that at all times the Company adhered to both legislative requirements as well as the updated guidance issued by the government and relevant regulatory bodies. While there were some colleagues who contracted illness during this time, the Board was reassured that the health and safety processes and investigations put into place meant that there was no evidence of workplace transmission.

Measures taken at the HSC also ensured effective and safe operating practices were strongly adhered to, meaning that the daily operation of the core distribution functions of the business went unaffected by the pandemic. The Board recognises the significance of the Group's single central distribution site and noted that management had made particular efforts in updating and keeping under review the business continuity planning for this location. As a result, both the central fulfilment of prescriptions to pharmacies and the distribution of other products were maintained, allowing the pharmacies to continue to provide the highest quality service to their patients and customers.

(iv) Investment in employees

The Board recognises the significant efforts that its workforce has made during the course of the pandemic and, as a result, took the decision to make a one-off "thank you" payment to each of its front-line colleagues in recognition for the significant efforts every one of them has made in delivering an exemplary service to their communities' customers and patients during challenging circumstances.

Additionally, the Board also approved a significant investment into training for colleagues, again recognising the importance of providing real and relevant development opportunities.

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2021

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. As a result of such review, the Bestway Group cascaded the following Bestway Corporate Governance Principles, which were initially adopted in the financial year to 30 June 2020 and have continued to be applied and monitored during the financial year ended 30 June 2021.

The Board of the Company is pleased to present its Statement of Corporate Governance Arrangements for the year ended 30 June 2021. 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 2021 are set out below. A governance framework is in place and continually monitored for improvements 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 an independent non-executive director, Noel Gordon. David Coles was also an independent non-executive director for the period from 1st July 2020 to 31st July 2021. The Board thanks David Coles for his significant contribution and guidance during his term as a non executive director of the Company.

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2021

Statement of Private Company Governance Arrangements (continued)

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 during the year to 30 June 2021 were:

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

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2021

Statement of Private Company Governance Arrangements (continued)

Corporate Governance Principles (continued)

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.

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	12/12
Sebastian Hobbs	CEO	12/12
Lynn Krige	CFO	6/12**
Katherine Jacob	CFO	6/12**
David Coles	Non-Executive Director (former)	6/6***
Noel Gordon	Non-Executive Director	3/4***

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

**Lynn Krige resigned as a director with effect from January 2021, having attended six board meetings. Katherine Jacob was appointed as a director from January 2021 and attended six board meetings.

***During the year the Board restructured its format so that Non-Executive Directors formally attended every third board meeting during the year.

The Board are regularly provided with training as required.

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2021

Statement of Private Company Governance Arrangements (continued)

Corporate Governance Principles (continued)

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. 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.

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 risks:

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

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2021

Statement of Private Company Governance Arrangements (continued)

Corporate Governance Principles (continued)

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 assess 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.

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2021

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 principal 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.

(i) 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. However, the Company recognises that the flat funding model of the community pharmacy sector presents a risk as the sector incurs upwards inflationary costs pressures, including among others those relating to National Living Wage changes, energy costs and inflation-linked rent reviews.

(ii) 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.

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2021

Principal risks and uncertainties (continued)

(iii) 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.

(iv) 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.

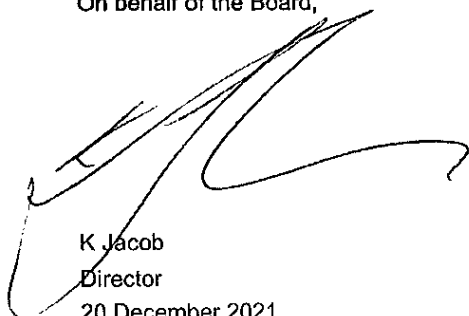
The Company also recognises the wider influence on workforce availability across the sector resulting from a general reduction of available qualified workforce capacity and the associated operational and cost-inflationary impacts that has across the community pharmacy sector. Given the regulatory requirements around qualified personnel and its commitments to providing the best service it can for the communities it serves, the Company continues to manage these closely in order to minimise their ongoing effects.

Key performance indicators

The key performance indicators of the Group are:

	2021	2020
Prescription volume (Number of core items dispensed '000)	71,544	71,960
Revenue (£'000)	824,211	790,452
Operating profit (£'000)	32,099	5,360
Cash and cash equivalents (£'000)	69,784	63,795
Net cash generated from operating activities (£'000)	103,582	75,807

On behalf of the Board,



K Jacob
Director

20 December 2021

Registered Office:
Merchants Warehouse
Castle Street
Manchester
M3 4LZ

BESTWAY PANACEA HOLDINGS LIMITED

Directors' Report

For the year ended 30 June 2021

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 2021.

Directors

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

Hon. H Z Choudrey	
Lord Z M Choudrey	
D Coles (Non-Executive Director)	(resigned 31 July 2021)
N Gordon (Non-Executive Director)	(appointed 1 November 2020)
S Hobbs	
K R Jacob	(appointed 29 January 2021)
L G Krige	(resigned 29 January 2021)
Sir M A Pervez OBE HPk	

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

Dividend

The Group declared and paid £60 million of dividends during the year. The Directors have, subsequent to the year end, declared and paid interim dividends of £30 million in relation to the year ending 30 June 2022.

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 Group'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.

Research and development

Research and development expenditure is targeted towards the advancement and innovation of providing a more efficient and automated service but allowing the pharmacy teams to focus more time on our patients.

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 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 considered to have low credit risk on initial recognition.

BESTWAY PANACEA HOLDINGS LIMITED

Directors' Report (continued)

For the year ended 30 June 2021

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 UK.

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. Events after the reporting date are found in note 26 within these financial statements.

Political contributions

The Group has made no political donations during the year (2020: £nil).

Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. Notwithstanding the net current liabilities of £8,773,000 (2020: assets of £7,078,000), the Group made a profit before tax of £29,151,000 (2020: £2,187,000) and had net assets of £240,779,000 as at 30 June 2021 (2020: £287,706,000).

The Covid pandemic has continued to impact the pharmacy industry through a shift in people's habits on how they seek prescription dispensing and doctors' prescribing lengths, and also decreased footfall. Additional costs have been incurred in making pharmacies safe for our colleagues and the public, along with ensuring we could remain open and able to support our customers and communities. The NHS in all regions has provided funding to support these 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.

The Directors have prepared cash flow forecasts, including a severe, but plausible, downside scenario represented by a 5% market decline in prescription volumes for a period of at least 12 months from the date of approval of these financial statements. The forecasts indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period. The cash flow forecasts include the assumption that all NHS cash advances received during the Covid pandemic will be repaid in the coming year.

