

BESTWAY PANACEA HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER: 09225479

FOR THE YEAR ENDED

30 JUNE 2023

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BESTWAY PANACEA HOLDINGS LIMITED

For the year ended 30 June 2023

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BESTWAY PANACEA HOLDINGS LIMITED

For the year ended 30 June 2023

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 Peter's Square Manchester M2 3DE

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report

For the year ended 30 June 2023

The Directors present their annual strategic report of Bestway Panacea Holdings Limited and its subsidiaries (the 'Group') for the year ended 30 June 2023.

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. During the year to 30 June 2023, Bestway Panacea Holdings acquired Lexon UK holdings and a group of subsidiary entities including but not limited to; Lexon UK (wholesale), Key Pharmaceuticals (generics manufacturing) and some retail pharmacies.

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 27. Revenue for the year was £984,072,000 (2022: £832,480,000).

The loss for the year before taxation was £17,863,000 (2022: profit of £15,909,000). After tax the Group made a loss of £17,538,000 (2022: profit of £14,108,000). The net assets position of the Group as at 30 June 2023 was £147,349,000 (2022: £224,887,000) with the reduction being due to the result for the year and the declaration of a £60m dividend.

During the financial year (14th April) the Group acquired a group of companies 'Lexon Group' including the entities noted above plus other smaller companies. The results of these companies have been consolidated for a 10 week period only. The growth of the business in the current financial year therefore contains both organic and inorganic growth.

The Group operated 782 pharmacies at the end of the year (2022: 742). Our strategic intent is to improve the quality and scale of the network where reasonable value exists. In FY24 we have continued to target and complete the acquisition of new pharmacies in order to achieve this objective.

Operating profit is the profit the Group has made before any interest income or expense, taxation and dividends received or paid. Operating loss for the year ended 30 June 2023 was £15,280,000 (2022: profit of £18,329,000).

The year delivered an increase in revenue for the third consecutive year. The business continues to grow its pharmacy services and has again gained market share in its wholesale business, however, despite the revenue growth it was a challenging year for the business.

The retail side of the business experienced most challenge due to changes within the flat funding contract. The total sum available to the pharmacy sector remains flat, as it has since before 2019, however this year a series of changes were made at short notice to how the flat funded contract would be distributed. These included monies expected within the transition pot which were removed and a prior year (to March 22) funding over-delivery identified which when clawed back in effect reduced payment for services delivered in the current year.

Inflationary pressures on global supply chains increased the price of generic medication, this was particularly prevalent in the first 9 months of the fiscal year. The generic medication funding mechanism has a natural lag thereby requiring the pharmacy sector to absorb the increases until the tariff adjusts.

Significant inflationary pressures also occurred in payroll costs. Wage pressure came from increases in National Living Wage, the cost of pharmacists and locum pharmacists. The creation of the Additional Roles Reimbursement Scheme in 2019 was designed to support primary care networks.

Despite the ongoing funding challenges facing pharmacies, we continue to invest in our sector showing our commitment to pharmacy and offering accessible healthcare services to local communities.

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2023

Future development and performance of the business

We believe in the future of community pharmacy and its importance to UK health. We continue to invest in the sector and in our businesses. On 14 April 2023 we announced the acquisition of Lexon Holdings Ltd and Asurex Ltd. These companies are predominantly wholesale businesses with greater vertical integration including licenses to import medication, PI relabelling and 44 pharmacy locations in England. The acquisition provides greater strategic balance and access to supply chain efficiencies not previously available. Integration activities commenced and will continue throughout fiscal year 2024.

We have consolidated the results of the Lexon Holdings Limited and Asurex into Bestway Panacea Holdings from 14 April to the 30 June and all companies will now have a 30 June year end. Post year end, we acquired 11 pharmacies from Lloyds Pharmacy and acquired John Bell & Croyden Limited.

We are grateful to the dedicated colleagues who worked tirelessly as we seek to improve the lives of our patients and customers. We have successfully grown revenue over recent years and despite the recent challenges, we remain optimistic we will return the Group to profit in fiscal year 2024.

Non-financial and sustainability information statement ("NFSIS" or "statement")

Matters relating to the NFSIS are covered in the Taskforce on Climate-Related Financial Disclosures within the Directors report (page 20).

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2023

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 Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group.

Stakeholder management

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

- | | |
|--|--|
| • Investors | • Suppliers |
| • Trade Union | • Creditors and lenders |
| • Customers and patients | • Industry bodies (including PSNC, CCA and HDA) |
| • Employees | • Pension schemes and pension recipients |
| • Primary regulators and Government, including NHS, Department of Health and Social Care, relevant regulatory bodies (including GPhC and MHRA) | • 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 2023

Section 172 statement (continued)

Stakeholder management (continued)

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

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

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

For the year ended 30 June 2023

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

Stakeholder	Their interests	How we engage	How the Board engages
Customers and patients	•Range and product availability, with focus on prescription items in stock •Competitive prices •Timeliness •Ease of use of website and app for Digital customers •Delivery against customer promises •B2B product availability and ease of ordering	•Customer surveys •Customer complaints (Freedom to Speak Up framework) •Patient contact centres •Group reports •Sector groups (e.g. CPPSG) •Corporate Website and App •Direct marketing and communications	•Annual Report and financial statements •Board updates on trading and customer initiatives •Corporate website •Directors engagement with sector and industry bodies
Government and regulatory authorities	•Compliance with regulations •Worker pay and conditions •Waste and environment •Gender Pay •Brand reputation •Health and safety •Treatment of suppliers and customers	•Corporate Website •Annual Report •Direct engagements with regulators (see below) •HMRC & Statutory Audits	•Regular reports from business on range of regulatory issues and engagement •Board review and approval of audited accounts •Proactive 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 2023

Section 172 statement (continued)

Employee statement

The Board is committed to effective engagement with its employees. Throughout the Group, 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 Group 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 Group'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 key leaders through regular briefing sessions. These are conducted through a mix of online and face-to-face sessions. This is supported by regular internal communications on key matters and the introduction of a weekly "Thank you Friday" employee recognition video.

Decision making

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

(i) Acquisition of the Lexon Group

Following a period of due diligence and negotiation, the acquisition by the Group of Lexon UK Holdings Limited completed in April 2023. This represented a significant and strategic investment by the Group into both wholesale and retail pharmacy activities. In considering the transaction, the Directors took into account a variety of key factors, including both the long-term opportunities presented by enhanced participation in wholesale and retail pharmacy activity by the accretive and synergistic benefits of the Lexon group to the Group's existing activities. Additionally, the Lexon group brings further adjacent activities, including parallel imports and generics licensing, which the Directors considered beneficial to enhance the long-term sustainability and growth of the business.

The Directors also considered the impacts on the Group's key stakeholders, including the long-term growth opportunities presented to the Group's shareholders and the balancing of the business activities between retail and wholesale activities. The Directors also considered the Group's enhanced ability to serve all patients and customers (including the NHS) through the benefits the acquisition brings. The employees of the Group and the Lexon group would have the opportunity to participate in a larger, more diverse business.

(ii) Financing

The immediate parent company of the Group, Bestway Healthcare Finco Limited entered into new financing arrangements to provide term funding for the investment in the Lexon group and also for efficient ongoing cash and working capital management. In entering into these arrangements, the Directors took into account the opportunities such funding presented to its long term success and the to the benefit of its stakeholders (including its shareholders, employees, customers and suppliers) to ensuring the continued growth of the business, the existing sound underlying financial performance of the Group and the nature of the market and funding environment of the existing business and the expanded business following the acquisition of the Lexon group.

The Directors recognised the additional reporting and compliance requirements this would place on the Group and were confident that the existing well controlled corporate governance environment would allow the Group to meet its compliance obligations.

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2023

Section 172 statement (continued)

Decision making (continued)

(iii) Pharmacy disposals

The Directors took the decision to dispose of seven pharmacies in connection with the acquisition of the Lexon group. On completion of the acquisition, the Competition and Markets Authority opened a merger control inquiry into the transaction and, through co-operation with the CMA by the Group, it was identified that in a limited number of areas the CMA had a concern relating to retail pharmacy competition. In order to remove those retail pharmacy overlaps, and by agreement with the CMA, the Company decided to dispose of seven Well pharmacies to CMA approved buyers. The CMA accepted these proposed disposals. There were no other competition concerns raised by the CMA in connection with the acquisition.

The Directors considered the Company's stakeholders, including the employees potentially affected by the disposals.

(iv) Corporate governance structures

In connection with the acquisition of the Lexon group, the Group has reshaped some of its governance structures to reflect the refined shape of the business, with separate operating boards focussing on the retail and wholesale business units. Consequently, new roles were created in the Chief Wholesale Officer (CWO) and Chief Retail Officer (CRO), each with consolidated portfolios. Anup Sodha has expanded his role as Managing Director of the Lexon wholesale business to take on the CWO role and Andrew Caplan has joined the business as the CRO. Each of the CWO and CRO report to the Chief Executive Officer. The Directors believe that this revised structure will permit each of the retail and wholesale business units to maximise their performance through and beyond the period of integration of the Lexon business, in turn benefitting the Group's shareholders, patients, customers and suppliers.

