Registered Number 03802593

Pharmacy2U Limited

Annual report and consolidated financial statements for the year ended 31 March 2020

Pharmacy2U Limited

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Pharmacy2U Limited

Directors and advisers

Directors

M Livingstone	(Chief Executive Officer)
G Dannatt	(Chief Operating Officer)
P Day	(Superintendent Pharmacist)

Company secretary
S Fawcett

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Registered Number
03802593

Pharmacy2U Limited

Strategic report for the year ended 31 March 2020

The directors present their strategic report on the group for the year ended 31 March 2020.

Business review

Established in 1999, Pharmacy2U Limited was the UK's first internet pharmacy and is now the country's largest dedicated NHS contracted online pharmacy delivering prescriptions direct to patients' doors. In July 2016 the Company merged with Chemist Direct to create a clear leader in UK online pharmacy.

On 29 March 2018, the group secured £40m of equity investment to support the rapid growth of its online NHS repeat prescription service. The financing was led by G-Square Capital, a London based private equity firm with an investment strategy dedicated to healthcare in Europe and was supported by the Business Growth Fund.

The Group's core strategy remains focussed around providing a fully managed repeat prescription delivery service, which allows prescriptions and medicines to be delivered direct to the doorstep. Like traditional pharmacies, Pharmacy2U Limited can offer patients expert advice, and its investment in technology has also allowed it to introduce new and innovative services, such as electronic requesting of repeat prescriptions and a repeat prescription reminder service that ensures patients are ordering and taking their medicines appropriately.

Pharmacy2U Limited operates to the highest professional standards in line with all other UK regulated community pharmacies. It is registered with the General Pharmaceutical Council, the Care Quality Commission and holds an NHS wholly mail-order pharmacy contract. In addition to dispensing NHS prescriptions, the group also runs an online doctor consultation service and performs online retail of a broad range of health and wellbeing products.

The company is a private company limited by shares, incorporated and domiciled in the UK.

On 31 March 2020 Direct Healthcare Limited transferred the trade and assets of the business to Pharmacy2U Limited following this intra-group transfer the company ceased to trade.

Throughout the year ended 31 March 2020, the Group continued to invest in multiple marketing channels to recruit new patients. The number of NHS patients nominated to Pharmacy2U increased by 29% in the year to 441,000 (2019: 331,000). In the 6-month period to September 2020 the rate of patient growth has accelerated, in part due to the Coronavirus pandemic, with 553,000 patients nominated at the end of September 2020. The growth of the patient base delivered a 29% increase in revenue to £78.3 million (2019: £60.7 million).

During the year ended 31 March 2020 the Group made significant improvements in operational efficiency and leveraged the increased scale to improve gross margin. In addition, improved awareness of the Pharmacy2U brand led to a lower marketing costs per patient. The combination of these factors dramatically improved profitability, LBITDA increased by £11.0 million to a loss of £3.7 million. The group achieved a key milestone of becoming EBITDA positive before marketing at the start of the year ended 31 March 2020, and generated EBITDA before marketing of £2.2 million in the year (2019: £2.7 million loss). Significant progress was made in the year to reduce operating costs through scale and operational efficiencies, which largely mitigated the impact of reductions in the level of NHS reimbursement to all pharmacies in the year.

The group made a loss of £3.8 million for the year ended 31 March 2020 (2019: £16.0 million), with exceptional costs of £0.9 million (2019: £0.2 million), comprising mainly of costs in relation to restructuring. Since March 2020 the group has achieved positive EBITDA inclusive of all marketing costs.

At 31 March 2020, the group had net assets of £18.0 million (2019: £17.2 million).

The national lockdown that began in March as a result of the Coronavirus pandemic led to unprecedented growth in demand for the company's services. In order to meet this demand the dispensing facilities were operating seven days a week for a number of months. Consequently the auditors were unable to attend a year end stock count and have therefore issued a modified audit opinion.

Future outlook

The group is well positioned to deliver further growth of the core NHS repeat prescription business, and is striving to gain a much higher share of the NHS repeat prescription market by accelerating the existing multi-channel marketing approach. The Group is expected to launch a second dispensing facility in Q4 2020 which together with the existing Leeds facility will provide operational capacity for c.10% of the repeat prescription market in England. This investment will also transform the operating costs of the Group by leveraging new and improved technology.

Principal risks and uncertainties

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

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

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

Credit risk
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The company does not require collateral in respect of financial assets. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk
The group is exposed to interest rate risk on its cash balances and borrowings. Borrowings are impacted by changes in the Bank of England base rate. Surplus cash, when available, is invested to achieve the best possible interest rate taking into account the period over which it will be invested.

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

Key performance indicators ("KPIs")

In our opinion, the Pharmacy2U Limited business has grown rapidly due to focus on providing an excellent customer experience. We maintain and monitor a full range of financial and operational KPI's typical for a business of this size and in this market sector and take regular feedback from our customers to ensure we continue to improve our customer service.

	2020	2019	Growth (%)
KPIs			
NHS Prescription items despatched ('000)	**7,440**	5,322	40%
NHS patient nominations ('000)	**441**	331	29%
Revenue (£'000)	**78,329**	60,672	29%
Gross margin	**25.7%**	25.0%	
EBITDA before marketing	**2,192**	(2,700)	135%
LBITDA	**(3,665)**	(14,630)	75%

Going concern and the impact of Covid 19

In light of the Covid 19 pandemic, the directors have considered the impact of Covid 19 on the financial projections and cash flows, together with the wider going concern status of the company. In particular, the directors have had regard to the effects of the Covid 19 pandemic on the demand for the company's products and services, the operations of the business and the availability of appropriate funding for the company's day to day requirements.

The company has traded strongly since the year-end and has experienced a higher than expected growth rate. Operational performance and customer service levels have also remained very strong throughout this period. The company has taken many precautions to protect the welfare of its employees be enabling remote working where possible, and implementing strict social distancing measures where not. It has also implemented strict hygiene policies and issued protective equipment where necessary. Furthermore, the directors have assessed the impact of Covid 19 on suppliers, and the company has not seen any impact on supply chain partners and their ability to service our requirements.

Whilst recognising the uncertainty generated across the wider economy from the Covid 19 pandemic, the directors have carefully assessed the expected impact on the business, and together with the strong trading performance since the start of the Covid 19 crisis, and having regard to the financial and working capital forecasts, have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Section 172 Statement

The Board of directors of Pharmacy2U Limited consider, both individually and together, that they have acted in the way they consider good faith and promote the success of the company for the benefit of its members as a whole.