Although the Group's cash position has increased by just £6 million in the year, the Group generated underlying cash from operations of £103.6 million (2020: £75.8 million). Cash has not seen an equivalent increase due to the increased investing and financing outflows in the year; there were £14.7 million of outflows from investing activities, including the acquisition of a number of new pharmacy businesses, and also £70.2 million of distributions paid to the parent group, being £60 million of dividends and the final loan repayment of £10.2 million.

In the previous year the Group provided a letter of support to its sister company, Bestway Retail Limited. The letter of support has not been required at the current year end.

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.

Independent Auditors

PricewaterhouseCoopers LLP resigned as auditor during the year. Mazars LLP were subsequently appointed as statutory auditor and have declared their willingness to continue in office as auditors. Pursuant to section 487 of the Companies Act 2016, the auditor will be deemed to be reappointed and Mazars LLP will therefore continue in office.

BESTWAY PANACEA HOLDINGS LIMITED**Directors' Report (continued)****For the year ended 30 June 2021****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	2021	2020
Energy consumption break down (kWh)		
Natural gas	1,500,597	1,139,354
Electricity	13,454,431	15,636,940
Direct transport	8,696,881	9,791,666
Total energy consumption	23,651,909	26,567,960
Scope 1 emissions in metric tonnes CO ₂ e		
Natural gas consumption	275	210
Direct transport	2,094	2,333
Total scope 1	2,369	2,543
Scope 2 emissions in metric tonnes CO ₂ e - Purchased electricity and heat and steam generated	2,365	2,695
Carbon intensity ratio (tCO ₂ e/£m T/O)	6.4	7.0

SECR data notes

Reporting period	1 July to 30 June
Boundary	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 during the year to improve energy efficiency

- Project to replace existing lighting for LED panels 88% complete;
- Project to replace till systems 50% complete;
- Installing smart meters across 176 pharmacies and removal of gas meters;
- Trialling solar panels across pharmacies;
- Upgrading existing plinth heaters for energy panel heaters;
- Engagement with all colleagues through ways of working energy champions.

BESTWAY PANACEA HOLDINGS LIMITED

Directors' Report (continued)

For the year ended 30 June 2021

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 Group 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 whether 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 Group and Company will continue in business.

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

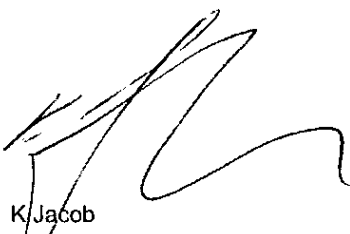
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements 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 65 were approved by the Board of Directors and signed on its behalf by:



K. Jacob
Director
20 December 2021

Registered Office:
Merchants Warehouse
Castle Street
Manchester
M3 4LZ

BESTWAY PANACEA HOLDINGS LIMITED

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

For the year ended 30 June 2021

Opinion

We have audited the financial statements of Bestway Panacea Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise the Consolidated Statement of Income and Other Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet and the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2021 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Evaluating the directors' method to assess the group's and the parent company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment, which incorporated severe but plausible scenarios;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

BESTWAY PANACEA HOLDINGS LIMITED

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

For the year ended 30 June 2021

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

BESTWAY PANACEA HOLDINGS LIMITED

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

For the year ended 30 June 2021

Auditor's 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 auditor's 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation and non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the Category M funding provision, revenue recognition (which we pinpointed to the cut-off assertion, including the NHS revenue recognition and COVID-19 reimbursement claim under the drug tariff amendment), and significant one-off or unusual transactions.

BESTWAY PANACEA HOLDINGS LIMITED

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

For the year ended 30 June 2021

Our audit procedures in relation to fraud included but were not limited to:

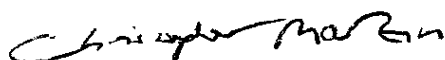
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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



Christopher Martin (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditors

One St Peters Square
Manchester
M2 3DE

Date: 20 December 2021

BESTWAY PANACEA HOLDINGS LIMITED
Consolidated Statement of Income and Other Comprehensive Income
For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
Revenue (including exceptional revenue of £10,299,000)	4	824,211	790,452
Cost of Sales		(540,686)	(515,818)
Gross Profit		283,525	274,634
Other operating income	5	1,461	459
Administrative expenses before exceptional items	6	(249,636)	(264,910)
Exceptional items	6	(3,251)	(4,823)
Total administrative expenses		(252,887)	(269,733)
Operating Profit	6	32,099	5,360
Financial income	8	127	736
Financial expenses	9	(3,075)	(3,909)
Net financing expense		(2,948)	(3,173)
Profit before taxation		29,151	2,187
Tax on profit	10	(16,016)	(8,171)
Profit/(loss) after taxation		13,135	(5,984)
Total comprehensive income/(loss) for the year		13,135	(5,984)

All amounts relate to continuing operations

The notes from part of these financial statements.

BESTWAY PANACEA HOLDINGS LIMITED

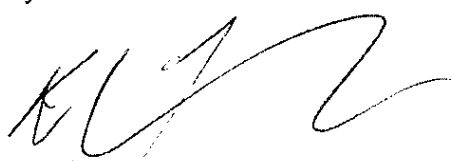
Consolidated Balance Sheet

As at 30 June 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	11	135,616	149,650
Goodwill	12	42,169	41,277
Intangible assets	12	172,377	189,146
		<u>350,162</u>	<u>380,073</u>
Current Assets			
Inventories	13	59,997	69,125
Trade and other receivables	14	89,441	99,768
Investments		10	15
Cash and cash equivalents	15	69,784	63,795
		<u>219,232</u>	<u>232,703</u>
Total assets		<u>569,394</u>	<u>612,776</u>
Current liabilities			
Trade and other payables	16	(199,286)	(210,308)
Tax payable		(5,542)	(2,231)
Lease liabilities	17	(12,194)	(12,549)
Provisions	18	(10,983)	(537)
		<u>(228,005)</u>	<u>(225,625)</u>
Net current (liabilities) / assets		<u>(8,773)</u>	<u>7,078</u>
Non-current liabilities			
Lease liabilities	17	(59,950)	(66,019)
Provisions	18	(2,342)	(2,188)
Deferred tax liabilities	19	(38,318)	(31,238)
		<u>(100,610)</u>	<u>(99,445)</u>
Total liabilities		<u>(328,615)</u>	<u>(325,070)</u>
Net assets		<u>240,779</u>	<u>287,706</u>
Equity attributable to equity holders of the parent			
Share capital	21	-	-
Retained earnings		240,779	287,706
Total equity		<u>240,779</u>	<u>287,706</u>

The notes form part of these financial statements.