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2023

Statement of Private Company Governance Arrangements

The Directors of Bestway Panacea Holdings Limited (the "Group") 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 Group.

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 subsequent financial years, including the financial year ended 30 June 2023.

The Board of the Group is pleased to present its Statement of Corporate Governance Arrangements for the year ended 30 June 2023. 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 Group, during the year ended 30 June 2023 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 Group's values, policies and processes are adhered in order to ensure the Group'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 Group and by enabling its values, strategy and culture to compliment such vision and purpose.

The Group 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 Group'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, during the year to 30 June 2023 the Board has set a clear vision and purpose for the Group and which is promoted to all employees: "Here for the wellbeing of our patients and customers". This clearly states the purpose of the Group as a provider of healthcare and wellbeing to its patients and customers (both individual and B2B). This has been supported during the year to 30 June 2023 by the Destination Well Strategy (DWS), which was reviewed, adapted and re-introduced for a three year period during the year to 30 June 2022. 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 Group 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 Group CEO, Group CFO and independent non-executive director, Noel Gordon (whose current term to October 2023 has been extended by the Board to October 2024).

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2023

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 Group. The main standing committees of the Board during the year to 30 June 2023 were:

- Executive Directors Strategy (EDS) meeting – chaired by the Group CEO and comprising the Group CFO, Operations Director, People Director and Group Secretary, this meeting takes place monthly and assesses key current and future strategic priorities affecting the Group. *
- Executive Committee – chaired by the Group CEO and comprising the Group's senior managers, this committee meets monthly and is responsible for the day-to-day decision-making of the Group. Reporting into this committee are a number of standing and ad-hoc sub-committees tasked governing with specific areas of responsibility. These include the Compliance Committee (responsible for all regulatory and compliance matters affecting the Group) and the Health & Safety Committee (responsible for health & safety compliance across the Group).**
- Remuneration Committee – chaired by the Bestway Group CFO (save for when unavailable, when it is chaired by the Group CEO) and with the following members: Non-Executive Director, Bestway Group CEO, Group CFO and Group People Director, with the Group CFO as a regular attendee. This committee formally meets twice a year in July and January and then ad hoc as required between those meetings. It is responsible for setting the remuneration of the Board, its non-executive directors and senior managers of the Group. It also approves the terms of Group annual pay awards and the terms of Group short and long-term incentive plans.
- Audit Committee – chaired by the Bestway Group CFO (or, in their absence, the Bestway Group CEO) and with the following members: the Bestway Group CFO, Group CEO, Group CFO and the Group General Counsel. The Group's Risk & Compliance Manager also attends. The Audit Committee meets quarterly and provides necessary support and challenge to the Board on the Group's corporate risks (see below).

*Following the completion of the acquisition of the Lexon group, the EDS has been replaced by the Bestway Healthcare Executive Committee (BHEC). This has a similar remit to the EDS and is chaired by the Group CEO with members including the Group CFO, People Director, Chief Retail Officer, Chief Wholesale Officer, Commercial Director, Head of IT and the Company Secretary. This committee reports to the Board and meets quarterly.

**Following the completion of the acquisition of the Lexon group, the Executive Committee has been replaced by two distinct groups: the Retail Operating Board (ROB), which has responsibility for the oversight of the retail pharmacy business, and the Wholesale Operating Board (WOB), which has responsibility for the oversight of the wholesale business. Both the ROB and WOB are chaired by the Group CEO with members drawn from the BHEC and other key senior managers appropriate to the relevant operating board. These operating boards meet monthly and report to the BHEC and to the Board. The Compliance Committee and Health and Safety Committee reports into each of the ROB and WOB.

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 Group CEO and Group 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 Group Secretary should they become aware of any potential conflict situations so that adequate measures may be taken in light of the potential conflict.

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2023

Statement of Private Group Governance Arrangements (continued)

Corporate Governance Principles (continued)

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 Group CEO and Group CFO, both supported by members of the Group'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.
- 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
 - Digital
 - IT & Digital
 - Logistics

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 Group is proud of what it does and of our heritage as a family-owned business. The Board promotes a culture of inclusiveness for the Group'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. In particular, the Board recognises its specific pharmacy regulatory responsibilities to the Group and its customers, patients and the NHS.

The Board as a whole is collectively responsible for the success of the Group, 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 Group's strategic aims, monitoring performance, providing a framework of controls for the Group's risk to be assessed and managed, engaging with and meeting its obligations to the Group'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 Group, whilst ensuring it assumes overall responsibility for the governance of the Group. The Group 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
Katherine Jacob	CFO	12/12
Noel Gordon	Non-Executive Director	4/4***

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

***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 2023

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 Group, in light of its responsibility to identify and mitigate risks while exploring opportunities to create value.

The vision and strategy of the Group are specifically designed to deliver long term value, both financially to the Group's shareholders and also in its role as both primary healthcare provider and also wholesale provider to community pharmacy.

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 Group recognises the need to assess opportunity and risk without introducing copious amounts of bureaucracy which may diminish the Group'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 Group, they are assessed on whether they create long-term value, on whether they ensure the Group's business model remains sustainable in the long-term and whether they are in the best interests of each relevant stakeholder base. The Group'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 Group's vision, purpose and ongoing strategy. Therefore, the Board seeks to proactively identify, assess and manage risks relating to the Group, 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 Group have adopted a risk management framework to support the management of risks and ensure they are managed within the risk appetite set out by the directors. The Group risk registers are reviewed regularly by the Group's Executive Committee and then quarterly by the directors, including review and challenge 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, including inflation |
| • Supply chain and operations, including site and supplier specific risks | • Financial Control |
| • People - Costs, retention, capability, recruitment, payments | • Culture |
| • Environmental, including net zero and carbon reduction | |

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2023

Statement of Private Company Governance Arrangements (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 Group'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 Group 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 Group 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 (pages 6 to 10) for further information on stakeholder engagement within the financial year.

BESTWAY PANACEA HOLDINGS LIMITED

Strategic Report (continued)

For the year ended 30 June 2023

Principal risks and uncertainties

The Group is carefully managed, with Directors and Shareholders who take a long-term view of operating the business. This is done with the purpose of providing the best overall outcomes for the Group's stakeholders, including its shareholders, its primary funder (NHS), employees, customers and patients.

It is with this in mind that 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 business's 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 retention of a flat funded position by the NHS for the remaining year of the Community Pharmacy Contractual Framework (the Contract) continues to present a key risk to community pharmacies, especially when combined with wider inflationary pressures and the healthcare workforce challenges (both as summarised above). The business continues to focus on maximising its capacity to deliver against the breadth of services available under the Contract while maintaining careful control of its cost base.

(ii) Retail pharmacy and wholesale market changes

The decision by the owners of the Lloyds pharmacy chain to dispose of the pharmacies has brought ownership changes to the sector. The effect on the NHS change of ownership process has resulted in lengthy periods of ownership transition in some cases impacting the operation of the pharmacies. This has presented risk to patients and customers to access medicine supply. Additionally, shortly prior to the start of the year the sector experienced the loss of a key short-line wholesale operator as a result of MHRA licence enforcement action. While the business benefitted from the opportunities presented, the risk presented to the market of medication supply was highlighted.

(iii) Inflation

The influence of growing inflation presents a risk to all businesses, and the Group is no exception. One key area of focus is energy usage across the estate of pharmacies, the Healthcare Service Centre distribution site (HSC) and the fleet of delivery vehicles used by the Group. Recognising these risks the Group has made the decisions to mitigate through the forward purchasing of power to hedge against rising costs.

(iv) Workforce

The impact to workforce availability across all of healthcare, including community pharmacy, is ongoing. The consequences of this can be seen in both access to appropriately qualified personnel as well as the cost impacts of engaging self-employed locum pharmacists. The Group continues to work hard to minimise these impacts, both financially and operationally, with the focus of ensuring that we continue to provide the best service we can for the communities we serve.

The HMRC investigation into locum pharmacists remains open and ongoing. The Group's position is unchanged from prior years in that the Group believes that locum pharmacists are self-employed and continue to be accounted for on this basis. The Group is aware that HMRC is focussing its investigation on the largest community pharmacy businesses.

BESTWAY PANACEA HOLDINGS LIMITED
Strategic Report (continued)
For the year ended 30 June 2023

Key performance indicators

The key performance indicators of the Group are:

	2023	2022
Prescription volume (Number of core items dispensed '000)	70,329	72,094
Revenue (£'000)	984,072	832,480
Operating (loss) /profit (£'000)	(15,280)	18,329
Cash and cash equivalents (£'000)	26,392	29,001
Net cash generated from operating activities (£'000)	(3,460)	12,765

The increased revenue is a reflection of the growth in market share of the wholesale business and the impact of acquisitions made in the year. The challenges experienced by the retail side of the business are reflected in the relatively stable Prescription volume year on year.

