Pharmacy 2U Limited

Abbreviated Annual Report and Accounts

for the year ended 31 March 2004

Registered Number 3802593

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Contents

Independent auditors' report to the directors of Pharmacy 2U Limited under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements which comprise the balance sheet, the related notes and the accounting policies set out in the statement of accounting policies of together with the annual financial statements of Pharmacy 2U Limited for the year ended 31 March 2004.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246 of and Schedule 8A to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Companies Act 1985 and whether the abbreviated financial statements are properly prepared in accordance with those provisions and to report our opinion to you. This report, including the opinion, has been prepared for and only for the company's directors for the purpose of section 247B of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the annual financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements are properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the annual financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Companies Act 1985 and the abbreviated financial statements to be delivered are properly prepared in accordance with those provisions.

Other information

On 25 October 2004 we reported, as auditors of Pharmacy 2U Limited, to the members on the financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 31 March 2004, and our audit report was as follows:

'We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the directors of Pharmacy 2U Limited under section 247B of the Companies Act 1985 (continued)

Respective responsibilities of directors and auditors (continued)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if; in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Uncertainty - going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the statement of accounting policies concerning the uncertainty as to the company's future funding. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985'.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
25 October 2004

Pharmacy 2U Limited

Balance sheet as at 31 March 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	1	**38**	60
		38	60
Current assets			
Stocks		**195**	169
Debtors		**141**	214
Cash at bank and in hand		**12**	99
		348	482
Creditors: amounts falling due within one year		**(793)**	(592)
Net current liabilities		**(445)**	(110)
Total assets less current liabilities		**(407)**	(50)
Creditors: amounts falling due after more than one year		**(435)**	(435)
Net liabilities		**(842)**	(485)
Capital and reserves			
Called up share capital	2	**522**	522
Share premium account		**3,460**	3,460
Profit and loss account		**(4,824)**	(4,467)
Total shareholders' deficit		**(842)**	(485)

The abbreviated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The abbreviated financial statements on pages 3 to 6 were approved by the board of directors on 25 October 2004 and were signed on its behalf by:

Director

Pharmacy 2U Limited

Accounting policies

The abbreviated financial statements are prepared using the following accounting policies.

Basis of preparing the financial statements - going concern
During the year the company incurred a loss of £357,000 and at the balance sheet date its current liabilities exceeded its current assets by £842,000.

The company is still developing the business and has relied on its investors for financial support. The directors have considered forecasts prepared by the company of the future sales revenue and cash flows that the company is expected to generate. These forecasts indicate that the current level of investor support will be adequate for the company's needs in the future. The forecasts have been prepared on the basis of assumptions, which are subject to an inherent degree of uncertainty.

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends largely on the company being able to meet its forecasts of sales revenue and cash flows.

If the company were unable to continue in operational existence for the foreseeable future, adjustments may *have to be made to adjust the balance sheet values of assets to their recoverable amounts, to provide for further* liabilities that might arise and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Whilst the outcome of the matters mentioned above are presently uncertain, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis.

Turnover
Turnover is the invoiced value of goods and services supplied during the year, excluding value added tax.

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

Plant and machinery 20 – 33.33%

Stocks
Stocks are stated at the lower of cost and net realisable value.

Pension costs
The costs of providing retirement pensions and related benefits is charged to the profit and loss account as incurred.

Website development costs
Website development costs are charged to the profit and loss account as incurred.

Accounting policies (continued)

Finance and operating leases
Where assets are financed by hire purchase agreements which transfer to the company substantially all the benefits and risks of ownership of an asset, the assets are treated as if they had been purchased outright. The amount capitalised is the fair value of the asset. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of the lease terms and the useful live of equivalent owned assets.

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Deferred taxation
In accordance with FRS19, deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when the differences reverse based on current tax rates and laws. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the abbreviated financial statements for the year ended 31 March 2004

1 Tangible assets

	Plant and machinery £'000
Cost	
At 1 April 2003	164
Additions	6
Disposals	(19)
At 31 March 2004	**151**
Depreciation	
At 1 April 2003	104
Charge for the year	26
Disposals	(17)
At 31 March 2004	**113**
Net book amount	
At 31 March 2004	**38**
At 31 March 2003	60

2 Called up share capital

	2004 £'000	2003 £'000
Authorised		
45,888,313 (2003: 45,888,313) ordinary shares of 10p each	**4,589**	4,589
4,111,687 (2003: 4,111,687) preferred ordinary shares of 10p each	**411**	411
	5,000	5,000
Allotted and fully paid		
2,620,275 (2003: 2,620,275) ordinary shares of 10p each	**262**	262
2,603,876 (2003: 2,603,876) preferred ordinary shares of 10p each	**260**	260
	522	522

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