The financial statements on pages 25 to 66 were approved by the Board of Directors and signed on its behalf by:



K R Jacob
Director

20 December 2021

BESTWAY PANACEA HOLDINGS LIMITED
Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
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
Profit for the financial year	-	13,135	13,135
Dividends paid	-	(60,000)	(60,000)
Effect of IFRS 16 transitional adjustment on deferred tax liability (note 19)		(62)	(62)
Balance at 30 June 2021	-	240,779	240,779

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

During the year £42,000,000 was dividends paid by Bestway Panacea Holdings Limited. The remaining £18,000,000 was a debt waiver that was classed as a deemed distribution from Bestway National Chemists Limited to Bestway UK Holdco Limited.

The notes from part of these financial statements.

BESTWAY PANACEA HOLDINGS LIMITED
Consolidated Cash Flow Statement
For the year ended 30 June 2021

	2021 £'000	2020 £'000
<u>Cash flows from operating activities</u>		
Profit before Tax	29,151	2,187
<i>Adjustments for:</i>		
Financial income	(127)	(736)
Financial expense	3,075	3,909
Change in value of investments	-	44
Depreciation of property, plant and equipment	26,323	25,744
Amortisation of intangible assets	26,683	24,610
(Reversal of impairment)/impairment of intangible fixed assets	(858)	1,846
Impairment of tangible fixed assets	283	533
(Profit) / loss on disposal of fixed assets	(2,508)	166
Decrease / (increase) in trade and other receivables	10,327	(30)
Decrease / (increase) in inventories	9,128	(8,357)
(Decrease) / increase in trade and other payables	(1,025)	38,474
Increase / (decrease) in provisions	10,600	(5,202)
Cash generated from operations	111,052	83,188
Tax paid	(6,663)	(5,833)
Interest paid	(807)	(1,548)
Net cash generated from operating activities	103,582	75,807
<u>Cash flows from investing activities</u>		
Interest received	127	736
Acquisition of property, plant and equipment	(7,944)	(7,404)
Proceeds on disposal of branches	2,825	1,392
Development costs capitalised	(4,720)	(5,814)
Acquisition of subsidiary, net of cash acquired	(4,964)	(1,590)
Net cash used in investing activities	(14,676)	(12,680)
<u>Cash flows from financing activities</u>		
Dividends paid	(60,000)	-
Repayment of loan from parent company	(10,177)	(36,987)
Principal elements of lease payments	(12,740)	(10,324)
Net cash used in financing activities	(82,917)	(47,311)
Net increase in cash and cash equivalents	5,989	15,816
Cash and cash equivalents at beginning of year	63,795	47,979
Cash and cash equivalents at end of year	69,784	63,795

The notes form part of these financial statements.

BESTWAY PANACEA HOLDINGS LIMITED

Notes to the financial statements

For the year ended 30 June 2021

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.

(a) 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.

(b) Basis of preparation

(i) Compliance with accounting standards

The Group accounts have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention. Except for certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies below.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Revised Conceptual Framework for Financial Reporting;
- Covid-19-Related Rent Concessions – Amendments to IFRS.

Their adoption did not have a material effect on the accounts. The changes in Covid-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification; and require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

(iv) Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. Notwithstanding the net current liabilities of £8,773,000 (2020: assets of £7,078,000), the Group made a profit before tax of £29,151,000 (2020: £2,187,000) and had net assets of £240,779,000 as at 30 June 2021 (2020: £287,706,000).

The Covid pandemic has continued to impact the pharmacy industry through a shift in people's habits on how they seek prescription dispensing and doctors' prescribing lengths, and also decreased footfall. Additional costs have been incurred in making pharmacies safe for our colleagues and the public, along with ensuring we could remain open and able to support our customers and communities. The NHS in all regions has provided funding to support these 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.

The Directors have prepared cash flow forecasts, including a severe, but plausible, downside scenario represented by a 5% market decline in prescription volumes for a period of at least 12 months from the date of approval of these financial statements. The forecasts indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period. The cash flow forecasts include the assumption that all NHS cash advances received during the Covid pandemic will be repaid in the coming year.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

Although the Group's cash position has increased by just £6 million in the year, the Group generated underlying cash from operations of £103.6 million (2020: £75.8 million). Cash has not seen an equivalent increase due to the increased investing and financing outflows in the year; there were £14.7 million of outflows from investing activities, including the acquisition of a number of new pharmacy businesses, and also £70.2 million of distributions paid to the parent group, being £60 million of dividends and the final loan repayment of £10.2 million.

In the previous year the Group provided a letter of support to its sister company, Bestway Retail Limited. The letter of support has not been required at the current year end.

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.

(c) Principles of consolidation

(i) Basis of consolidation

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.

(ii) 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.

(iii) 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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

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.

(d) 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
Bestway Belfast Chemists Limited	NI626625
Care4U Pharmacy Limited	03983332
Donald Wardle and Son Limited	02914910
Ebbw Vale Consortium Limited	01338409
F.A. Parkinson (Chemists) Limited	SC038900
G Lightfoot & Son Limited	00626296
Ideal Healthcare Limited	03443725
Keighley Health Centre Limited	01263903
Opus Pharmaceuticals Limited	05888155
P.H.C. Pharmacy Limited	SC115847
Parkinson (Paisley) Limited	SC204178
Penrith Health Centre (PD) Consortium Limited	01775075
Pharma-Z Limited	03891952
Pills Limited	SC271830
Portslade Medical Supplies Limited	01663067
R.D. & M.R. Parry (Chemists) Limited	00764990
RLJ Consultancy Limited	03283312
Three Swans Pharmacy Limited	06975508
Victoria Pharmacy Limited	01933847

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

(e) 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.

(f) 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. 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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

(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
Development costs	3-5 years

(v) Subsequent expenditure

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

(g) 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 profit and loss.

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%.

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.

(h) Pensions and other post-retirement benefits

The Group 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.

(i) 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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

(j) 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.

(k) 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. To arrive at amortised costs an effective interest method is used, applying the groups incremental borrowing rate of 3.5%.

(l) 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.

(m) 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 amortised cost. To arrive at amortised costs an effective interest method is used, applying the groups incremental borrowing rate of 3.5%.

(n) Leases

(i) Lease recognition

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 uses the definition of a lease in IFRS 16.

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. At inception or on reassessment of the leases of land and buildings in which it is a lessee, the Group has elected to account for the lease and non-lease components as a single lease component.

(ii) Right of use assets

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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

(iii) Lease liabilities

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 at 30 June 2021 was 3.5%.

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.

After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the consolidated income statement.