On behalf of the Board,



K R Jacob
Director

15 December 2023

Registered Office:
Merchants Warehouse
Castle Street
Castlefield
Manchester
M3 4LZ

BESTWAY PANACEA HOLDINGS LIMITED

Directors' Report

For the year ended 30 June 2023

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 2023.

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
Sir M A Pervez OBE HPk
S Hobbs
K R Jacob
N Gordon (Non-Executive Director)

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

Dividend

The Company declared £60 million of dividends during the year. The directors paid £55 million of dividends during the year (2022: £30 million). The Directors have, subsequent to the year end, paid interim dividends of £5 million.

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 2023

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 material currency risk, as the majority of its 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 (2022: £nil).

Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. The group had net current liabilities of £116,984,000 (2022: £3,445,000), the Group made a loss before tax of £17,863,000 (2022: profit before tax of £15,909,000) and had net assets of £147,349,000 as at 30 June 2023 (2022: £224,887,000).

The Directors have prepared forecasts that include plausible downsides for a period of at least 12 months from the date of approval of these financial statements. This has assumed severe but plausible case scenarios that include flat funding, margin dilution and limited growth in fees and services. This has been reviewed alongside increase in market share and Wholesale growth. These forecasts indicate that the Group is a going concern. Where there may be cash pressures, sufficient funding would be provided by the wider Group of which it is part of, to ensure there will be sufficient funds to meet its liabilities as they fall due for that period.

The Group's cash position has decreased by £2.6 million in the year, which has resulted in an underlying cash deficit from operations of £3.5 million (2022: cash generated £12.8 million).

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.

In February 2023, the Group and its subsidiary undertakings entered into a cross-guarantee in respect of external financing provided to the immediate parent company (as noted on the S172 statement on page 9). Whilst this has placed additional compliance and reporting requirements onto the Group, the directors do not consider that it has had a material impact on the Group's liquidity position or future operating performance. The maximum potential liability to the Group as at 30 June 2023 amounted to £148,000,000.

Independent Auditors

Mazars LLP 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 2023

Taskforce on Climate-Related Financial Disclosures ("TCFD")

In accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, which apply to financial years starting after 6th April 2022, the financial year to 30th June 2023 is the first year for the Company to report against these requirements. This statement is made by the Company on behalf of itself and its subsidiaries (with the exception of the recently acquired Target group entities, which will be assessed during the next financial year).

The Board recognises the impact of climate change on its operations and is steadfastly committed to aligning its governance and strategic priorities with the recommendations of the TCFD and NFSIS. This statement encapsulates the Company's response to the TCFD guidelines and its requirements under NFSIS and reflects its dedication to sustainable business practices which benefit all stakeholders for the long term. The Company recognises that it plays a unique role in serving the wider social needs of patients and customers as a provider of primary healthcare in a time of ever growing need.

Governance

The Company has integrated climate-related considerations into its governance framework (described in its Statement of Private Company Governance Arrangements) and which covers key governance matters, including corporate controls such as anti-bribery and corruption, anti tax evasion and the Company's stance against modern slavery (the latter especially now that the Company is placing business for manufacture in non-UK jurisdictions). This strategic integration ensures that the governance structures not only reflect the standard operational concerns but also include the evaluation of climate-related risks and opportunities. This includes the establishment of new reporting lines specifically designed for TCFD disclosures. The Compliance Committee plays a pivotal role in this mechanism, convening on a monthly basis to delve into these disclosures. Any risks identified are promptly escalated on a monthly interval by the committee chair, ensuring timely attention and potential mitigation measures.

Furthermore, acknowledging the Impact of climate-related issues on business operations and longevity, the Company has taken steps to embed those considerations within its internal risk assessment framework. This is evident in the recent adjustments to internal risk registers which now incorporate climate-related considerations as a core component.

In order to support a culture that is attuned to the challenges and opportunities presented by climate change, the Company has crafted an 'Environmental, Social and Governance Policy'. This policy serves as a guide for employees, enlightening them about best practices, company expectations, and the larger vision of creating a resilient organization that is both responsive and responsible in the face of evolving climate challenges.

Strategy

Following an in-depth analysis of the Company's operations and assets, several significant insights have been garnered in relation to its resource utilization and potential efficiencies. This analytical exercise involved extensive surveys conducted across various sites within the Company's estate, primarily focusing on scope 1 and 2 emissions. This has exposed climate-related opportunities that can potentially augment the Company's sustainability endeavours. Notably, among these opportunities are initiatives like transitioning from traditional fluorescent lighting systems to more energy-efficient LED solutions and the installation of infrared activity sensors which can significantly enhance energy conservation. The Company is also contemplating a thorough review of its boiler and immersion settings. Additionally, there is an observed need for timely repairs to certain existing assets to bolster their efficiency and prolong their operational lifecycle.

The Company has also turned to the broader environmental landscape, with a future consideration of scope 3 emissions and the potential risks they pose. Additionally, these considerations will include assessments of the availability of certain products, potential health and safety issues, and challenges associated with transport, all form a part of the broader risk panorama that the Company has identified in relation to scope 3 emissions.

The Company considers these issues in the context of all stakeholders, whether they are shareholders who are committed to the long-term sustainability of the Company, employees and patients, customers and suppliers. As a business with a significant retail pharmacy proposition, the communities served are of prime importance to the Company and its long-term role at the heart of the community.

In the upcoming financial year, the Company plans to map its scope 3 emissions using the strategy detailed in this statement. This process will involve setting short, medium, and long-term goals based on various criteria. These criteria will consider the feasibility of large-scale estate implementations, any scheduled estate work that can enhance resource efficiency, the cost-benefit analysis of asset repair or replacement in conjunction with their anticipated lifespan, and scientific insights that advocate for prompt action to counteract predictable climate-related challenges.

BESTWAY PANACEA HOLDINGS LIMITED

Directors' Report (continued)

For the year ended 30 June 2023

Taskforce on Climate-Related Financial Disclosures ("TCFD") (continued)

Risk Management

Within the framework of managing and mitigating risks, the Company has instituted a comprehensive regulatory and legal horizon-scanning process. This process is overseen by the Compliance Committee, which regularly convenes to discuss key climate-related risks that might have an impact on the Company's operations and objectives. Beyond these discussions, the committee ensures that any high-risk items identified are promptly and appropriately escalated through the established governance structures of the Company. This systematic approach ensures that the Company remains proactive in its risk management practices, particularly in relation to the ever-evolving landscape of climate-related challenges.

Metrics and Targets

For the financial year concluding on 30 June 2023, the Company has engaged specialist consultancy support to assess and analyse its scope 1 and 2 greenhouse gas emissions. This report has provided the Company with a comprehensive view of the Company's carbon footprint and energy use.

To ensure that the Company takes a scientifically rigorous approach to reducing its greenhouse gas emissions, it has chosen to employ a methodology inspired by the Science-Based Targets Initiative (SBTI). While the Company is currently in the process of measuring its scope 3 emissions — those emissions indirectly associated with its operations — there is a clear intention to set targets that resonate with the recommendations put forth by SBTI.

At this current juncture, climate-related risks have not exhibited material significance to the Company's business model and day-to-day operations. However, the Company remains forward-looking, recognizing that the trajectory towards achieving our aspirational net-zero goal might usher in these risks. This perspective is shaped, in part, by acknowledging the potential interplay of sectoral dynamics, third-party interactions, and broader external factors.

Furthermore, when the Company's net-zero targets are formally instituted, they will be anchored on the Absolute Contraction Methodology. This method underscores the Company's commitment to ensuring an unwavering alignment with global decarbonisation pathways. By adopting this methodology, the Company pledges to deliver tangible and absolute reductions in its greenhouse gas emissions, thus contributing meaningfully to the global push for a more sustainable future.

As noted above, the Company acquired the Target group late in the course of the year to 30 June 2023 and, as such, emissions relating to the Target group have not yet been mapped within the emissions the subject of this report. Accordingly, the Company will include scopes 1, 2 and 3 emissions from the Target group business within the appropriate future annual report following collation and analysis of the relevant data.

BESTWAY PANACEA HOLDINGS LIMITED
Directors' Report (continued)
For the year ended 30 June 2023

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	2023	2022
Energy consumption break down (kWh)		
Natural gas	1,299,918	1,230,655
Electricity	12,702,186	12,392,557
Direct transport	6,289,630	6,094,019
Indirect Transport	1,747,982	2,143,483
Total energy consumption	22,039,716	21,860,714
Scope 1 emissions in metric tonnes CO ₂ e		
Natural gas consumption	238	225
Direct transport	1,448	1,449
Refrigerants	42	125
Total scope 1	1,728	1,799
Scope 2 emissions in metric tonnes CO ₂ e - Purchased electricity and heat and steam generated	4,101	2,185
Scope 3 Indirect emissions	443	548
Carbon intensity ratio (tCO ₂ e/£m T/O)	6.6	5.7

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.