The Company is not required to adopt an official recognised corporate government code. However, the Board of Directors have introduced an internal corporate governments code which establish rules and guidelines for strategic, commercial, financial, legal and employment matters. These duties are detailed in this section 172 of the UK Companies Act 2006 which is summarise below:

- *Stakeholders*

The directors consider that the key stakeholders of the business are the employees, patients and customers, investors, suppliers and regulators. There we no key decisions made in the year impacting upon the stakeholders.

- *Risk Management*

The Company provides clinical services for hundreds of thousands of patients in a highly regulated environment. It is therefore vital that the company effectively identify, evaluate, manage and mitigate the risks the business faces, and the company continues to evolve its approach to its risk management.

- *The People*

The Company is committed to being a responsible business. The Company behaviour is aligned with the expectation of its people, clients, shareholders and communities and society as a whole. People are at the heart of the delivery of excellent customer service to its patients and customers. For our business to succeed we need to manage people's performance and develop and bring through talent while ensuring the Company operates as efficiently as possible.

The Board of Directors of the Company and the executive management team engage directly with the employees through regular visits and meetings taking place across all sites. Regular communication is provided to all employees either by way of e-mail updates or all hands presentations. The Company has trained and appointed a Mental Health first aider, a role that has been invaluable to many employees throughout the coronavirus pandemic. A Freedom to Speak up Guardian has also been appointed to ensure employees have an easy way to raise any concerns.

- *Business Relationship*

The Company strategy is focused on delivering excellent customer service to its patients and customers. To do this, the Company needs to develop and maintain strong relationships with many stakeholders. The Company values all of its suppliers as they are key in enabling the Company to deliver its strategy. The company has long term contracts with its key suppliers.

- *Shareholders*

The Executive team and the Board of Directors are openly engaged with the Company shareholders as they recognise the importance of continuing an effective dialogue. The shareholders are actively engaged in the Company affairs with their representatives being members of the Board of Directors of the parent company. They support the Company by helping to deliver its key objectives.

- *Community and environment*

The Company's approach is to create positive changes for the people and the communities with which the Company interact. The Company is committed to embrace the safeguard of the environment as demonstrated by the following projects:

- Reduced energy consumption through installation of LED lighting and motion sensors.
- Installation of electric car charging points.
- Reduced the use packaging and consumables wherever possible.
- All waste is recycled. Cardboard is compacted and sold back to the supplier.
- Commissioned independent review of energy use and became operationally carbon neutral through the purchase of carbon credits after the year end.

Carbon footprint

In accordance with the streamlined energy and carbon reporting ("SECR") guidance we report on our Greenhouse gas emissions and energy usage for the year ended 31 March 2020. As this is the first year of reporting, no comparative figures have been provided. Key actions taken to reduce energy consumption are included in the Section 172 statement above.

The emissions and energy usage figures for the year are calculated in line with the Energy Mangers Association ("EMA") methodology and have been externally verified by the EMA.

		Year ended 31 March 2020
Total UK energy use	Thousand kWh	946
Total UK emissions	Thousand tonnes of CO2e	216
Intensity ratio	Thousand tonnes of CO2e per m2 of floor area	0.02

On behalf of the Board

G Dannatt
Director
9 December 2020

Pharmacy2U Limited

Directors' report for the year ended 31 March 2020

The directors present their report together with the audited consolidated financial statements for the year ended 31 March 2020.

The directors do not propose payment of a dividend in respect of the financial year ended 31 March 2020 (2019: £nil).

Directors

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

M Livingstone
G Dannatt
D Lee (resigned 6 June 2019)
P Day (appointed 6 June 2019)

Future developments, going concern and financial risk management

Please refer to the Strategic Report on pages 2 to 6.

Employees

The Group regularly provides employees with information on matters of concern to them. Employee involvement in the Group's affairs is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining its ongoing success. The Group encourages the involvement of employees in influencing decision making and direction wherever possible or appropriate.

Equal Opportunities

The Group is committed to employment policies based on equal opportunities for all employees irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Research and Development

The group is fully committed to ongoing technological innovation in all areas of its business. The group has invested significantly in the design and development of bespoke automated dispensing facilities to improve both operational efficiency and clinical accuracy. The group has also invested heavily in integrated customer focused product development. Expenditure on research and development in the year amounted to £2.7, of which £1.2m is recorded as an expense in the consolidated statement of comprehensive income and £1.5m has been capitalised (2019: £1.4 million total, £0.9m expense, £0.5m capitalised).

Directors' report for the year ended 31 March 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group 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 IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 group and 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 group and company's auditors are aware of that information.

Independent auditors

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

On behalf of the Board

G Dannatt
Director
9 December 2020

Independent auditors' report to the members of Pharmacy2U Limited

Qualified Opinion

We have audited the financial statements of Pharmacy2U Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise The consolidated and company balance sheets, the consolidated statement of comprehensive income, the consolidated and company statements of cash flows, the consolidated and company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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 31 March 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of qualified opinion

Due to the COVID-19 pandemic we were unable to attend the physical inventory count at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 March 2020, which are stated in the statements of financial position at £4,338k. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories or related amounts, and the related elements making within the statement of comprehensive income, statement of changes in equity and statement of cash flows.

In addition, were any adjustment to the inventory balance to be required, the Strategic Report would also need to be amended.

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 qualified opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

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

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £4,338k held at 31 March 2020. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit

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.

Independent auditors' report to the members of Pharmacy2U Limited

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds, UK
9 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Pharmacy2U Limited

Consolidated statement of comprehensive income for the year ended 31 March 2020

	Note	**2020** **£'000**	2019 £'000
Revenue	1	**78,329**	60,672
Cost of sales		**(58,160)**	(45,509)
Gross profit		**20,169**	15,163
Distribution costs		**(17,796)**	(23,012)
Administrative expenses - continuing		**(8,209)**	(8,255)
Administrative expenses - exceptional	3	**(931)**	(218)
Operating loss	2	**(6,767)**	(16,323)
Analysed as:			
LBITDA		**(3,665)**	(14,630)
Amortisation – intangibles	10	**(819)**	(710)
Amortisation – right of use assets	21	**(560)**	-
Depreciation	11	**(792)**	(765)
Exceptional items	3	**(931)**	(218)
Operating loss		**(6,767)**	(16,323)
Interest receivable	7	**-**	11
Interest payable	7	**(469)**	(75)
Loss before taxation		**(7,236)**	(16,387)
Taxation	8	**3,448**	432
Loss and total comprehensive expense for the year		**(3,788)**	(15,955)

All items dealt with in arriving at the operating loss above relate to continuing operations.

There are no material differences between the loss before taxation and the loss for the year stated above and their historical cost equivalents.