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.

(iv) Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(o) 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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

(p) Revenue

(i) 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. In England, this has been reduced in recent years and was phased out by April 2021, though continues in Scotland and Wales;
- **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 have been 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;
- **Transitional Payments:** The Transitional Payment recognises the work to invest in and improve dispensing efficiency and are recognised during the month in which prescriptions are dispensed;
- **Dispensing pool:** Dispensing pool income remunerates pharmacies for the time and effort which goes into physically making the prescriptions up and ensuring that the medicines prescribed are safe and effective. Income is recognised during the month in which prescriptions are dispensed.

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 met, both are recognised on a straight-line basis:

- **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;

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

- 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.

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.

(ii) 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 an average of 8% deducted from the total monthly reimbursement.

Transitional payments include an element of variable consideration. From 1 April 2020 pharmacy contractors who dispense 101 prescriptions items or more in any month will receive a Transitional Payment at banded rates from £100 to £1,660 per month. It is expected that the Transitional Payment will reduce if new services come on stream and funding is allocated to the related service fees.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

1. Significant accounting policies (continued)

(iii) 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 control 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.

(iv) 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.

(q) Government grants

Government grants are recognised where there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attached to them.

Government grants that compensate the Group for expenses incurred are recognised net of the related expenses in the income statement on a systematic basis in the same periods in which the expenses are incurred.

(r) Interest income

Interest income is recognised using the effective interest method.

(s) 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.

(t) Provisions

A provision is recognised in the balance sheet when the Group 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. At the reporting date there are two material amounts, Cat-M funding provision, more information on Cat-M can be found in note 1(p) and dilapidation provision to cover costs of putting leased assets back into original state of repair when leased assets were entered into.

(u) 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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

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 Group's Directors to exercise judgment in applying the company's accounting policies. 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.

Critical accounting judgements

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

(i) 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:

(i) 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.

(ii) Category M funding

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 year end is disclosed in note 18.

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 2021

4. Revenue

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

	2021 £'000	2020 £'000
Sales of goods and NHS commissioned services - Retail pharmacy UK	680,914	705,072
Sales of goods - Wholesale UK	137,538	81,258
Goods transferred at a point in time	818,452	786,330
NHS commissioned services	5,759	4,122
Services transferred over time	5,759	4,122
Total revenue	824,211	790,452

All revenue in the current and prior year arose within the United Kingdom. Included in revenue is an amount of £10,299,000 in relation to a claim against covid related costs incurred and treated as exceptional.

5. Other operating income

	2021 £'000	2020 £'000
Management fee receivable from a 3rd party	537	-
Grant income	407	-
Property rental income	282	456
Research and development expenditure tax credit	155	-
Commissions earned	80	-
Other income	-	3
	1,461	459

6. Operating profit

Operating profit has been arrived at after charging / (crediting):	2021 £'000	2020 £'000
Management fee expenses paid to parent company	1,200	1,200
Depreciation of property, plant and equipment	26,323	25,744
Amortisation of intangible assets	26,683	24,610
(Reversal of impairment) / impairment of intangible assets and goodwill	(858)	1,846
Impairment of right of use assets	283	533
(Profit) / loss on disposal of property, plant and equipment	(2,508)	166
Impairment loss recognised on trade receivables	(16)	(38)
Exceptional items comprise:	2021 £'000	2020 £'000
Restructuring activities	4,253	4,342
Covid-19 related funding	(1,120)	-
Tax advisory services	100	-
External strategic review	-	761
Other exceptional expenditure/(income)	18	(280)
Total exceptional expenditure	3,251	4,823

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

6. Operating profit (continued)

Fees payable to the Group's auditors comprise:	2021	2020
	£'000	£'000
Audit of the financial statements of the Company	20	-
Audit of financial statements of subsidiaries of the Company	180	169
Taxation compliance services	-	-
All other services	-	73
	200	242

7. Staff costs

Staff costs, including directors' remuneration, were as follows:	2021	2020
	£'000	£'000
Wages and salaries	144,772	150,109
Social security costs	10,040	11,381
Other pension costs	3,659	4,105
	158,471	165,595

During the year the Group received £2.0 million under the Coronavirus Job Retention Scheme ('CJRS') to support employment. This has been credited to the income statement to offset the related employment costs.

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 £3.7m (2020: £4.1m) 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:

	2021	2020
	Number	Number
Office and Management	328	314
Retailing	5,335	5,912
Distribution	478	433
	6,141	6,659

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
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7. Staff costs (continued)

Directors' emoluments was as follows:	2021	2020
	£'000	£'000
Salaries, fees, bonuses and benefits in kind	1,044	1,076
Highest paid director	502	483

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

8. Financial income

	2021	2020
	£'000	£'000
Interest from parent company and group undertakings	115	668
Exchange gain	12	52
Other interest	-	16
	127	736

9. Financial expenses

	2021	2020
	£'000	£'000
Interest relating to lease liabilities	2,729	2,722
Interest to parent company and group undertakings	23	951
Other interest	323	236
	3,075	3,909

10. Taxation

(i) Analysis of the tax charge in the year

	2021	2020
	£'000	£'000
Current tax expense:		
UK corporation tax on profits of the year	9,983	5,478
Adjustments to tax charge in respect of prior periods	19	1,558
Current tax expense	10,002	7,036
Deferred tax expense:		
Increase in tax rate	10,207	3,542
Adjustments to tax charge in respect of prior periods	1,030	888
Origination and reversal of timing differences	(5,223)	(3,295)
Total deferred tax	6,014	1,135
Total tax expense	16,016	8,171

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

10. Taxation (continued)

(ii) Reconciliation of effective tax rate

The tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before tax on continuing activities	<u>29,151</u>	<u>2,187</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	5,539	416
<i>Effects of:</i>		
Non-deductible expenses	541	1,526
Tax exempt revenues	(39)	(97)
IFRS 16 transitional adjustment	-	393
Deferred tax charged directly to equity (see note 19)	(62)	-
Adjustment to tax charge in respect of previous periods	1,049	2,446
Remeasurement of deferred tax for changes in tax rates	8,979	3,542
Fixed asset differences	194	-
Other timing differences	(185)	(55)
Tax expense for the year	<u>16,016</u>	<u>8,171</u>

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

In the Spring Budget 2020, the UK 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.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