In terms of enhancing energy efficiency during the year, several measures were taken. A pilot study has been initiated to explore the use of electric commercial vans for medication delivery. The Company has started developing a net-zero & sustainability strategy, following recommendations by the Taskforce on Climate-related Financial Disclosures (TCFD). This includes progressing towards establishing a target for net-zero emissions. Based on recommendations from independent consultants, the Company is also examining potential carbon-saving measures like the broader implementation of LED lights and motion sensors throughout its properties.

The Company has taken measures to improve energy efficiency during the year, which include the following:

- Continuation of ongoing projects initiated in the prior financial year, such as replacement of non-LED lighting in pharmacies with LED bulbs and panels, installation of smart meters and removal of gas meters across pharmacies.
- Extended LED lighting rollout to offices, initiated a review of options to install solar panels at distribution sites, commenced a program to examine opportunities of a zero-waste-to-landfill programme, and exploration of electric delivery vehicles for the Company's Home Delivery Service (HDS) while, at the same time, maximising usage of the HDS route planning tools across all HDS vehicle types to minimise journey times and emissions.

BESTWAY PANACEA HOLDINGS LIMITED

Directors' Report (continued)

For the year ended 30 June 2023

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 UK adopted 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 UK adopted 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 27 to 70 were approved by the Board of Directors and signed on its behalf by:



K R Jacob
Director

15 December 2023

Registered Office:
Merchants Warehouse
Castle Street
Castlefield
Manchester
M3 4LZ

BESTWAY PANACEA HOLDINGS LIMITED

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

For the year ended 30 June 2023

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 2023 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, 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 2023 and of the Group's loss 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 the 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 the 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.

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.

BESTWAY PANACEA HOLDINGS LIMITED

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

For the year ended 30 June 2023

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 this gives rise to a material misstatement in the financial statements themselves. 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 their 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 Statement of Directors' Responsibilities set out on page 23, 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.

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.

BESTWAY PANACEA HOLDINGS LIMITED

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

For the year ended 30 June 2023

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 significant one-off or unusual transactions.

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

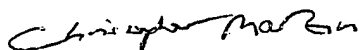
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing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

One St. Peter's Square
Manchester
M2 3DE

Date: 15 December 2023

BESTWAY PANACEA HOLDINGS LIMITED

Consolidated Statement of Income and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 £'000	2022 £'000
Revenue	4	984,072	832,480
Cost of Sales		(696,843)	(551,424)
Gross Profit		287,229	281,056
Other operating income	5	780	746
Administrative expenses before exceptional items and	6	(286,685)	(258,338)
Exceptional items	6	(10,219)	(5,027)
Impairment of plant, property and equipment	11	(1,512)	309
Impairment of intangibles	12	(4,873)	(417)
Total administrative expenses		(303,289)	(263,473)
Operating (Loss) / profit	6	(15,280)	18,329
Financial income	8	-	13
Financial expenses	9	(2,583)	(2,433)
Net financing expense		(2,583)	(2,420)
(Loss) / profit before taxation		(17,863)	15,909
Tax on (loss) / profit	10	325	(1,801)
(Loss) / profit after taxation		(17,538)	14,108
Total comprehensive (Loss) / income for the year		(17,538)	14,108

The notes form part of these financial statements.

BESTWAY PANACEA HOLDINGS LIMITED

Consolidated Balance Sheet

For the year ended 30 June 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment	11	127,413	125,457
Goodwill	12	51,916	41,785
Licenses and other Intangible assets	12	187,473	154,137
		<u>366,802</u>	<u>321,379</u>
Current Assets			
Inventories	13	109,850	61,597
Trade and other receivables	14	204,707	116,625
Investments		13	10
Cash and cash equivalents	15	26,392	29,001
		<u>340,962</u>	<u>207,233</u>
Total assets		<u>707,764</u>	<u>528,612</u>
Current liabilities			
Trade and other payables	16	(435,590)	(189,822)
Lease liabilities	17	(12,216)	(12,649)
Provisions	18	(10,140)	(8,207)
		<u>(457,946)</u>	<u>(210,678)</u>
Net current liabilities		<u>(116,984)</u>	<u>(3,445)</u>
Non-current liabilities			
Lease liabilities	17	(56,165)	(57,589)
Provisions	18	(2,441)	(2,367)
Deferred tax liabilities	19	(43,863)	(33,091)
		<u>(102,469)</u>	<u>(93,047)</u>
Total liabilities		<u>(560,415)</u>	<u>(303,725)</u>
Net assets		<u>147,349</u>	<u>224,887</u>
Equity			
Share capital	21	-	-
Retained earnings		147,349	224,887
Total equity		<u>147,349</u>	<u>224,887</u>

The notes form part of these financial statements.

The financial statements on pages 27 to 70 were approved by the Board of Directors and signed on its behalf by:



K R Jacob
Director

15 December 2023

Registered number: 09225479

BESTWAY PANACEA HOLDINGS LIMITED
Consolidated Statement of Changes in Equity
For the year ended 30 June 2023

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 30 June 2021	-	240,779	240,779
Profit for the financial year	-	14,108	14,108
Dividends	-	(30,000)	(30,000)
Balance at 30 June 2022	-	224,887	224,887
Loss for the financial year	-	(17,538)	(17,538)
Dividends	-	(60,000)	(60,000)
Balance at 30 June 2023	-	147,349	147,349

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

The notes form part of these financial statements.

BESTWAY PANACEA HOLDINGS LIMITED
Consolidated Cash Flow Statement
For the year ended 30 June 2023

		2023	2022
	Note	£'000	£'000
<u>Cash flows from operating activities</u>			
(Loss) / profit before Tax	6	(17,863)	15,909
<i>Adjustments for:</i>			
Financial income	8	-	(13)
Financial expense	9	2,583	2,433
Depreciation of property, plant and equipment	11	21,959	22,007
Amortisation of intangible assets	12	28,097	27,612
Impairment of intangible fixed assets	12	4,873	417
Impairment / (reversal of impairment) of tangible fixed assets	11	1,512	(309)
Profit on disposal of fixed assets	6	(525)	(1,792)
(Increase) in trade and other receivables	14,20	(27,444)	(27,184)
(Increase) in inventories	13,20	(11,349)	(1,601)
Increase / (Decrease) in trade and other payables	16,20	11,971	(15,655)
(Decrease) in provisions	18,20	(5,300)	(2,751)
Cash generated from operations		8,514	19,073
Tax paid		(11,298)	(5,851)
Interest paid	9,23	(676)	(457)
Net cash generated from operating activities		(3,460)	12,765
<u>Cash flows from investing activities</u>			
Interest received	8	-	13
Acquisition of property, plant and equipment	11	(1,861)	(3,717)
Proceeds on disposal of branches	11,12,6	1,126	2,701
Development costs capitalised	12	(7,478)	(8,008)
Acquisition of subsidiary, net of cash acquired	20	(92,249)	(1,914)
Net cash used in investing activities		(100,462)	(10,925)
<u>Cash flows from financing activities</u>			
Dividends paid	25	(55,000)	(30,000)
Additional loan from parent company	16	168,481	-
Principal elements of lease payments	17,23	(12,168)	(12,623)
Net cash used in financing activities		101,313	(42,623)
(Decrease) in cash and cash equivalents	15	(2,609)	(40,783)
Cash and cash equivalents at beginning of year	15	29,001	69,784
Cash and cash equivalents at end of year	15	26,392	29,001

The notes form part of these financial statements.

BESTWAY PANACEA HOLDINGS LIMITED

Notes to the financial statements

For the year ended 30 June 2023

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, Castlefield, 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 UK adopted 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

There are no new adopted IFRSs, interpretations issued by the International Accounting Standards Board (IASB) or by the IFRS Interpretations Committee (IFRIC) that are applicable for the period that have had a material impact on the Group's financial statements. During the year, the International Accounting Standards Board issued the following amendments to UK adopted international accounting standards:

- Onerous Contracts (amendments to IAS 37) – clarification that the costs included in calculating an onerous contract should include the allocation of
 - Any costs directly attributable to completing the contract and not restricted to incremental expenditure;
 - Clarification on definition of assets and liabilities when used in business combinations;
 - Proceeds before Intended Use (Amendments to IAS 16) clarified that any income earned prior to Plant, Property & Equipment being brought into use
 - Should be recognised in the income statement as opposed to netted off against the cost of the asset; and
 - Minor amendments to IFRS 1; IFRS 16; IFRS 9 (clarifying which fees can be included in the assessment of a financial instrument modification) and IAS 41.