Pharmacy2U Limited

Consolidated balance sheet as at 31 March 2020

	Note	**2020 £'000**	2019 £'000
Assets			
Non-current assets			
Intangible assets	10	**5,519**	4,755
Property, plant and equipment	11	**8,992**	3,901
Investments	12	**-**	-
Deferred taxation	16	**3,284**	616
Right of use assets	21	**5,415**	-
Total non-current assets		**23,210**	9,272
Current assets			
Inventories	13	**4,388**	3,092
Trade and other receivables	14	**16,554**	12,246
Current taxation receivable	15	**1,554**	774
Cash and cash equivalents		**3,245**	9,663
Total current assets		**25,741**	25,775
Total assets		**48,951**	35,047
Equity and liabilities			
Current liabilities			
Trade and other payables	17	**15,960**	13,293
Borrowings	17	**6,302**	4,202
Lease liabilities	21	**371**	-
Total current liabilities		**22,633**	17,495
Non-current liabilities			
Trade and other payables	18	**225**	270
Borrowings	18	**2,385**	107
Lease liabilities	21	**5,633**	-
Total non-current liabilities		**8,243**	377
Total liabilities		**30,876**	17,872
Equity			
Called up share capital	20	**15,001**	10,001
Accumulated losses		**3,074**	7,174
Total equity		**18,075**	17,175
Total equity and liabilities		**48,951**	35,047

Pharmacy2U Limited

Consolidated balance sheet as at 31 March 2020 (continued)

	2020 **£'000**	2019 £'000
Accumulated profit/(losses) brought forward	**7,174**	(36,756)
Loss for the financial year	**(3,788)**	(15,955)
Share consolidation	**-**	59,885
IFRS 16 adjustment	**(312)**	-
Accumulated profit	**3,074**	7,174

The financial statements on pages 12 to 48 were approved by the board of directors and authorised for issue on 9 December 2020 and were signed on its behalf by:

G Dannatt
Director
Pharmacy2U Limited, registered number: 03802593

Pharmacy2U Limited

Company balance sheet as at 31 March 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	10	**4,546**	3,616
Property, plant and equipment	11	**8,992**	3,842
Investments	12	**25**	25
Deferred taxation	16	**3,284**	616
Right of use assets	21	**5,377**	-
Total non-current assets		**22,224**	8,099
Current assets			
Inventories	13	**4,388**	2,442
Trade and other receivables	14	**16,554**	11,764
Current taxation receivable	15	**1,554**	774
Cash and cash equivalents		**3,245**	9,382
Total current assets		**25,741**	24,362
Total assets		**47,965**	32,461
Equity and liabilities			
Current liabilities			
Trade and other payables	17	**27,495**	11,579
Borrowings	17	**6,302**	4,202
Lease liabilities	21	**320**	-
Total current liabilities		**34,117**	15,781
Non-current liabilities			
Trade and other payables	18	**225**	270
Borrowings	18	**2,385**	107
Lease liabilities	21	**5,633**	-
Total non-current liabilities		**8,243**	377
Total liabilities		**42,360**	16,158
Equity			
Called up share capital	20	**15,001**	10,001
Merger reserve	12	**(858)**	11,571
Accumulated losses		**(8,538)**	(5,269)
Total equity		**5,605**	16,303
Total equity and liabilities		**47,965**	32,461

Pharmacy2U Limited

Company balance sheet as at 31 March 2020 (continued)

	2020 £'000	2019 £'000
Accumulated losses brought forward	**(5,269)**	(33,816)
Loss for the financial year	**(2,981)**	(19,767)
Share consolidation	**-**	48,314
IFRS 16 adjustment	**(288)**	-
Accumulated losses	**(8,538)**	(5,269)

The financial statements on pages 12 to 48 were approved by the board of directors on 9 December 2020 and were signed on its behalf by:

G Dannatt
Director
Pharmacy2U Limited, registered number: 03802593

Pharmacy2U Limited

Consolidated statement of changes in equity for the year ended 31 March 2020

	Note	Called up Share Capital £'000	Share premium account £'000	(Accumulated losses)/Retained earnings £'000	Total Equity £'000
At 1 April 2019		10,001	-	7,174	**17,175**
Effect of adoption of IFRS 16	21	-	-	(312)	**(312)**
At 1 April 2019 as restated		10,001	-	6,862	**16,863**
Loss and total comprehensive expense for the financial year		-	-	(3,788)	**(3,788)**
Shares issued in the financial year	20	5,000	-	-	**5,000**
At 31 March 2020		**15,001**	**-**	**3,074**	**18,075**

	Called up Share Capital £'000	Share premium account £'000	(Accumulated losses)/Retained earnings £'000	Total Equity £'000
At 1 April 2018	28,034	31,851	(36,756)	**23,129**
Loss and total comprehensive expense for the financial year	-	-	(15,955)	**(15,955)**
Shares issued in the financial year	10,001	-	-	**10,001**
Share consolidation	(28,034)	(31,851)	59,885	-
At 31 March 2019	**10,001**	**-**	**7,174**	**17,175**

The following describes the nature and purpose of each reserve within equity:

Share premium
Amount subscribed for share capital in excess of nominal value.

Accumulated losses
All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Pharmacy2U Limited

Company statement of changes in equity for the year ended 31 March 2020

		Called up Share Capital	Share premium account	Merger Reserve	Accumulated losses	Total Equity
		£'000	£'000	£'000	£'000	£'000
At 1 April 2019		10,001	-	11,571	(5,269)	**16,303**
Effect of adoption of IFRS 16	21	-	-	-	(288)	**(288)**
At 1 April 2019 as restated		10,001	-	11,571	(5,557)	**16,015**
Loss and total comprehensive expense for the financial year		-	-	-	(2,981)	**(2,981)**
Shares issued in the financial year	20	5,000	-	-	-	**5,000**
Transfer of trade and assets from subsidiary undertaking		-	-	(12,429)	-	**(12,429)**
At 31 March 2020		**15,001**	**-**	**(858)**	**(8,538)**	**5,605**

	Called up Share Capital	Share premium account	Merger Reserve	Accumulated losses	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	28,034	20,280	11,571	(33,816)	**26,069**
Loss and total comprehensive expense for the financial year	-	-	-	(19,767)	**(19,767)**
Shares issued in the financial year	10,001	-	-	-	**10,001**
Share consolidation	(28,034)	(20,280)	-	48,314	**-**
At 31 March 2019	**10,001**	**-**	**11,571**	**(5,269)**	**16,303**

The following describes the nature and purpose of each reserve within equity:

Share premium
Amount subscribed for share capital in excess of nominal value.