11. Property, plant and equipment

	Land and buildings	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000
<u>Cost</u>				
At 1 July 2019	118,714	153,264	2,668	274,646
Additions	3,254	7,301	1,403	11,958
Additions through business combinations	-	165	-	165
Disposals	(96)	(2,071)	-	(2,167)
At 30 June 2020	121,872	158,659	4,071	284,602
Additions	5,256	6,869	1,723	13,848
Additions through business combinations	-	75	-	75
Disposals	(3,521)	(764)	(740)	(5,025)
At 30 June 2021	123,607	164,839	5,054	293,500
<u>Accumulated depreciation and impairment</u>				
At 1 July 2019	5,618	104,699	-	110,317
Depreciation charge for the year	11,869	12,518	1,418	25,805
Impairment charge	533	-	-	533
Disposals	(15)	(1,688)	-	(1,703)
At 30 June 2020	18,005	115,529	1,418	134,952
Depreciation charge for the year	12,372	12,301	1,650	26,323
Impairment release on disposal	(278)	-	-	(278)
Impairment in the year	283	-	-	283
Disposals	(2,114)	(589)	(693)	(3,396)
At 30 June 2021	28,268	127,241	2,375	157,884
<u>Net book value</u>				
At 30 June 2021	95,339	37,598	2,679	135,616
At 30 June 2020	103,867	43,130	2,653	149,650

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

11. Property, plant and equipment (continued)

Included within property, plant and equipment are the following right of use assets:

Right of use assets

	L&B	Motor vehicles	Total
Cost	£'000	£'000	£'000
At 1 July 2019	90,468	2,668	93,136
Additions	3,255	1,403	4,658
At 30 June 2020	93,723	4,071	97,794
Additions	4,180	1,723	5,903
Disposals	(3,254)	(740)	(3,994)
At 30 June 2021	94,649	5,054	99,703
Accumulated depreciation and impairment			
At 1 July 2019	-	-	-
Depreciation charge for the year	11,157	1,418	12,575
Impairment in the year	533	-	533
At 30 June 2020	11,690	1,418	13,108
Depreciation charge for the year	11,723	1,650	13,373
Impairment release on disposal	(278)	-	(278)
Impairment in the year	283	-	283
Disposals	(2,063)	(693)	(2,756)
At 30 June 2021	21,355	2,375	23,730
Net book value			
At 30 June 2021	73,294	2,679	75,973
At 30 June 2020	82,033	2,653	84,686

The lease premium is included within Land & Buildings within the property, plant and equipment note.

Impairment of property, plant and equipment and right-of-use assets

Impairment has been tested on the same principles as per the Group's intangible assets, refer to the subsequent note for details.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions. If the budgeted EBITDA used in the expected return for each cash generating unit were to be 5% lower than management's estimations there would no additional impairment charges recognised.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

12. Intangible assets

	Goodwill	Pharmacy licences	Other intangibles	Total
	£'000	£'000	£'000	£'000
<u>Cost</u>				
At 1 July 2019	47,191	477,238	4,755	529,184
Additions - internally developed	-	-	5,813	5,813
Additions - 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
Transfer from cost to amortisation	(727)	(228)	-	(955)
Additions - internally developed	-	-	4,720	4,720
Acquisition of business	1,317	4,039	-	5,356
Disposals	(157)	(2,763)	-	(2,920)
At 30 June 2021	46,453	477,644	15,288	539,385
<u>Accumulated amortisation and impairment</u>				
At 1 July 2019	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
Transfer from cost to amortisation	(727)	(228)	-	(955)
Charge for the year	-	24,224	2,459	26,683
Impairment charge/(release) in the year	517	(1,375)	-	(858)
Impairment release on disposals	(249)	(686)	-	(935)
Disposals	-	(1,857)	-	(1,857)
At 30 June 2021	4,284	318,096	2,459	324,839
<u>Net book value</u>				
At 30 June 2021	42,169	159,548	12,829	214,546
At 30 June 2020	41,277	178,578	10,568	230,423

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.

The reversal of intangible impairment related to pharmacy licenses.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

12. Intangible assets (continued)

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. A reversal of impairment charge will be booked when the fair value of the license is more than the carrying value as a result of improved performance of the CGU or the carrying value has been amortised to a value below the fair value.

The carrying amount of licences are reviewed at each balance sheet date to determine whether there is any indication of impairment. This is assessed along side 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.

Impairment of intangible assets

	2021	2020
Period on which management approved forecasts are based	5 years	5 years
Growth rate applied within approved forecast period	1.0%	1.0%
Growth rate applied beyond approved forecast period	0.5%	0.5%
Discount rate	7.90%	7.90%

The growth rates used in the value in use calculation reflect the average industry growth expected. 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, intangibles, right of use assets, and other fixed assets of that cash generating unit. The Group has determined that each pharmacy is a separate CGU.

Any impairment is first applied to goodwill, then the related pharmacy licenses recognised under intangibles, and subsequently right of use assets and other tangible fixed assets. Sensitivity analysis is performed to assess the impact of changes in the key assumptions. A total impairment release of £0.9m (2020: charge of £1.8m) was recognised within administrative expenses. The £0.9m release consisted of an impairment charge against goodwill of £0.5m due to impairment of underperforming CGU's and a reversal of impairment of £1.4m on pharmacy licenses due to CGU's either improving performance or carrying value was now below impairment value due to amortisation of pharmacy license costs.

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 £0.4 million. In the same scenario there would be no impact to right of use assets or other property, plant and equipment. The total CGU's recoverable amount exceeds the carrying value of £655,500,000.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

13. Inventories

	2021 £'000	2020 £'000
Finished goods for resale	<u>59,997</u>	<u>69,125</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £582 million (2020: £595 million), before consideration of supplier rebates.

This includes £3.0 million (2020: £0.3 million) in respect of write-downs of inventory to net realisable value.

£59.9 million of inventories are expected to be recovered in the next twelve months (2020: £69.1 million).

14. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	65,544	79,732
Prepayments	13,440	2,652
Other receivables	10,457	17,384
	<u>89,441</u>	<u>99,768</u>

Trade receivables disclosed above are classified under the hold to collect business model and are therefore measured at amortised cost. Trade receivables are stated net of a provision for doubtful debts of £311,000 (2020: £327,000). Other receivables predominantly represents VAT receivable of £10.2 million (2020: £9.7 million).

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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

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 2021.

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 2021.