New accounting standards, interpretations and amendments that are not yet effective, and have not been adopted by the Group which are to be adopted on accounting periods commencing on or after 1 January 2023:

- IFRS 17 – Insurance contracts;
 - Disclosure of accounting policies – changes requirement from disclosing significant to material policies;
 - Clarification on the distinguishing changes of accounting policy to change of accounting estimates; and
 - Treatment of deferred tax assets and liabilities arising from a single transaction.
- The Group's financial reporting will be presented in compliance with the new standards, amendments and interpretations above, which are not expected to have a material impact on the financial statements, in the FY24 Annual Report. The Group has consistently applied its accounting policies for the current and prior year.

(iv) Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate. The Group had net current liabilities of £116,984,000 (2022: £3,445,000), the Group made a loss before tax of £17,863,000 (2022: profit before tax of £15,909,000) and had net assets of £147,349,000 as at 30 June 2023 (2022: £224,887,000).

The Directors have prepared forecasts that include plausible downsides for a period of at least 12 months from the date of approval of these financial statements. This has assumed severe but plausible case scenarios that include flat funding, margin dilution and limited growth in fees and services. This has been reviewed alongside increase in market share and Wholesale growth. These forecasts indicate that the Group is a going concern. Where there may be cash pressures, sufficient funding would be provided by the wider Group of which it is part of, to ensure there will be sufficient funds to meet its liabilities as they fall due for that period.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

(b) Basis of preparation (continued)

(iv) Going concern (continued)

The Group's cash position has decreased by £2.6 million in the year, which has resulted in an underlying cash deficit from operations of £3.5 million (2022: cash generated £12.8 million).

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.

In February 2023, the Group and its subsidiary undertakings entered into a cross-guarantee in respect of external financing provided to the immediate parent company (as noted on the S172 statement on page 9). Whilst this has placed additional compliance and reporting requirements onto the Group, the directors do not consider that it has had a material impact on the Group's liquidity position or future operating performance. The maximum potential liability to the Group as at 30 June 2023 amounted to £148,000,000.

(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.

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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

(c) Principles of consolidation (continued)

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
Bridge Pharmacy (Newcastle Emlyn) Limited	04435267
Care4U Pharmacy Limited	03983332
Donald Wardle and Son Limited	02914910
Ebbw Vale Consortium Limited	01338409
F.A. Parkinson (Chemists) Limited	SC038900
Frosts Pharmacy Limited	06507149
G Lightfoot & Son Limited	00626296
Ideal Healthcare Limited	03443725
Keighley Health Centre Limited	01263903
Opus Pharmaceuticals Limited	05888155
L+P 244 Limited	07865855
Npharma Limited	05049315
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
Pharmdata Limited	11263172
Dispex Limited	04203677
Asurex Limited	04399894

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

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:

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 and future economic benefits are probable. It also needs to be demonstrated that the development is both technically feasible and that the Group has sufficient resources to complete development. After completion, the Group has to demonstrate that it has the ability and intention to either use or sell the asset.

Otherwise, development expenditure 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 2023

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	5-20 years
Development costs	3-5 years

(v) Subsequent expenditure

Subsequent expenditure on existing internally generated intangible assets is capitalised only when it fulfils all of the criteria as noted in point iii) and it 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 8.79% (2022: 7.1%).

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 calculated using fair value less costs to sell, when the carrying amount of the Investment exceeds the recoverable amount.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

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 2023

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 2023 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 2023

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 accrued by reference to amounts claimed from the NHS based on 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 the New Medicine Service (NMS), the Flu Vaccination Service, Appliance Use Reviews (AURs), Stoma Appliance Customisation (SAC), and the Community Pharmacy Consultation Service (CPCS).
- **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 are set by the health authorities, these 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 2023

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 (Cat-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. Transitional Payment ceased on 1 March 2023 and are in the process of being replaced by new services that have come on stream.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

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 2023

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 to assess the impact of changes in the 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 the group would have had to recognise a further impairment against the total carrying amount of goodwill and intangible assets of £0.8 million. In the same scenario there would be an immaterial impact to right of use assets or other property, plant and equipment.

(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, which is regularly reviewed and updated, looking at drug tariff rates and costs in the market to estimate a market funding provision. 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 2023

4. Revenue

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

	2023 £'000	2022 £'000
Sales of goods and NHS commissioned services - Retail pharmacy UK	771,911	670,750
Sales of goods - Wholesale UK	206,461	155,306
Goods transferred at a point in time	978,372	826,056
NHS commissioned services	5,700	6,424
Services transferred over time	5,700	6,424
Total revenue	984,072	832,480

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

5. Other operating income

	2023 £'000	2022 £'000
Property rental income	302	277
Commissions earned	188	149
Other income	290	320
	780	746

6. Operating loss / (profit)

Operating loss / (profit) has been arrived at after charging / (crediting):	2023 £'000	2022 £'000
Management fee expenses paid to parent company	3,643	2,500
Depreciation of property, plant and equipment	21,959	22,006
Amortisation of intangible assets	28,097	27,612
Impairment of intangible assets and goodwill	4,873	417
Impairment / (Reversal of Impairment) of property, plant and equipment	1,512	(309)
Profit on the disposal of property, plant and equipment	(525)	(620)
Impairment loss recognised on trade receivables	97	79

Exceptional items comprise:	2023 £'000	2022 £'000
Restructuring activities	1,186	2,337
COVID-19 related expenditure / (funding)	-	97
Tax advisory services	-	142
Strategic projects	8,185	2,386
Other exceptional expenditure	848	65
Total exceptional expenditure	10,219	5,027

Costs incurred on Strategic projects predominantly relates to business acquisitions made by the Group during the year as noted in the Strategic Report.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

6. Operating profit (continued)

Fees payable to the Group's auditors comprise:	2023	2022
	£'000	£'000

Audit of financial statements of the Company	23	20
Audit of financial statements of subsidiaries of the Company	324	180
	347	200

7. Staff costs

Staff costs, including directors' remuneration, were as follows:	2023	2022
	£'000	£'000

Wages and salaries	164,621	147,830
Social security costs	10,430	9,772
Other pension costs	3,201	3,260
	178,252	160,862

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 £3.2m (2022: £3.3m) 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:

	2023	2022
	Number	Number
Office and Management	253	317
Retailing	4,638	5,157
Distribution	839	463
	5,730	5,937

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

7. Staff costs (continued)

Directors' emoluments was as follows:	2023	2022
	£'000	£'000
Total Emoluments	1,666	1,208
Highest paid director	1,123	741

Total emoluments include contributions to defined contribution pension plans of £33,000 (2022: £31,000). This included contributions made to the highest paid director of £nil (2022 : £nil).

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

8. Financial income

	2023	2022
	£'000	£'000
Interest from parent company and group undertakings	-	3
Exchange gain	-	10
	-	13

9. Financial expenses

	2023	2022
	£'000	£'000
Interest relating to lease liabilities	2,387	2,433
Exchange loss	40	-
Other interest	156	-
	2,583	2,433

10. Taxation

(i) Analysis of the tax charge in the year

	2023	2022
	£'000	£'000
<u>Current tax expense:</u>		
UK corporation tax on profits of the year	4,097	7,517
Adjustments to tax charge in respect of prior periods	(569)	(143)
Current tax expense	3,528	7,374
<u>Deferred tax expense:</u>		
Adjustments to tax charge in respect of prior periods	2,232	445
Origination and reversal of timing differences	(6,085)	(6,018)
Total deferred tax	(3,853)	(5,573)
Total tax (credit) / expense	(325)	1,801

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

10. Taxation (continued)

(ii) Reconciliation of effective tax rate

The tax (credit) / charge for the year is effectively lower than the standard rate of corporation tax in the UK of 20.5% (2022: 19%). The differences are explained below:

	2023 £'000	2022 £'000
(Loss) / Profit before tax on continuing activities	<u>(17,863)</u>	15,909
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2022:19%)	(3,666)	3,023
<i>Effects of:</i>		
Non-deductible expenses	2,726	498
Tax exempt revenues	(49)	(618)
Adjustment to tax charge in respect of previous periods	1,663	302
Remeasurement of deferred tax for changes in tax rates	(1,104)	(1,445)
Fixed asset differences	45	4,046
Other timing differences	-	(4,005)
Deferred tax not recognised	60	-
Tax expense for the year	<u>(325)</u>	1,801

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

In the Budget on 3 March 2021, the Government announced its intention to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this increased rate. Since the 25% tax rate change was effective as at the 30 June 2023 balance sheet date, deferred tax assets and liabilities have been calculated to reflect the expected timing of reversal of the related temporary difference.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