Merger Reserve
Represents the difference between the value of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries accounted for under merger accounting.

Accumulated losses
All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Pharmacy2U Limited

Consolidated cash flow statement for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities	22	**(7,862)**	(18,710)
Taxation recovered		-	330
Net cash outflow from operating activities		**(7,862)**	(18,380)
Cash flows from investing activities			
Payments to acquire plant, property and equipment	11	**(5,883)**	(1,881)
Payments to acquire intangible assets	10	**(1,583)**	(701)
Net cash outflow from investing activities		**(7,466)**	(2,582)
Cash flows from financing activities			
Increase in borrowings		**8,581**	-
Loan repayments		**(4,202)**	(241)
Share issue	20	**5,000**	10,001
Interest paid		**(469)**	(75)
Interest received		-	11
Net cash inflow from financing activities		**8,910**	9,696
Net (decrease) in cash and cash equivalents	23	**(6,418)**	(11,266)
Opening cash and cash equivalents		**9,663**	20,929
Closing cash and cash equivalents		**3,245**	9,663

Pharmacy2U Limited

Company cash flow statement for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities	22	**(7,543)**	(18,449)
Taxation		**-**	330
Net cash outflow from operating activities		**(7,543)**	(18,119)
Cash flows from investing activities			
Payments to acquire plant, property and equipment	11	**(5,924)**	(1,847)
Payments to acquire intangible assets	10	**(1,583)**	(701)
Net cash outflow from investing activities		**(7,507)**	(2,548)
Cash flows from financing activities			
Increase in borrowings		**8,581**	-
Loan repayments		**(4,202)**	(242)
Share capital issue	20	**5,000**	10,001
Interest paid		**(466)**	(75)
Interest received		**-**	11
Net cash inflow from financing activities		**8,913**	9,695
Net (decrease) in cash and cash equivalents	23	**(6,137)**	(10,972)
Opening cash and cash equivalents		**9,382**	20,354
Closing cash and cash equivalents		**3,245**	9,382

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2020

The principal accounting policies applied in the preparation of these consolidated and company separate financial statements (the "financial statements") are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of preparation
The consolidated financial statements of Pharmacy2U Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and The Companies Act 2006 as applicable to companies using IFRS.

As permitted by section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company have not been separately disclosed in the financial statements.

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006, except where adopted IFRS requires alternative treatment.

Going concern
The group meets its day-to-day working capital requirements through its bank facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the level of its current facilities.

In light of the Covid 19 pandemic, the directors have considered the impact of Covid 19 on the financial projections and cash flows, together with the wider going concern status of the company. In particular, the directors have had regard to the effects of the Covid 19 pandemic on the demand for the company's products and services, the operations of the business and the availability of appropriate funding for the company's day to day requirements.

The company has traded strongly since the year-end and has experienced a higher than expected growth rate. Operational performance and customer service levels have also remained very strong throughout this period. The company has taken many precautions to protect the welfare of its employees be enabling remote working where possible, and implementing strict social distancing measures where not. It has also implemented strict hygiene policies and issued protective equipment where necessary. Furthermore, the directors have assessed the impact of Covid 19 on suppliers, and the company has not seen any impact on supply chain partners and their ability to service our requirements.

Whilst recognising the uncertainty generated across the wider economy from the Covid 19 pandemic, the directors have carefully assessed the expected impact on the business, and together with the strong trading performance since the start of the Covid 19 crisis, and having regard to the financial and working capital forecasts, have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Changes in accounting policies

New standards, interpretations, and amendments effective from 1 January 2019

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 March 2020, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (IFRS 16); and
- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23).

Details of the impact IFRS 16 has had are given in note 21. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2020 (continued)

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

Revenue recognition
Revenue from the dispensing of NHS prescriptions is recognised at the transaction price, which is calculated using the NHS drug tariff applicable for the month in which the item has been dispensed. For all other revenue, the transaction price is the invoiced value of the goods supplied, excluding value added tax.

Revenue is recognised at the point of goods being despatched, therefore the company retains no performance obligations.

Contracts with customers are non-complex and do not require any significant accounting judgements or estimates.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Exceptional costs
Costs which individually or, if of a similar type, in aggregate, need to be disclosed separately by virtue of their size or incidence if the financial statements are to give a true and fair view are shown as exceptional items and disclosed separately in the statement of comprehensive income, within the relevant cost heading.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Software – 3 to 5 years
- Acquired brands, customer base - 10 years

Amortisation is included in administrative expenses in the statement of comprehensive income.

Property, plant and equipment
All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Provision for depreciation is made so as to write off the cost of property, plant and equipment on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used are as follows:

- Plant and machinery 10 - 33.33%
- Fixtures and fittings 20%

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

Statement of accounting policies for the year ended 31 March 2020 (continued)

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial instruments
The company recognises financial instruments when it becomes party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instrument transactions are explained below.

Financial assets and financial liabilities are initially measured at fair value.

Financial assets
The Company classifies its financial assets as those to be measured at amortised cost and those recognised at fair value through other comprehensive income.

Trade receivables are amounts due from customers for goods sold or NHS prescriptions dispensed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method in accordance with IFRS9. Financial assets are reviewed for impairment under the simplified approach to the expected credit loss model under IFRS9. This is calculated through the use of a provision matrix by considering default rates by receivable age. The movement in allowances for receivables is charged or credited through the income statement. Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities
The Company's financial liabilities include trade payables, borrowings, finance lease liabilities, accruals and other creditors and are all categorised under amortised cost in accordance with IFRS9.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings, which comprised bank loans are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the arrangement of the loan facilities are recognised as transaction costs over the life of the agreement.

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

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

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2020 (continued)

Identifying leases
The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:
(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Statement of accounting policies for the year ended 31 March 2020 (continued)

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Statement of accounting policies for the year ended 31 March 2020 (continued)

Current and deferred taxation
The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the statement of comprehensive income. The consolidated financial statements are presented in sterling (£) which is the group's presentation currency.

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

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

Capital management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The group monitors capital on the basis of the gearing ratio and cash availability. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Statement of accounting policies for the year ended 31 March 2020 (continued)

Critical accounting estimates and Judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity and areas where assumptions and estimates are significant are disclosed below:

Estimated impairment of goodwill and intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 10).

Deferred tax

The Group recognises deferred tax assets in respect of tax losses to the extent that it is probable that there will be sufficient taxable profit to utilise the losses.

The determination of the incremental borrowing rate used to measure lease liabilities (note 21):

Management have concluded that that the interest rate implicit in the leases cannot be readily determined therefore the leases held have been discounted by the incremental borrowing rate (IBR), being the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain assets of a similar value to the right-of-use assets in a similar economic environment.