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-	Gross	Impair-
	2021	ment	2020	ment
	£'000	£'000	£'000	£'000
Not past due	59,568	-	77,721	-
0-30 days past due	5,288	-	1,680	-
31-60 days past due	962	-	235	-
More than 61 days past due	37	(311)	423	(327)
	65,855	(311)	80,059	(327)

Movement in the allowance for doubtful debts:

	2021	2020
	£'000	£'000
Balance at the beginning of the year	327	365
Impairment losses reversed	(327)	-
Provision for uncollectable debts	311	(38)
Balance at the end of the year	311	327

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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

15. Cash and Cash equivalents

	2021	2020
	£'000	£'000
Cash at bank and in hand	<u>69,784</u>	<u>63,795</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. 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

	2021	2020
	£'000	£'000
Trade payables	141,002	121,522
Trade payables due to parent Company and Group undertakings	596	11,539
Accrued expenses	33,414	40,879
Other creditors	24,274	36,368
	<u>199,286</u>	<u>210,308</u>

Amounts owed to group undertakings at 30 June 2020 comprised of an unsecured loan from Bestway UK Holdco Limited. The interest charged on the loan was 2.7% per annum. This loan was repayable on demand. The loan was repaid during the year ended 30 June 2021. The outstanding balance at 30 June 2021 is unsecured and interest free.

Other creditors includes £20,442,000 (2020: £33,712,000) in relation to interest free 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 were to be reconciled by the NHS at a later date. All amounts are expected to be recovered by 30 June 2022.

17. Lease liabilities

The Group's leases include retail estate leases of pharmacies, offices, a distribution centre, motor vehicles, plant and machinery, and IT equipment. 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 516 (2020: 558) retail estate units from which it conducts its pharmacy business, not including pharmacies operating from freehold premises. The lease terms vary; the leases of retail pharmacies that have been more recently entered into typically run for a period of 10 years and include a tenant-only break option at either year 5 or 6.

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 or significant change in circumstances within its control. Due to the low number of leases affected, the impact of these

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

17. Lease liabilities (continued)

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 510 (2020: 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 (2020: 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.

The following tables shows the discounted lease liabilities included in the Group balance sheet:

	2021	2020
	£'000	£'000
Lease liabilities less than one year	12,194	12,549
Lease liabilities greater than one year	59,950	66,019
Total discounted lease liabilities	72,144	78,568

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17. Lease liabilities (continued)

The following table shows the maturity analysis of the contractual undiscounted lease payments:

	2021 £'000	2020 £'000
Not later than one year	12,654	12,912
After one year, but not more than five years	38,825	39,931
After five years	51,818	40,558
Future minimum lease payments	103,297	93,401

During the reporting period the contractual cashflows incurred in relation to leases was £13,668,000

18. Provisions

	Reduction in government pharmacy funding £'000	Dilapidation provision £'000	Other £'000	Total £'000
Due within one year				
At 30 June 2020	-	61	476	537
Additional provision in the year	10,600	7	-	10,607
Utilisation of provision	-	(61)	(100)	(161)
At 30 June 2021	10,600	7	376	10,983
Due after more than one year				
At 30 June 2020	-	2,188	-	2,188
Additional provision in the year	-	154	-	154
At 30 June 2021	-	2,342	-	2,342
Total provisions	10,600	2,349	376	13,325

The funding provision of £10,600,000 was made in respect of Category M adjustments relating to NHS retained margin funding. It is expected this provision will be utilised over the next financial year to offset the impact of the Category M adjustments as they are realised.

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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

19. Deferred tax liabilities

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

	2021	2020
	£'000	£'000
Deferred tax liabilities due in less than 12 months	117	4,106
Deferred tax liabilities due after 12 months	38,201	27,132
Total deferred tax provision	38,318	31,238
Deferred tax liabilities	38,320	31,403
Deferred tax assets	(2)	(165)
	38,318	31,238

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 25% (2020: 19%).

	£'000	£'000
Deferred taxation liability		
At 1 July 2020	31,238	30,103
Income statement charge in the year	6,014	1,135
Additions in the year	998	-
IFRS 16 transitional adjustment	62	-
Recognised upon acquisition of subsidiary	6	-
At 30 June 2021	38,318	31,238

Comprising:

Intangible assets	38,815
Accelerated tax depreciation	(328)
Short-term timing differences	(169)
At 30 June 2021	38,318

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

20. Business Combinations

On 1 March 2021, Bestway National Chemists Limited, a wholly owned subsidiary of Bestway Panacea Holdings Limited, acquired 100% of the share capital of Pharma-Z Limited for £4,253,000 satisfied in cash. The acquisition includes six pharmacy businesses in Norfolk.

On 1 June 2021, Bestway National Chemists Limited, a wholly owned subsidiary of Bestway Panacea Holdings Limited, acquired 100% of the share capital of R.D. & M.R. Parry (Chemists) Limited for £1,401,000 satisfied in cash. The acquisition includes one pharmacy business in South Wales.

The acquisitions of the seven pharmacies in the year are complimentary to the Bestway National Chemists Ltd business and increases the Group's UK pharmacy presence.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired subsidiaries as at the dates of acquisition were:

	Pharma-Z Limited £'000	R.D. & M.R. Parry (Chemists) Limited £'000	Total £'000
Cash price paid	4,253	1,401	5,654
Total consideration	4,253	1,401	5,654
Goodwill	319	-	319
Property, plant, and equipment	60	17	77
Inventories	413	76	489
Debtors	1,517	184	1,701
Cash	440	250	690
Trade and other payables	(1,312)	(343)	(1,655)
Provision for liabilities	(3)	(3)	(6)
less: net assets recognised at the acquisition date	1,434	181	1,615
Pharmacy licence intangible recognised	2,819	1,220	4,039
<i>Reconciliation of pharmacy licence from acquisition to the end of the period</i>			
Pharmacy licences on acquisition	2,819	1,220	4,039
Amortisation charge for the period	(58)	-	(58)
Pharmacy licenses at 30 June 2021	2,761	1,220	3,981
<i>Financial results since the acquisition date</i>			
Acquiree's revenue since the acquisition date	1,740	152	1,892
Acquiree's profit/(loss) after tax since the acquisition date	123	10	133
<i>Financial results for the year</i>			
Acquiree's revenue for the year	8,042	213	8,255
Acquiree's profit/(loss) after tax for the year	644	(5)	639
<i>Outflow of cash to acquire subsidiary, net of cash acquired</i>			
Cash consideration	4,253	1,401	5,654
Less: cash acquired	(440)	(250)	(690)
Net outflow of cash – investing activities	3,813	1,151	4,964

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

21. Share Capital

	2021	2020
	£	£
Allotted, called up and fully paid	100	100
100 (2020: 100) ordinary shares of £1 each		

22. Financial assets and liabilities

	2021	2020
	£'000	£'000
Financial Assets		
Amounts receivable for sale of goods	65,544	79,732
Other receivables	10,158	9,021
Cash and cash equivalents	69,784	63,795
Total Financial Assets	145,486	152,548
Financial Liabilities		
Trade payables	141,002	121,522
Lease liabilities	72,144	78,568
Accrued expenses	33,413	39,951
Amounts due to parent company and group undertakings	596	11,539
Total Financial Liabilities	247,155	251,580