11. Property, plant and equipment

	Land and buildings	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000
<u>Cost</u>				
At 1 July 2021	123,607	164,839	5,054	293,500
Additions	6,223	3,705	1,995	11,923
Additions through business combinations	-	7	-	7
Disposals	(873)	(643)	(529)	(2,045)
At 30 June 2022	128,957	167,908	6,520	303,385
Additions	6,524	1,653	560	8,737
Additions through business combinations	12,989	1,782	1,960	16,731
Disposals	(203)	(385)	-	(588)
At 30 June 2023	148,267	170,958	9,040	328,265
<u>Accumulated depreciation and impairment</u>				
At 1 July 2021	28,268	127,241	2,375	157,884
Depreciation charge for the year	9,183	10,887	1,937	22,007
Impairment in the year	(309)	-	-	(309)
Disposals	(565)	(560)	(529)	(1,654)
At 30 June 2022	36,577	137,568	3,783	177,928
Depreciation charge for the year	10,364	9,870	1,725	21,959
Impairment in the year	1,512	-	-	1,512
Disposals	(198)	(349)	-	(547)
At 30 June 2023	48,255	147,089	5,508	200,852
<u>Net book value</u>				
At 30 June 2023	100,012	23,869	3,532	127,413
At 30 June 2022	92,380	30,340	2,737	125,457

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

11. Property, plant and equipment (continued)

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

Right of use assets

	Land and buildings	Motor vehicles	Total
<u>Cost</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1 July 2021	94,649	5,054	99,703
Additions	6,219	1,995	8,214
Disposals	(820)	(529)	(1,349)
At 30 June 2022	100,048	6,520	106,568
Additions	6,316	560	6,876
Additions through business combinations	907	-	907
Disposals	(196)	-	(196)
At 30 June 2023	107,075	7,080	114,155
<u>Accumulated depreciation and impairment</u>			
At 30 June 2022	21,355	2,375	23,730
Depreciation charge for the year	8,534	1,937	10,471
Impairment in the year	(309)	-	(309)
Disposals	(555)	(529)	(1,084)
At 30 June 2022	29,025	3,783	32,808
Depreciation charge for the year	9,558	1,502	11,060
Impairment in the year	800	-	800
Disposals	(196)	-	(196)
At 30 June 2023	39,187	5,285	44,472
<u>Net book value</u>			
At 30 June 2023	67,888	1,795	69,683
At 30 June 2022	71,023	2,737	73,760

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 (page 49).

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 be an additional impairment charge, but this would be immaterial and therefore not recognised.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

12. Intangible assets

	Goodwill	Pharmacy licences	Other intangibles	Total
	£'000	£'000	£'000	£'000
<u>Cost</u>				
At 1 July 2021	46,453	477,644	15,288	539,385
Additions - internally developed	345	985	7,268	8,598
Acquisition of business	19	1,307	-	1,326
Disposals	(596)	(1,474)	-	(2,070)
At 30 June 2022	46,221	478,462	22,556	547,239
Additions - internally developed	-	1,436	6,042	7,478
Acquisition of business	12,138	32,869	24,511	69,518
Disposals	(151)	(752)	-	(903)
At 30 June 2023	58,208	512,015	53,109	623,332
<u>Accumulated amortisation and impairment</u>				
At 1 July 2021	4,284	318,096	2,459	324,839
Charge for the year	-	24,172	3,440	27,612
Impairment charge in the year	405	12	-	417
Impairment release on disposals	(253)	(421)	-	(674)
Disposals	-	(877)	-	(877)
At 30 June 2022	4,436	340,982	5,899	351,317
Charge for the year	-	24,092	4,005	28,097
Impairment charge in the year	1,856	3,017	-	4,873
Disposals	-	(344)	-	(344)
At 30 June 2023	6,292	367,747	9,904	383,943
<u>Net book value</u>				
At 30 June 2023	51,916	144,268	43,205	239,389
At 30 June 2022	41,785	137,480	16,657	195,922

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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

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

	2023	2022
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	8.79%	7.10%

The growth rates used in 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 property, plant and equipment 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. A total impairment charge of £6.4m (2022: charge of £0.4m) was recognised within administrative expenses. £1.9m of the £6.4m charge related to an impairment charge against goodwill is due to impairment of underperforming CGU's.

Sensitivity analysis is performed to assess the impact of changes in the 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 the group would have had to recognise a further impairment against the total carrying amount of goodwill and intangible assets of £0.8 million. In the same scenario there would be an immaterial impact to right of use assets or other property, plant and equipment. The total CGU's recoverable amount exceeds the carrying value £487,853,000.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

13. Inventories

	2023	2022
	£'000	£'000
Finished goods for resale	109,850	61,597

The cost of inventories recognised as an expense during the year in respect of continuing operations was £528 million (2022: £520 million), before consideration of supplier rebates.

This includes £3.4 million (2022: £3.7 million) in respect of write-downs of inventory to net realisable value.

£109.9 million of inventories are expected to be recovered in the next twelve months (2022: £61.6 million).

14. Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables	169,145	96,137
Prepayments	15,891	3,342
Other receivables	19,671	17,146
	204,707	116,625

Trade receivables disclosed above are classified under the hold to collect business model are therefore measured at amortised cost. Trade receivables are stated net of a provision for doubtful debts of £487,000 (2022: £390,000). Other receivables predominantly represents VAT receivable of £16.4 million (2022: £17.0 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 2023

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 2023.

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 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-
	2023	ment	2022	ment
	£'000	£'000	£'000	£'000
Not past due	165,396	-	91,449	-
0-30 days past due	3,355	-	3,496	-
31-60 days past due	172	-	614	-
More than 61 days past due	709	(487)	968	(390)
	169,632	(487)	96,527	(390)

Movement in the allowance for doubtful debts:

	2023	2022
	£'000	£'000
Balance at the beginning of the year	390	311
Impairment losses reversed	(390)	(311)
Provision for uncollectable debts	487	390
Balance at the end of the year	487	390

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 2023

15. Cash and Cash equivalents

	2023	2022
	£'000	£'000
Cash at bank and in hand	26,392	29,001

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

	2023	2022
	£'000	£'000
Trade payables	207,924	151,286
Trade payables due to Parent Company and Group undertakings	189,263	2,352
Accrued expenses	34,506	24,288
Corporation Tax	(1,389)	6,122
Other creditors	5,286	5,774
	435,590	189,822

Other creditors includes £123,000 (2022: £2,119,000) in relation to COVID-19 advances provided to community pharmacies by the Government in recognition of pandemic related cash flow pressures facing the sector.

In February 2023, the Group entered into a guarantee with respect of a loan to a Parent entity. The maximum potential liability to the Group as at 30 June 2023 amounted to £148,000,000.

During the year, the immediate parent company provided funds to the Group, as highlighted on the Cashflow Statement. This included funds for the purchase of the Lexon Group of companies and other acquisitions (see note 20).

The amount owed is unsecured, interest free, has no fixed date of repayment, and is repayable on demand.

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 of £5,000, 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 513 (2022: 519) 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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

17. Lease liabilities (continued)

Due to the low number of leases affected, the impact of these options to extend are immaterial to the calculation of the right of use assets. Some retail estate pharmacy leases provide for additional rent payments that are based on changes in market rates or consumer price index in the period.

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

Central support centre leases

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

Distribution centre leases

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

Motor vehicles leases

The Group leases vehicles that it uses to transport dispensed products from its retail stores to patients' homes as well as company cars used by employees. At the year end, the Group leased 388 (2022: 385) 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 29 (2022: 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. Income from these leases has been disclosed as rental income and is included within Other Income (note 5).

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

	2023 £'000	2022 £'000
Lease liabilities less than one year	12,216	12,649
Lease liabilities greater than one year	56,165	57,589
Total discounted lease liabilities	68,381	70,238

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

17. Lease liabilities (continued)

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

	2023 £'000	2022 £'000
Not later than one year	12,656	13,105
After one year, but not more than five years	37,822	41,363
After five years	30,036	53,944
Future minimum lease payments	80,514	108,412

During the reporting period the contractual cashflows incurred in relation to leases was £12,608,000 (2022: £13,080,000).

18. Provisions

	Reduction in government pharmacy funding £'000	Dilapidation provision £'000	Other £'000	Total £'000
Due within one year				
At 30 June 2022	7,840	-	367	8,207
Provision movement in the year	(5,340)	-	(27)	(5,367)
Additions through business combinations	-	-	7,300	7,300
At 30 June 2023	2,500	-	7,640	10,140
Due after more than one year				
At 30 June 2022	-	2,367	-	2,367
Provision movement in the year	-	74	-	74
At 30 June 2023	-	2,441	-	2,441
Total provisions	2,500	2,441	7,640	12,581

The funding provision of £2,500,000 (2022: £7,840,000) 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.