To determine the IBR management has used the lending rate and margin offered on existing finance of 4.6%.

Notes to the financial statements for the year ended 31 March 2020

1 Revenue

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

2 Operating loss

	2020 **£'000**	2019 £'000
Operating loss is stated after charging:		
Depreciation of tangible fixed assets (note 11)	**792**	765
Amortisation of intangible fixed assets (note 10)	**819**	710
Research and development	**1,202**	708
Services provided by the company's auditors:		
Fees payable for the audit of parent company and consolidated financial statements	**45**	25
Fees payable for the audit of subsidiaries	**10**	15
Tax compliance services	**-**	10

3 Exceptional items

	2020 **£'000**	2019 £'000
Restructuring costs	**931**	218
	931	218

4 Employee information

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

	2020 Group Number	2019 Group Number	**2020 Company Number**	2019 Company Number
Selling and distribution	**272**	225	**249**	202
Administration	**80**	74	**60**	55
	352	299	**309**	257

Notes to the financial statements for the year ended 31 March 2020 (continued)

5 Employee benefit expense

	2020 Group £'000	2019 Group £'000	**2020 Company £'000**	2019 Company £'000
Wages and salaries	**8,588**	9,375	**8,044**	7,995
Social security costs	**670**	665	**581**	529
Other pension costs (note 26)	**196**	204	**176**	180
	9,454	10,244	**8,801**	8,704

Internal staff costs of £479,000 have been capitalised in the year (2019: £450,000). These are included within note 10, intangible fixed assets and are excluded from the above analysis.

6 Directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	**531**	449
Company contributions to money purchase pension schemes	**9**	9
	540	458

Highest paid director	**2020 £'000**	2019 £'000
Aggregate emoluments	**165**	159

Retirement benefits are accruing to 2 (2019: 1) directors under a defined contribution scheme.

7 Net finance costs

	2020 £'000	2019 £'000
Interest receivable and similar income	**-**	11
Bank interest payable	**(234)**	(75)
Finance charge on leases	**(235)**	-
	(469)	(64)

Notes to the financial statements for the year ended 31 March 2020 (continued)

8 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on losses for the year	**780**	432
Total current tax credit	**780**	432
Deferred tax		
Origination and reversal of timing differences	**119**	-
Losses	**2,549**	-
Total deferred tax credit (note 16)	**2,668**	-
Total tax credit	**3,448**	432

The total tax credit is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Loss before taxation	**(7,236)**	(16,387)
Loss before taxation multiplied by standard rate in the UK of 19 % (2019: 19%)	**(1,375)**	(3,114)
Expenses not deductible	**673**	291
Income not taxable	**(73)**	-
Relief for research and development expenditure	**(770)**	(432)
Tax rate changes	**(72)**	-
Tax losses not recognised	**(1,831)**	2,823
Total tax credit	**(3,448)**	(432)

9 Company statement of comprehensive income

The company has taken advantage of the exemption contained within Section 408 of the Companies Act 2006 and consequently a profit and loss account for Pharmacy2U Limited is not presented. The loss within the financial statements of the company is £2,981,000 (2019: loss of £19,767,000).

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

10 Intangible assets

Group	Goodwill £'000	Customer Base £'000	Brand £'000	Software development £'000	Assets under construction £'000	Total £'000
Cost						
At 1 April 2018	15,630	336	1,323	1,784	-	19,073
Additions	-	-	-	701	-	701
At 31 March 2019	**15,630**	**336**	**1,323**	**2,485**	-	**19,774**
Accumulated amortisation						
At 1 April 2018	(13,409)	(59)	(231)	(610)	-	(14,309)
Charge for the year	-	(34)	(132)	(544)	-	(710)
At 31 March 2019	**(13,409)**	**(93)**	**(363)**	**(1,154)**	-	**(15,019)**
Net book amount						
At 31 March 2019	**2,221**	**243**	**960**	**1,331**	-	**4,755**
At 31 March 2018	2,221	277	1,092	1,174	-	4,764
Cost						
At 1 April 2019	15,630	336	1,323	2,485	-	19,774
Additions	-	-	-	656	927	1,583
Disposals	-	-	-	(270)	-	(270)
At 31 March 2020	**15,630**	**336**	**1,323**	**2,871**	**927**	**21,085**
Accumulated amortisation						
At 1 April 2019	(13,409)	(93)	(363)	(1,154)	-	(15,019)
Charge for the year	-	(34)	(132)	(653)	-	(819)
Disposals	-	-	-	270	-	270
At 31 March 2020	**(13,409)**	**(127)**	**(495)**	**(1,537)**	-	**(15,568)**
Net book amount						
At 31 March 2020	**2,221**	**209**	**828**	**1,334**	**927**	**5,519**
At 31 March 2019	2,221	243	960	1,331	-	4,755

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

10 Intangible assets (continued)

Company	Goodwill £'000	Software development £'000	Assets under construction £'000	Total £'000
Cost				
At 1 April 2018	2,285	1,784	-	4,069
Additions	-	701	-	701
At 31 March 2019	**2,285**	**2,485**	**-**	**4,770**
Accumulated amortisation				
At 1 April 2018	-	(609)	-	(609)
Charge for the year	-	(545)	-	(545)
At 31 March 2019	**-**	**(1,154)**	**-**	**(1,154)**
Net book amount				
At 31 March 2019	**2,285**	**1,331**	**-**	**3,616**
At 31 March 2018	2,285	1,175	-	3,460
Cost				
At 1 April 2019	2,285	2,485	-	4,770
Additions	-	656	927	1,583
Disposals	-	(270)	-	(270)
At 31 March 2020	**2,285**	**2,871**	**927**	**6,083**
Accumulated amortisation				
At 1 April 2019	-	(1,154)	-	(1,154)
Charge for the year	-	(653)	-	(653)
Disposals	-	270	-	270
At 31 March 2020	**-**	**(1,537)**	**-**	**(1,537)**
Net book amount				
At 31 March 2020	**2,285**	**1,334**	**927**	**4,546**
At 31 March 2019	2,285	1,331	-	3,616

10 Intangible assets (continued)

The goodwill on the group balance sheet arose on the acquisition of Private Meds Limited in August 2012. This was recognised on the company balance sheet following the transfer of trade and assets to Pharmacy2U Limited at their net book value of £25,000 on 31 March 2013.

Goodwill is tested annually for impairment and whenever there are indications that it may have suffered an impairment.

Goodwill is considered impaired to the extent that its carrying amount exceeds its recoverable amount, which is the higher of the value in use and the fair value less costs to sell the CGU to which it is allocated. In the impairment test of goodwill the recoverable amount was determined by value in use calculations.