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	141,002	-	-	141,002	141,002
Lease liabilities	12,654	38,825	51,818	103,297	72,144
Accrued expenses	33,413	-	-	33,413	33,413
Amounts due to parent company and group undertakings	596	-	-	596	596
As at 30 June 2021	187,665	38,825	51,818	278,308	247,155
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

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Notes to the financial statements (continued)
For the year ended 30 June 2021

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

	2021 £'000	2020 £'000
Cash and cash equivalents	69,784	63,795
Borrowings (i)	-	(11,539)
Lease liabilities	(72,144)	(78,568)
Net debt	(2,360)	(26,312)

	Borrowings (i) £'000	Leases £'000	Sub-total £'000	Cash £'000	Total £'000
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)
Cash flows	11,539	13,201	24,740	5,977	30,717
New leases	-	(5,996)	(5,996)	-	(5,996)
Terminated leases	-	1,745	1,745	-	1,745
Other lease movements (ii)	-	(2,526)	(2,526)	-	(2,526)
Foreign exchange adjustments	-	-	-	12	12
Net debt as at 30 June 2021	-	(72,144)	(72,144)	69,784	(2,360)

(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 2021 (30 June 2020: Nil)

(b) Contingent assets

The group had no contingent assets at 30 June 2021.

30 June 2020 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 benefit.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

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.

(i) Trading transactions

During the year, the below group companies, who share the same ultimate parent company of Bestway Group Limited, entered into the following transactions with the Bestway Panacea Holdings Limited group:

	Income		Expenditure	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bestway UK (Holdco) Limited - Management fee payable	-	-	(1,200)	(1,200)
Bestway UK (Holdco) Limited - Recharged expenditure	-	-	(60)	-
Bestway UK (Holdco) Limited - Loan interest payable	-	-	(23)	(40)
Bestway UK (Holdco) Limited - Interest receivable	115	668	-	-
Bestway Wholesale Limited - Sale of goods	-	295	(56)	(84)
Bestway Retail Limited - Facilities management recharge	140	140	-	-
Bestway Retail Limited - Recharge of goods	12	-	-	-

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bestway (Holdings) Limited	-	-	(596)	(11,539)
Bestway Wholesale Limited	-	-	(116)	(12)
Bestway Retail Limited	182	-	-	-

At the end of the prior year there was an £18,000,000 receivable due to Bestway National Chemists Limited from Bestway UK Holdco Limited, during the current year this balance was waived which resulted in the transaction being classed as a deemed distribution.

(ii) 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:

	2021	2020
	£'000	£'000
Short-term employee benefits	2,169	2,181
Post-employment benefits	64	57
Long-term benefits	-	-
Termination benefits	205	153
Share-based payments	-	-
	2,438	2,391

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2021

26. Events after the reporting date

(i) Changes to the Pharmacy Early Payment Scheme

Subsequent to the balance sheet date there has been a change to the Pharmacy Earlier Payment Scheme (PEPS). The scheme provided advance payments to pharmacy contractors and therefore there could be a material effect upon the timing of future cash flows. The contract between Taulia Inc. and NHS Business Services Authority (NHSBSA) for the PEPS ended on 30 June 2021. Without an alternative finance provider in place, the Department of Health and Social Care (DHSC) decided to bring the scheme to an end.

Pharmacies affected by this change received their final PEPS payment on 1 October 2021. From 1 November 2021, a 12-month transition period has been agreed to enable those contractors signed up to the PEPS to move across to the new early advance payment timetable.

As part of the transition arrangement, pharmacy contractors who are signed up to the PEPS received a one-off payment on 1 November 2021 to bridge the gap between the previous PEPS payment timetable and the new early advance payment timetable.

From 1 November 2021 contractors who submit their prescription declarations within the first 5 days of the month will receive advance payments 20 days earlier than the previous payment timetable.

(ii) Acquisition of Bridge Pharmacy (Newcastle Emlyn) Limited

On 1 September 2021, Bestway National Chemists Limited, a wholly owned subsidiary of Bestway Panacea Holdings Limited, acquired 100% of the share capital of Bridge Pharmacy (Newcastle Emlyn) Limited for £1,125,000 satisfied in cash plus a deferred consideration due for the net assets of the acquired company once the completion accounts have been finalised. The acquisition includes one pharmacy business in West Wales.

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

27. Ultimate controlling party

The immediate parent undertaking of the Company is Bestway UK FinCo Limited (Registered Address: Newport House, 15 The Grange, St Peter Port, Guernsey, GY1 2QL; Reg. No: 68538) and the ultimate parent undertaking of the Company is Bestway Group Limited (Registered Address: Newport House, 15 The Grange, St Peter Port, Guernsey, GY1 2QL; Reg. No: 68536).

The Company knows, or has reasonable cause to believe, that there is no registrable person or registrable relevant legal entity with significant control over the Company.

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

BESTWAY PANACEA HOLDINGS LIMITED

Company Balance Sheet

As at 30 June 2021

Company registration number: 09225479

	Note	2021 £'000	2020 <i>Restated</i> £'000
Non-current assets			
Investments	29	17,191	17,191
Total fixed assets		17,191	17,191
Current assets			
Trade and other receivables	30	6,546	3,116
Total current assets		6,546	3,116
Total assets		23,737	20,307
Current liabilities			
Trade and other payables	31	-	(35,252)
Lease liabilities	32	(1,554)	(1,590)
		(1,554)	(36,842)
Net current assets / (liabilities)		4,992	(35,252)
Non-current liabilities			
Lease liabilities	32	(2,769)	(1,526)
Loans		-	(163)
		(2,769)	(1,689)
Total liabilities		(4,323)	(38,531)
Net assets / (liabilities)		19,414	(18,224)
Equity			
Share capital	33	-	-
Retained earnings / (accumulated losses)		19,414	(18,224)
Total equity		19,414	(18,224)

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 profit for the year was £79,638,000 (2020: loss of £904,000). During the year the Company received dividends from subsidiaries of £79,670,000 (2020: £842,000).

The above balance sheet should be read in conjunction with the accompanying notes. The balance sheet for the comparative period has been restated in order to separate out the lease liabilities into their own category on the face of the balance sheet to aid review for users of the financial statements.