The brought forward Other provision balance relates solely to a deferred customer discount provision held at a single subsidiary entity, that is expected to be utilised over the next financial year. The Other provision recognised on Additions through business combinations, relates to a fine potentially payable by the acquired company in connection with CMA's 2022 decision on its prochlorperazine investigation, this is subject to the outcome of an appeal to CAT

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

19. Deferred tax liabilities

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

	2023	2022
	£'000	£'000
Deferred tax liabilities due in less than 12 months	-	-
Deferred tax liabilities due after 12 months	43,863	33,091
Total deferred tax provision	43,863	33,091
Deferred tax liabilities	43,863	33,091
Deferred tax assets	-	-
	43,863	33,091

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 25% (2022: 25%).

	£'000	£'000
Deferred taxation liability		
At 1 July 2022	33,091	38,318
Income statement credit in the year	(3,853)	(5,573)
Additions in the year	-	345
Other movements	(14)	-
Recognised upon acquisition of subsidiary	14,639	1
At 30 June 2023	43,863	33,091
<i>Comprising:</i>		
Intangible assets	40,916	19,535
Accelerated tax depreciation	4,224	13,618
Capital losses	(906)	-
Short-term timing differences	(357)	(62)
Other movements	(14)	-
At 30 June 2023	43,863	33,091

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.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

20. Business Combinations

On 14 April 2023, Bestway Panacea Holdings Limited, acquired 100% of the share capital of Lexon UK Holdings Limited and Asurex Limited for total consideration of £95,291,000 satisfied in cash and the repayment of liabilities. The acquisition comprised of wholesale and retail divisions, including pharmacy stores at multiple locations across the UK.

On 1 August 2022, Bestway National Chemists Limited, a wholly owned subsidiary of Bestway Panacea Holdings Limited, acquired 100% of the share capital of N-Pharma Ltd for £2,261,000 satisfied in cash. The acquisition comprised of a single location pharmacy business.

On 1 November 2022, Bestway National Chemists Limited, a wholly owned subsidiary of Bestway Panacea Holdings Limited, acquired 100% of the share capital of Frosts Group Ltd for £1,898,000 satisfied in cash. The acquisition comprised of two pharmacy stores.

On 1 November 2022, Bestway National Chemists Limited, a wholly owned subsidiary of Bestway Panacea Holdings Limited, acquired 100% of the share capital of L&P 244 Ltd for £1,089,000 satisfied in cash. The acquisition comprised of a single location pharmacy business.

The acquisitions of the four pharmacies are complimentary to the Bestway National Chemists business and increases the Group's UK shop front presence. The directors' are therefore satisfied with the value of goodwill that is being recognised.

Two further single stores were purchased from Lloyds Pharmacy Ltd, but as asset purchases only, not business acquisitions and are not included in the table below.

Lexon Group	Book value at acquisition	Fair value adjustments	Fair Value at acquisition	Total
	£'000	£'000	£'000	£'000
Total consideration				95,291
Intangible assets	3,631	51,876	55,507	
Tangible assets	9,587	6,919	16,506	
Inventories	36,598	-	36,598	
Debtors and other receivables	58,607	-	58,607	
Cash in bank	8,088	-	8,088	
Trade and other payables	(67,199)	-	(67,199)	
Leases	-	(907)	(907)	
Provision for liabilities	(7,300)	-	(7,300)	
Deferred Tax	(1,283)	(13,356)	(14,639)	
less: net assets recognised at the acquisition date				85,261
Goodwill recognised				10,030
<i>Reconciliation of pharmacy licence from acquisition to the end of the period</i>				
Pharmacy licences on acquisition				717
Amortisation charge for the period				30
Pharmacy licenses at 30 June 2023				<u>747</u>
<i>Financial results since the acquisition date</i>				
Acquiree's revenue since the acquisition date				78,439
Acquiree's profit/(loss) after tax since the acquisition date				1,546
<i>Outflow of cash to acquire subsidiary, net of cash acquired</i>				
Cash consideration				95,291
Less: cash acquired				<u>(8,088)</u>
Net outflow of cash – investing activities				<u>87,203</u>

The directors consider that the fair value of Debtors and other receivables, Cash in bank and Trade and other payables to not be materially different to their book value at acquisition. All Debtors and other receivables balances were considered to be collectable at the acquisition date.

As noted in the S172 statement, the purchase of the Lexon Group will provide a number of long-term opportunities and benefits to the Group's existing activities and will enhance the long-term sustainability and growth of the business. The directors' are therefore satisfied with the value of goodwill that is being recognised.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

20. Business Combinations (Continued)

	N-Pharma Limited	Frosts Group Limited	L&P 244 Limited	Total
	£'000	£'000	£'000	£'000
Cash price paid	2,261	1,898	1,089	5,248
Total consideration	2,261	1,898	1,089	5,248
Intangible assets	-	1,525	348	1,873
Tangible assets	36	125	64	225
Inventories	88	172	46	306
Debtors and other receivables	1,269	471	290	2,030
Cash in Bank	140	-	62	202
Trade and other payables	(742)	(395)	(353)	(1,490)
Provision for liabilities	(6)	-	-	(6)
less: net assets recognised at the acquisition date	785	1,898	457	3,140
Goodwill recognised	1,476	-	632	2,108
<i>Reconciliation of pharmacy licence from acquisition to the end of the period</i>				
Pharmacy licences on acquisition	1	2	1	4
Amortisation charge for the period	-	-	-	-
Pharmacy licenses at 30 June 2023	1	2	1	4
<i>Financial results since the acquisition date</i>				
Acquiree's revenue since the acquisition date	1,993	2,880	1,175	6,048
Acquiree's profit/(loss) after tax since the acquisition date	156	74	(40)	190
<i>Outflow of cash to acquire subsidiary, net of cash acquired</i>				
Cash consideration	2,261	1,898	1,089	5,248
Less: cash acquired	(140)	-	(62)	(202)
Net outflow of cash – investing activities	2,121	1,898	1,027	5,046

The directors do not consider that the Fair Value of the other three subsidiaries purchased during in the year to be materially different from the book values as at the date of acquisition.

The directors do not expect the value of Goodwill that has arisen through business combinations in the year to be deductible for tax purposes.

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

21. Share Capital

	2023	2022
	£	£
Allotted, called up and fully paid	100	100
100 (2022: 100) ordinary shares of £1 each		

22. Financial assets and liabilities

	2023	2022
	£'000	£'000
Financial Assets		
Amounts receivable for sale of goods	169,145	96,137
Other receivables	16,449	17,037
Cash and cash equivalents	26,392	29,001
Total Financial Assets	211,986	142,175
Financial Liabilities		
Trade payables	207,924	151,286
Lease liabilities	68,381	70,238
Accrued expenses	30,555	23,205
Amounts due to parent company and group undertakings	189,263	2,352
Total Financial Liabilities	496,123	247,081

The directors consider that the carrying value of the financial assets and liabilities shown above, to be a reasonable approximation of their fair value.

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	207,924	-	-	207,924	207,924
Lease liabilities	12,656	37,822	30,036	80,514	68,381
Accrued expenses	30,555	-	-	30,555	30,555
Amounts due to parent company and group undertakings	189,263	-	-	189,263	189,263
As at 30 June 2023	440,398	37,822	30,036	508,256	496,123
Trade payables	151,286	-	-	151,286	151,286
Lease liabilities	13,105	41,363	53,944	108,412	70,238
Accrued expenses	23,205	-	-	23,205	23,205
Amounts due to parent company and group undertakings	2,352	-	-	2,352	2,352
As at 30 June 2022	189,948	41,363	53,944	285,255	247,081

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

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

	2023 £'000	2022 £'000
Cash and cash equivalents	26,392	29,001
Loans from immediate parent undertaking	(168,481)	-
Lease liabilities	(68,381)	(70,238)
Net debt	<u>(210,470)</u>	<u>(41,237)</u>

	Leases £'000	Loans £'000	Cash £'000	Total £'000
Net debt as at 30 June 2021	(72,144)	-	69,784	(2,360)
Cash flows	13,080	-	(40,795)	(27,715)
New leases	(9,376)	-	-	(9,376)
Terminated leases	634	-	-	634
Other lease movements	(2,432)	-	-	(2,432)
Foreign exchange adjustments	-	-	12	12
Net debt as at 30 June 2022	<u>(70,238)</u>	<u>-</u>	<u>29,001</u>	<u>(41,237)</u>
Cash flows	12,608	(168,481)	(2,609)	(158,482)
New leases	(7,849)	-	-	(7,849)
Terminated leases	175	-	-	175
Other lease movements	(3,077)	-	-	(3,077)
Net debt as at 30 June 2023	<u>(68,381)</u>	<u>(168,481)</u>	<u>26,392</u>	<u>(210,470)</u>

Other lease movements includes the unwinding of lease discounting.

Leases cashflows includes £440,000 of interest payments, the balance relating to principal elements of lease payments.