The Group base the value in use calculations on cash flow forecasts derived from the most recent financial plans approved by the Board, in which the principle assumptions were regarding growth rates and changes in costs.

Cash flows for beyond three years for the CGUs to which individually significant amounts of goodwill were allocated were calculated using a 1.0% per annum growth rate.

The Group applied discount rates to the resulting cash flow projections that reflect current market assessments of the time value of money and the risks specific to the CGU. In each case the discount rate was determined using a capital asset pricing model – pre-tax discount rate used during the year was 15%.

Goodwill has been tested and there is no impairment required for the year end 31 March 2020 (2019:nil).

The impairment test for the year ended 31 March 2020 has identified that the carrying value of goodwill is sensitive to changes in assumptions. The table below shows the headroom at 31 March 2020, and the impact of changes in the assumptions used in calculating the fair value:

	Headroom (£'000)
Headroom at 31 March 2020	nil
Long term growth rate reduced from 1% to 0%	(£93,000)
1% increase in discount rate from 15% to 16%	(£145,000)

Notes to the financial statements for the year ended 31 March 2020 (continued)

11 Property, plant and equipment

Group	Plant and machinery £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost				
At 1 April 2018	3,978	967	-	4,945
Additions	1,427	454	-	1,881
At 31 March 2019	**5,405**	**1,421**	-	**6,826**
Accumulated depreciation				
At 1 April 2018	(1,874)	(286)	-	(2,160)
Charge for the year	(615)	(150)	-	(765)
At 31 March 2019	**(2,489)**	**(436)**	-	**(2,925)**
Net book amount				
At 31 March 2019	**2,916**	**985**	-	**3,901**
At 31 March 2018	2,104	681	-	2,785
Cost				
At 1 April 2019	5,405	1,421	-	6,826
Additions	204	419	5,260	5,883
Disposals	(1,300)	(12)	-	(1,312)
At 31 March 2020	**4,309**	**1,828**	**5,260**	**11,397**
Accumulated depreciation				
At 1 April 2019	(2,489)	(436)	-	(2,925)
Charge for the year	(576)	(216)	-	(792)
Disposals	1,300	12	-	1,312
At 31 March 2020	**(1,765)**	**(640)**	-	**(2,405)**
Net book amount				
At 31 March 2020	**2,544**	**1,188**	**5,260**	**8,992**
At 31 March 2019	2,916	985	-	3,901

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

11 Property, plant and equipment (continued)

Company	**Plant and machinery £'000**	**Fixtures and fittings £'000**	**Assets under construction £'000**	**Total £'000**
Cost				
At 1 April 2018	3,902	925	-	4,827
Additions	1,427	420	-	1,847
At 31 March 2019	**5,329**	**1,345**	**-**	**6,674**
Accumulated depreciation				
At 1 April 2018	(1,802)	(281)	-	(2,083)
Charge for the year	(615)	(134)	-	(749)
At 31 March 2019	**(2,417)**	**(415)**	**-**	**(2,832)**
Net book amount				
At 31 March 2019	**2,912**	**930**	**-**	**3,842**
At 31 March 2018	2,100	644	-	2,744
Cost				
At 1 April 2019	5,329	1,345	-	6,674
Additions	201	418	5,260	5,879
Intra-group transfer	24	21	-	45
Disposals	(1,300)	(12)	-	(1,312)
At 31 March 2020	**4,254**	**1,772**	**5,260**	**11,286**
Accumulated depreciation				
At 1 April 2019	(2,417)	(415)	-	(2,832)
Charge for the year	(569)	(205)	-	(774)
Disposals	1,300	12	-	1,312
At 31 March 2020	**(1,686)**	**(608)**	**-**	**(2,294)**
Net book amount				
At 31 March 2020	**2,568**	**1,164**	**5,260**	**8,992**
At 31 March 2019	2,912	930	-	3,842

At 31 March 2020 the group had contractual commitments of £2m for capital expenditure (2019: £nil). On 9 April 2019 the group entered into a £7.5 million contract for the development of a second automated dispensing facility which will significantly increase the group's operating capacity. The expenditure will be incurred over 2020 and 2021, £3.5 million of which has been funded by asset backed bank loans.

Notes to the financial statements for the year ended 31 March 2020 (continued)

12 Investments

	Group 2020 £'000	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
Investment in ChemD Holdings Limited	**-**	-	**-**	-
Investment in Private Meds Limited	**-**	-	**25**	25
Investment in LLPs	**-**	-	**-**	-

Investment in ChemD Holdings Limited

The company acquired 100% of the issued share capital of ChemD Holdings Limited on 2 July 2016 through a share for share exchange. The investment was fully impaired in the prior year.

Investment in Private Meds Limited

The company acquired 100% of the issued share capital of Private Meds Limited on 10 August 2012. On 31 March 2013 the trade and assets of Private Meds Limited were transferred to Pharmacy2U Limited and Private Meds Limited became dormant. The directors believe that the carrying value of the investment is supported by the underlying assets.

Investment in LLPs

During the year ended 31 March 2016, Pharmacy2U Limited acquired a 50% interest in a number of newly formed LLPs. Each LLP participates in raising awareness of Pharmacy2U Limited's services. These are not accounted for as subsidiaries or joint ventures as the LLPs, for accounting purposes, do not carry out their own activities. The investment in the LLPs has therefore been treated as a fixed asset investment held at cost. During the year ended 31 March 2019 and after 18 of these 21 joint ventures have been liquidated, the total carrying value of these investments at 31 March 2020 is £150 (2019: £150).

The registered address for all investments is Lumina, Park Approach, Thorpe Park, Leeds, LS15 8GB.

Notes to the financial statements for the year ended 31 March 2020 (continued)

13 Inventories

	2020 Group £'000	2019 Group £'000	**2020 Company £'000**	2019 Company £'000
Goods for resale	**4,388**	3,092	**4,388**	2,442

Group
The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £56,480,000 (2019: £44,086,000). Inventory is stated after provisions of £250,000 (2019: £250,000).

Company
The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £49,715,000 (2019: £36,951,000). Inventory is stated after provisions of £250,000 (2019: £250,000).

14 Trade and other receivables

	2020 Group £'000	2019 Group £'000	**2020 Company £'000**	2019 Company £'000
Trade receivables	**11,779**	8,217	**11,779**	7,986
Amounts due from parent undertaking	**1,573**	1,481	**1,573**	1,498
Other receivables	**2,193**	1,376	**2,193**	1,156
Prepayments and accrued income	**1,009**	1,172	**1,009**	1,124
Trade and other receivables: amounts falling due within one year	**16,554**	12,246	**16,554**	11,764

Trade receivables of the Group and Company are stated after provisions for impairment of £25,000 (2019: £25,000).