The financial statements on pages 25 to 66 were approved by the Board of Directors and signed on its behalf by:

K R Jacob
Director

20 December 2021

BESTWAY PANACEA HOLDINGS LIMITED
Company Statement of Changes in Equity
For the year ended 30 June 2021

	Share Capital £'000	Retained Earnings / (Accumulated Losses) £'000	Total Equity £'000
Balance at 1 July 2019	-	(17,321)	(17,321)
Loss for the financial year	-	(903)	(903)
Balance at 30 June 2020	-	(18,224)	(18,224)
Profit for the financial year	-	79,638	79,638
Dividends	-	(42,000)	(42,000)
Balance at 30 June 2021	-	19,414	19,414

The above statement of changes in equity should be read in conjunction with the accompanying notes.

BESTWAY PANACEA HOLDINGS LIMITED
Company Notes to the financial statements
For the year ended 30 June 2021

28. Company only significant accounting policies

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. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Compliance with accounting standards

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") and in conformity with the Companies Act 2006.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies below.

(iii) Parent company exemptions

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;
- 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.

(iv) New and amended standards adopted by the Company

There are no amendments to accounting standards that are effective for the year ended 30 June 2021 that have a material impact on the Company's financial statements.

(v) Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. The Company made a profit after tax of £79,638,000 (2020: loss of £903,000), had net current assets of £4,992,000 as at 30 June 2021 (2020: net current liabilities of £35,252,000) and net assets of £19,414,000 as at 30 June 2021 (2020: net liabilities £18,224,000).

The directors of the Group have made an assessment of going concern, giving consideration to historical and current trading together with its forward looking projections 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 operational existence for at least twelve months from the signing 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.

(b) 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.

BESTWAY PANACEA HOLDINGS LIMITED
Company Notes to the financial statements
For the year ended 30 June 2021

28. Company only significant accounting policies (continued)

(c) 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.

(d) 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 amortised cost.

(e) Leases

(i) Lease recognition

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 uses the definition of a lease in IFRS 16.

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. At inception or on reassessment of the leases of land and buildings in which it is a lessee, the company has elected to account for the lease and non-lease components as a single lease component.

(ii) Lease receivable

The Company's leases include offices and motor vehicles and 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.

(iii) Lease liabilities

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. The weighted average incremental borrowing rate applied by the Company at 30 June 2021 was 3.5%.

Lease payments included in the measurement of the lease liability comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or rate.

After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the consolidated income statement.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the lease receivable.

BESTWAY PANACEA HOLDINGS LIMITED
Company Notes to the financial statements (continued)
For the year ended 30 June 2021

29. Investments

**Shares in
group undertakings
£'000**

Cost and net book value

At 30 June 2020 and 30 June 2021

17,191

The investments in subsidiaries are all stated at cost less provision for impairment.

Group undertakings	Registered office	Year end	Nature of share capital	Principal activity	Country of origin	2021 ownership	2020 ownership
Directly held:							
Bestway National Chemists Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Bestway Panacea Healthcare Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	100%
Bestway Pharmacy NDC Limited	I	30-Jun	Ordinary	Wholesale	England & Wales	100%	100%
Care4U Pharmacy Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	100%
Indirectly held:							
Bestway Belfast Chemists Limited	III	30-Jun	Ordinary	Pharmacy	N.Ireland	100%	100%
Donald Wardle and Son Limited	I	30-Jun	Ordinary	Wholesale	England & Wales	100%	100%
Ebbw Vale Consortium Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	100%
F.A. Parkinson (Chemists) Limited	II	30-Jun	Ordinary	Non-trading	Scotland	100%	100%
G Lightfoot & Son Limited	I	30-Jun	Ordinary	Dormant	England & Wales	100%	100%
Ideal Healthcare Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	100%
Keighley Health Centre Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	100%
Opus Pharmaceuticals Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	100%
P.H.C. (Pharmacy) Limited	II	30-Jun	Ordinary	Non-trading	Scotland	100%	100%
Parkinson (Paisley) Limited	II	30-Jun	Ordinary	Non-trading	Scotland	100%	100%
Penrith Health Centre (PD) Consortium Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	100%
Pharma-Z Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	0%
Pilis Limited	II	30-Jun	Ordinary	Dormant	Scotland	100%	100%
Portslade Medical Supplies Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	100%
R.D. & M.R. Parry (Chemists) Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	0%
RLJ Consultancy Limited	I	30-Jun	Ordinary	Dormant	England & Wales	100%	100%
Three Swans Pharmacy Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	100%
Victoria Pharmacy Limited	I	30-Jun	Ordinary & 'A'	Non-trading	England & Wales	100%	100%

Registered offices:

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

BESTWAY PANACEA HOLDINGS LIMITED
Company Notes to the financial statements (continued)
For the year ended 30 June 2021

30. Trade and other receivables

	2021	2020
	£'000	£'000
Lease receivable	4,323	3,116
Amounts owed by group undertakings	2,223	-
	6,546	3,116

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. The maturity analysis of £4,323,000 is the same maturity as the lease liability in Note 32.

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

	2021	2020
	£'000	<i>Restated</i> £'000
Amounts owed to group undertakings	-	35,252
	-	35,252

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

The balance sheet for the comparative period has been restated in order to separate out the lease liabilities into their own category on the face of the balance sheet to aid review for users of the financial statements and to correct the split of current and non-current (see note 32).

32. Lease liabilities

The Company's leases include offices and motor vehicles and 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 510 (2020: 464) vehicles. Leases of vehicles are generally limited to a term of 4 years.

BESTWAY PANACEA HOLDINGS LIMITED
Company Notes to the financial statements (continued)
For the year ended 30 June 2021

32. Lease liabilities (continued)

The following tables shows the discounted lease liabilities included in the Company balance sheet:

	2021 £'000	2020 £'000
Lease liabilities less than one year	1,554	1,590
Lease liabilities greater than one year	2,769	1,526
	4,323	3,116

The following table shows the maturity analysis of the contractual undiscounted lease payments:

	2021 £'000	2020 £'000
Not later than one year	1,615	1,736
After one year, but not more than five years	2,943	2,997
After five years	-	3
Future minimum lease payments	4,558	4,736

33. Called up share capital

	2021 £	2020 £
Authorised	100	100
100 (2020: 100) ordinary shares of £1 each		

34. 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.

Transactions with group companies

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.

BESTWAY PANACEA HOLDINGS LIMITED
Company Notes to the financial statements (continued)
For the year ended 30 June 2021

34. Related party transactions (continued)

Directors' remuneration

The Directors of the Company have earned their remuneration for services provided to subsidiary entities as follows:

	2021	2021
	£'000	£'000
Bestway National Chemists Limited	1,156	976
Bestway Pharmacy NDC Limited	43	72
Donald Wardle and Son Limited	13	19
Bestway Belfast Chemists Limited	7	9
	1,219	1,076

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.