24. Contingent liabilities and contingent assets

(a) Contingent liabilities

The group had no contingent liabilities at 30 June 2023 (30 June 2022: Nil)

(b) Contingent assets

The group had no contingent assets at 30 June 2023 (30 June 2022 : Nil)

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

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	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bestway UK (Holdco) Limited - Management fee payable	-	-	(3,643)	(2,500)
Bestway UK (Holdco) Limited - Recharged expenditure	-	-	-	-
Bestway UK (Holdco) Limited - Loan interest payable	-	-	-	-
Bestway UK (Holdco) Limited - Interest receivable	-	3	-	-
Bestway Wholesale Limited - Sale of goods	-	9	-	-
Bestway Retail Limited - Facilities management recharge	-	-	-	-
Bestway Retail Limited - Recharge of goods	-	-	-	-

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bestway (Holdings) Limited	-	-	-	-
Bestway Wholesale Limited	-	-	(22)	(21)
Bestway Retail Limited	-	-	-	-

During the year the Group did not trade with its immediate parent company, Bestway Healthcare Finco Limited. As noted on note 16, the immediate parent company provided the Group with funds during the year for the purchase of the Loxon Group of companies and other acquisitions (see note 20). In addition, as noted on the Directors report, the directors paid £55 million of dividends during the year to the immediate parent company and subsequent to the year end, the directors paid interim dividends of £5 million.

The amount owed is unsecured, interest free, has no fixed date of repayment, and is repayable on demand.

(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:

	2023	2022
	£'000	£'000
Short-term employee benefits	2,983	2,622
Post-employment benefits	86	98
Termination benefits	-	47
	3,069	2,767

BESTWAY PANACEA HOLDINGS LIMITED
Notes to the financial statements (continued)
For the year ended 30 June 2023

26. Events after the reporting date

On 26 July 2023 the Company acquired 100% of the share capital of John Bell & Croyden Limited for £6,157,000.00 satisfied in cash plus a deferred consideration due for the net assets of the acquired company once the completion accounts have been finalised.

On 7 August 2023 the company acquired 100% of the share capital of LP North Eleven Limited, comprising of 7 Lloyds Pharmacy branches for the sum of £6,792,102. On the 14 August 2023 the company acquired 100% of the share capital of LP North Thirteen Limited, comprising of 4 Lloyds Pharmacy branches for the sum of £3,123,313.

27. Ultimate controlling party

The immediate parent undertaking of the Company is Bestway Healthcare Finco Limited (Registered Address: Merchants Warehouse, Castle Street, Castlefield, Manchester, England, M3 4LZ; Reg. No: 14598687) 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 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 2023**

Company registration number: 09225479

		2023	2022
	Note	£'000	£'000
Non-current assets			
Investments	29	<u>112,482</u>	17,191
Total fixed assets		<u>112,482</u>	17,191
Current assets			
Trade and other receivables	30	<u>32,591</u>	5,810
Total current assets		<u>32,591</u>	5,810
Total assets		<u>145,073</u>	23,001
Current liabilities			
Trade and other payables	31	(124,241)	-
Lease liabilities	32	<u>(1,341)</u>	(1,551)
		<u>(125,582)</u>	(1,551)
Net current (liabilities) / assets		<u>(92,991)</u>	4,259
Non-current liabilities			
Lease liabilities	32	<u>(1,268)</u>	(2,045)
		<u>(1,268)</u>	(2,045)
Total liabilities		<u>(126,850)</u>	(3,596)
Net assets		<u>18,223</u>	19,405
Equity			
Share capital	33	-	-
Retained earnings		<u>18,223</u>	19,405
Total equity		<u>18,223</u>	19,405

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 £58,818,000 (2022: £29,991,000). During the year the Company received dividends from subsidiaries of £60,000,000 (2022: £30,000,000).

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 27 to 70 were approved by the Board of Directors and signed on its behalf by:



K R Jacob
Director

15 December 2023

BESTWAY PANACEA HOLDINGS LIMITED
Company Statement of Changes in Equity
For the year ended 30 June 2023

	Share Capital £'000	Retained Earnings / (Accumulated Losses) £'000	Total Equity £'000
Balance at 1 July 2021	-	19,414	19,414
Profit for the financial year	-	29,991	29,991
Dividends	-	(30,000)	(30,000)
Balance at 30 June 2022	-	19,405	19,405
Profit for the financial year	-	58,818	58,818
Dividends	-	(60,000)	(60,000)
Balance at 30 June 2023	-	18,223	18,223

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 2023

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 £58,818,000 (2022: £29,991,000), had net current liabilities of £92,991,000 as at 30 June 2023 (2022: £4,259,000) and net assets of £18,223,000 as at 30 June 2023 (2022: £19,405,000). The significant net liabilities figure is due to the Company receiving a loan from its immediate parent company to fund the purchase in the year of the Lexon Group of companies.

The directors of the Company have made an assessment of going concern, giving consideration to historical and current trading of the wider group 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 Company therefore 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 calculated using the value in use, which is calculated by using the discounted cashflow method.

BESTWAY PANACEA HOLDINGS LIMITED
Company Notes to the financial statements
For the year ended 30 June 2023

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 2023 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 2023

29. Investments

Cost and net book value

**Shares in
group undertakings
£'000**

At 30 June 2022	17,191
Additions through business combinations	95,291
At 30 June 2023	112,482

On 14 April 2023, the Company acquired 100% of the share capital of Lexon UK Holdings Limited, see note 20 for further details.

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	2023 ownership	2022 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%
Lexon UK Holdings Limited	IV	30-Jun	Ordinary	Non-trading	England & Wales	100%	0%
Asurex Limited	I	30-Jun	Ordinary	Wholesaler	England & Wales	100%	0%
Indirectly held:							
Bestway Belfast Chemists Limited	III	30-Jun	Ordinary	Pharmacy	N.Ireland	100%	100%
Bridge Pharmacy (Newcastle Emlyn) Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	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%
Frosts Pharmacy Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	0%
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%
L&P 244 Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	0%
N-Pharma Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	0%
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%	100%
Pills 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%	100%
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%

BESTWAY PANACEA HOLDINGS LIMITED
Company Notes to the financial statements (continued)
For the year ended 30 June 2023

29. Investments (continued)

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	2023 ownership	2022 ownership
Indirectly held (continued):							
Lexon UK Limited	IV	30-Jun	Ordinary	Wholesaler	England & Wales	100%	0%
Lexon Pharmaceuticals (Ireland) Limited	V	30-Jun	Ordinary	Wholesaler	Ireland	100%	0%
Dispex Limited	I	30-Jun	Ordinary	Dispensing Doctors	England & Wales	51%	0%
Norchem Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	0%
Norchem Healthcare Limited	I	30-Jun	Ordinary	Pharmacy	England & Wales	100%	0%
Key Pharma Limited	IV	30-Jun	Ordinary	Generics Wholesaler	England & Wales	100%	0%
Pharmdata Limited	I	30-Jun	Ordinary	Data Services	England & Wales	80%	0%
J F Eilbeck Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	0%
Vittoria Healthcare Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	0%
M&M Pharmacies Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	0%
Aspirus Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	0%
Westminster Park Pharmacy Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	0%
C Spedding Limited	I	30-Jun	Ordinary	Non-trading	England & Wales	100%	0%

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
IV - 18 Oxleasow Road, Moons Moat Redditch B98 0RE
V - Block 3, Harcourt Centre, Harcourt Road Dublin 2 Ireland

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30. Trade and other receivables

	2023	2022
	£'000	£'000
Lease receivable	2,609	3,596
Prepayments	7,300	-
Amounts owed by group undertakings	22,682	2,214
	32,591	5,810

The Prepayment balance relates to funds held on account to pay for potent future liabilities that may result from the purchase by the Company of the Lexon Group.

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 £2,609,000 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

	2023	2022
	£'000	£'000
Amounts owed to group undertakings	1,760	-
Amounts owed to the immediate parent company	122,481	-
	124,241	-

During the year, the immediate parent company provided funds for the purchase of the Lexon Group of companies (see note 20).

The amount owed is unsecured, interest free, has no fixed date of repayment, and is repayable on demand.

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 388 (2022: 385) vehicles. Leases of vehicles are generally limited to a term of 4 years.

BESTWAY PANACEA HOLDINGS LIMITED
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32. Lease liabilities (continued)

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

	2023	2022
	£'000	£'000
Lease liabilities less than one year	1,341	1,551
Lease liabilities greater than one year	1,268	2,045
	2,609	3,596

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

	2023	2022
	£'000	£'000
Not later than one year	1,385	1,601
After one year, but not more than five years	1,316	3,222
Future minimum lease payments	2,701	4,823

33. Called up share capital

	2023	2022
	£	£
Authorised	100	100
100 (2022: 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.

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
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34. Related party transactions (continued)

Directors' remuneration

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

	2023	2022
	£'000	£'000
Bestway National Chemists Limited	1,410	1,110
Bestway Pharmacy NDC Limited	155	73
Donald Wardle and Son Limited	25	9
Bestway Belfast Chemists Limited	14	16
Lexon UK Limited	62	-
	1,666	1,208

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.