Trade and other receivables: amounts falling due after more than one year	**2020 Group £'000**	2019 Group £'000	**2020 Company £'000**	2019 Company £'000
Deferred tax (note 16)	**3,284**	616	**3,284**	616

There is no difference between the carrying amounts above and the fair value.

15 Current taxation receivable

The movement on deferred taxation during the year was:

Group and Company	2020 £'000	2019 £'000
At 1 April	**774**	672
Received in the year	-	(330)
Current year credit to the statement of comprehensive income	**780**	432
At 31 March	**1,554**	774

16 Deferred taxation

The movement on deferred taxation during the year was:

Group and Company	2020 £'000	2019 £'000
At 1 April	**616**	616
Current year credit to the statement of comprehensive income	**2,668**	-
At 31 March	**3,284**	616

The amounts of deferred tax provided are as follows:	2020 £'000	2019 £'000
Accelerated capital allowances and other timing differences	**(241)**	(364)
Carried forward trading losses	**3,525**	980
Total deferred tax asset	**3,284**	616

The group has unutilised trading losses amounting to approximately £57,773,000 (2019: £53,634,000), which are available for relief against future profits. £17,236,000 of these losses arose in Direct Healthcare Limited which have been transferred to Pharmacy2U Limited following the intra-group transfer of all trade and assets from Direct Healthcare Limited to Pharmacy2U Limited. Of the total losses, £17,021,000 (2019: £3,612,000) have been recognised on the basis that trading profits are expected to be generated in the next three years against which these losses may be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Further reductions to the main rate of corporation tax were announced on 16 March 2016 to reduce the main rate to 17% effective from 1 April 2020. As these changes are not substantively enacted at the balance sheet date they are not recognised in these financial statements. Changes to reduce the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015 and the effects of these changes are recognised in these financial statements.

17 Borrowings and trade and other payables: amounts falling due within one year

	2020 Group £'000	2019 Group £'000	**2020 Company £'000**	2019 Company £'000
Bank and other borrowings (note 19)	**6,302**	4,202	**6,302**	4,202
Trade payables	**14,391**	12,126	**14,391**	10,835
Amounts owed to group undertaking	**-**	-	**11,494**	25
Other taxation and social security	**198**	187	**198**	153
Other payables	**248**	204	**289**	72
Accruals and deferred income	**1,078**	731	**1,078**	449
Deferred government grant	**45**	45	**45**	45
Lease liabilities (note 21)	**371**	-	**320**	-
	22,633	17,495	**34,117**	15,781

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

The above amounts are classed as financial liabilities at amortised cost under IFRS 7.

18 Borrowings and trade and other payables: amounts falling due after more than one year

	2020 Group £'000	2019 Group £'000	**2020 Company £'000**	2019 Company £'000
Bank and other borrowings (note 19)	**2,385**	107	**2,385**	107
Deferred government grant	**225**	270	**225**	270
Lease liabilities (note 21)	**5,633**	-	**5,633**	-
	8,243	377	**8,243**	377

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

19 Borrowings

Group and Company	2020 £'000	2019 £'000
Amounts falling due within one year		
Revolving credit facility	-	4,000
Invoice financing facility	**5,081**	-
Bank loan	**1,221**	202
	6,302	4,202
Amounts falling due after more than one year		
Bank loan	**2,385**	107

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

The loans including the receivables financing are repayable as follows:

Group and Company	2020 £'000	2019 £'000
In one year or less, or on demand	**6,302**	4,202
Between one and two years	**1,166**	107
Between two and five years	**1,219**	-
	8,687	4,309

In January 2016 the company obtained a term loan of £580,000 from Barclays Bank. The loan is repayable over 5 years and attracts an interest rate of base rate plus 4.50%. The loan is secured over specific tangible assets.

In March 2020 the company obtained a term loan of £3,500,000 from Barclays Bank. The loan is repayable over 3 years and attracts an interest rate of base rate plus 4.6%. The loan is secured by a debenture and guarantee over the group's assets.

20 Called up share capital

Group and Company	2020 £'000	2019 £'000
Authorised, Allotted and fully paid		
(2019:1,000,063,195) 1,500,067,955 ordinary shares of 1p each	**15,001**	10,001
	15,001	10,001

On 24 March 2020 the Company issued 500,004,760 ordinary shares of 1p each for proceeds of £5,000,047.60.

Each ordinary share carries one vote. The ordinary shares rank pari passu in all respects and carry the right to participate in any distributions, as respect dividends and returns of capital (including on a winding up). The ordinary shares are not redeemable.

21 Leases

The group leases a number of properties in the jurisdictions from which it operates. In these jurisdictions the periodic rent is fixed over the lease term.

The group also leases certain vehicles. Leases of vehicles comprise only fixed payments over the lease terms.

Transition method and practical expedients utilised

The group has adopted IFRS 16 Leases retrospectively from 1 April 2019 using the modified retrospective approach and has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 April 2019) and recognised in the opening equity balances.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases.

On adoption of IFRS 16, the group recognised lease liabilities on the balance sheet in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.6%. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

Instead of recognising an operating expense for its operating lease payments, the group now instead recognises interest on its lease liabilities and amortisation on its right-of-use assets.

In applying the modified retrospective approach, the group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics.
- Leases with a remaining term of 12 months or less from the date of application have been accounted for as short-term leases under IAS 17, even though the initial term of the leases from lease commencement date may have been more than 12 months. They have therefore not been recognised on the balance sheet with payments instead recognised as an expense over the lease term on a straight-line basis.
- The group has not reassessed whether contracts are, or contain, a lease as at the date of initial application. The group has therefore not applied the requirements of IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4.
- For the purposes of measuring the right-of-use asset hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

21 Leases (continued)

Effects of adjustments on adoption

On adoption of IFRS 16, The Group recognised right-of-use-assets and lease liabilities as follows:

<table>
<tr><th>Classification under IAS 17</th><th>Right-of-use assets</th><th>Lease liabilities</th></tr>
<tr><td>Operating leases that meet the definition of investment property in IAS 40</td><td>Fair value as at 1 April 2019.</td><td rowspan="2">Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 April 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 4.6%.</td></tr>
<tr><td>All other operating leases</td><td>Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.</td></tr>
<tr><td>Finance leases</td><td colspan="2">Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).</td></tr>
</table>

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 April 2019:

Assets	Adjustments	31 Mar 2019 as originally presented £'000	IFRS 16 £'000	1 April 2019 £'000
Right-of-use assets	(a)	-	3,590	3,590
Liabilities				
Lease liabilities	(b)	-	(3,902)	(3,902)
Retained earnings	(c)	(7,174)	312	(6,862)

(a) The adjustment to right-of-use assets is fully made up of operating type leases.

(b) See table on next page which reconciles the minimum lease commitments disclosed in the Group's 31 March 2019 annual financial statements to the amount of lease liabilities on 1 April 2019.

(c) Retained earnings were adjusted to record the net effect of all other adjustments noted.

21 Leases (continued)

Reconciliation from IAS 17 to IFRS 16

The weighted average incremental borrowing rate applied to lease liabilities on 1 April 2019 was 4.6%

The aggregate lease liability recognised in the statement of financial position at 1 April 2019 and the group's operating lease commitment at 31 March 2019 can be reconciled as follows:

	Group	Company
	£'000	£'000
Minimum operating lease commitment as at 31 March 2019	4,786	4,678
Less: effect of discounting using the incremental borrowing rate as at date of application	(884)	(875)
Lease liability as at 1 April 2019	3,902	3,803

Right-Of-Use Assets

Group	**Land and buildings**	**Other**	**Total**
	£'000	**£'000**	**£'000**
As at 1 April 2019	3,543	47	**3,590**
Additions	2,334	51	**2,385**
Amortisation	(543)	(17)	**(560)**
As at 31 March 2020	**5,334**	**81**	**5,415**

Company	**Land and buildings**	**Other**	**Total**
	£'000	**£'000**	**£'000**
As at 1 April 2019	3,468	47	**3,515**
Additions	2,334	51	**2,385**
Amortisation	(506)	(17)	**(523)**
As at 31 March 2020	**5,296**	**81**	**5,377**

21 Leases (continued)

Lease Liabilities

Group	Land and buildings £'000	Other £'000	Total £'000
As at 1 April 2019	3,854	48	**3,902**
Additions	2,334	52	**2,386**
Interest Expense	233	2	**235**
Lease Payments	(500)	(19)	**(519)**
As at 31 March 2020	**5,921**	**83**	**6,004**

Company	Land and buildings £'000	Other £'000	Total £'000
As at 1 April 2019	3,755	48	**3,803**
Additions	2,334	52	**2,386**
Interest Expense	229	2	**231**
Lease payments	(448)	(19)	**(467)**
As at 31 March 2020	**5,870**	**83**	**5,953**

Lease Liability Maturity

Group	Within 12 months £'000	2 – 5 years £'000	After 5 years £'000	Total £'000
Lease liabilities	371	2,545	3,088	6,004

Company	Within 12 months £'000	2 – 5 years £'000	After 5 years £'000	Total £'000
Lease liabilities	320	2,545	3,088	5,953

22 Cashflows from operating activities

	2020 Group £'000	2019 Group £'000	**2020 Company £'000**	2019 Company £'000
Loss before tax	**(7,236)**	(16,387)	**(6,429)**	(20,199)
Depreciation (note 11)	**792**	765	**774**	749
Amortisation (note 10)	**859**	710	**709**	545
(Increase) in inventories (note 13)	**(1,296)**	(1,178)	**(1,946)**	(1,214)
(Increase) in trade and other receivables (note 14)	**(4,307)**	(3,620)	**(4,790)**	(109)
Increase in trade and other payables (note 17)	**2,622**	936	**3,442**	1,715
Interest paid	**704**	75	**697**	75
Interest received	**-**	(11)	**-**	(11)
Net cash outflow from operating activities	**(7,862)**	(18,710)	**(7,543)**	(18,449)

23 Analysis of net cash/(debt)

Group	**At beginning of year £'000**	**Cash flow £'000**	**Other movements £'000**	**At end of year £'000**
Cash	9,663	(6,418)	-	3,245
Debt due within one year	(4,202)	(1,993)	(107)	(6,302)
Debt due after more than one year	(107)	(2,385)	107	(2,385)
Net cash	**5,354**	**(10,796)**	-	**(5,442)**

Company	**At beginning of year £'000**	**Cash flow £'000**	**Other movements £'000**	**At end of year £'000**
Cash	9,382	(6,137)	-	3,245
Debt due within one year	(4,202)	(1.993)	(107)	(6,302)
Debt due after more than one year	(107)	(2.385)	107	(2,385)
Net cash	**5,073**	**(10,515)**	-	**(5,442)**

Notes to the financial statements for the year ended 31 March 2020 (continued)

24 Intra-group transfer of trade and assets

On 31 March 2020 the trade and assets of Direct Healthcare Limited were transferred to Pharmacy2U Limited at their book value of (£12,429,000), of which (£11,494,000) related to amounts due to group undertakings. No gain or loss was recorded on this transfer. Direct Healthcare Limited ceased trading on this date.

25 Related party transactions

On 3 May 2005, the group moved into premises owned by Scottish Equitable Plc as Trustee of The Scottish Equitable Self-Administered Personal Pension Scheme, one of the beneficiaries being D Lee who was a director of the company during the year. The Company moved out of these premises in November 2019 and the lease was terminated on 31 January 2020. The lease was on normal commercial terms, and rent of £91,000 was paid during the year (2019: £109,000). There were no balances due at 31 March 2020 (2019: £nil).

During the year ended 31 March 2016, Pharmacy2U Limited acquired a 50% interest in a number of newly formed LLPs, most of which have now been liquidated (see note 12). At 31 March 2020, £4,623 was due to the LLPs (2019: £4,623 was due to the LLPs) relating to fees payable to the LLPs. No payments were made to the LLPs in the year.

26 Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund which amounted to £196,000 (2019: £204,000) in the year and £37,000 (2019: £70,000) was owed to the fund at the year end.

27 Ultimate controlling party

P2U Holdings Limited is the immediate and ultimate parent undertaking. There is no ultimate controlling party of the group.

The smallest group for which consolidated financial statements are prepared for the year ended 31 March 2020 is Pharmacy2U Limited and the largest group is P2U Holdings Limited. These financial statements can be obtained from Lumina, Park Approach, Thorpe Park, Leeds, LS15 8GB.

Notes to the financial statements for the year ended 31 March 2020 (continued)

28 Financial Instruments

Group	**Group 2020 £'000**	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	**19,056**	20,737	**19,056**	20,022
Financial liabilities				
Financial liabilities measured at amortised cost	**(30,876)**	(17,872)	**(42,360)**	(16,158)

Financial assets measured at amortised cost comprise cash, trade and other debtors.

Financial liabilities measured at amortised cost comprise trade and other creditors, accruals and amounts owed to group undertakings and borrowings.