

Registered Number 03802593

Pharmacy2U Limited

Annual report and consolidated financial
statements for the year ended 31 March 2018

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Pharmacy2U Limited

Annual report and consolidated financial statements for the year ended 31 March 2018

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Pharmacy2U Limited

Directors and advisers

Directors

| | |
|---------------|--|
| M Livingstone | (Chief Executive Officer) |
| G Dannatt | (Chief Operating Officer) |
| D Lee | (Chief Pharmaceutical Officer) (Appointed 29 March 2018) |

Company secretary

S Fawcett

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Solicitors

Squire Patton Boggs
6 Wellington Place
Leeds
LS1 4AP

Bankers

Barclays Bank PLC
PO Box 190
2nd Floor
1 Park Row
Leeds
LS1 5WU

Registered Office

1 Hawthorn Park
Coal Road
Leeds
LS14 1PQ

Registered Number

03802593

Pharmacy2U Limited

Strategic report for the year ended 31 March 2018

The directors present their strategic report on the group for the year ended 31 March 2018.

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.

Following the successful merger with Chemist Direct in July 2016, which created a clear leader in UK online pharmacy, and the initial investment by the Business Growth Fund, the group invested significantly in marketing in order to grow its core NHS prescription business. A further £7m of growth capital was raised from existing shareholders in April 2017 in order to capitalise on the current growth opportunity presented by the national roll out of the Electronic Prescription Service.

On 29 March 2018 the group secured a further £40 million of equity investment to support the rapid growth of its online NHS repeat prescription service. The financing was led by G-Square, a London based private equity firm with an investment strategy dedicated to healthcare in Europe, and was supported by the Business Growth Fund. On 29 March 2018 £25 million of equity funding was received with the remaining £15 million committed funds to be drawn down over the next two years.

The Electronic Prescription Service 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, incorporated and domiciled in the UK.

During the year ended 31 March 2018, revenue increased by 67% to £43.2 million (2017: £25.8 million). The investment in NHS patient recruitment drove strong growth in revenue from NHS patients.

LBITDA increased by £5.1 million to a loss of £10.2 million as a result of significantly higher investment in NHS acquisition marketing. LBITDA before marketing costs was £1.8m in the year (2017: £1.0m). The group made a loss of £12.1 million for the year ended 31 March 2018 (2017: £20.3 million), with exceptional costs of £0.8 million (2017: £14.4m), comprising mainly of costs in relation to the equity investment in March 2018 (2017: comprised mainly a goodwill impairment charge). At 31 March 2018, the group had net assets of £23.1 million (2017: £2.7 million) as a result of the new investment.

Future outlook

The group is well positioned to deliver further growth of the core NHS repeat prescription business. The £40 million of growth capital raised on 29 March 2018 will allow the group to gain a much higher share of the NHS repeat prescription market by accelerating the existing multi channel marketing approach. The investment will also fund the development of a second automated dispensing facility to provide the required operational capacity, further reducing operating costs and improving profitability. The group made a profit, pre acquisition marketing, in August 2018 and expects profitability to increase throughout the remainder of the current financial year and beyond.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2018 (continued)

Principal risks and uncertainties

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

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

Financial risk management

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

Credit risk

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

Interest rate risk

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

Currency risk

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

Key performance indicators ("KPIs")

In our opinion, the Pharmacy2U 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.

| | 2018 | 2017 | Growth (%) |
|--|-------|-------|------------|
| KPIs | | | |
| NHS Prescription items despatched ('000) | 2,957 | 1,322 | 124 |
| New NHS patients registered ('000) | 273 | 102 | 168 |

Pharmacy2U Limited

Strategic report for the year ended 31 March 2018 (continued)

Going concern

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

On behalf of the Board



G Dannatt

Director

8 November 2018

Pharmacy2U Limited

Directors' report for the year ended 31 March 2018

The directors present their report together with the audited consolidated financial statements for the year ended 31 March 2018.

The directors do not propose payment of a dividend in respect of the financial year ended 31 March 2018 (2017: £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 | (Appointed 29 March 2018) |
| A Hornby | (Resigned 29 March 2018) |
| B Haigh | (Resigned 29 March 2018) |
| C Brochado | (Resigned 29 March 2018) |
| J Henderson | (Resigned 29 March 2018) |
| R Taylor | (Resigned 29 March 2018) |

Research and development

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

Future prospects, going concern and financial risk management

Please refer to the Strategic Report on pages 2 to 4.

Pharmacy2U Limited

Directors' report for the year ended 31 March 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable 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 also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Disclosure of information to auditors

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

Independent auditors

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

On behalf of the Board



G Dannatt
Director

8 November 2018

Pharmacy2U Limited

Independent auditors' report to the members of Pharmacy2U Limited

Report on the audit of the financial statements

Opinion

In our opinion, Pharmacy2U Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2018; the consolidated statement of comprehensive income, the consolidated and company cash flow statements, and the consolidated and company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Pharmacy2U Limited

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' 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 year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

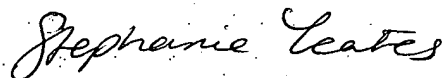
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Stephanie Yeates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

8 November 2018

Pharmacy2U Limited

Consolidated statement of comprehensive income for the year ended 31 March 2018

| | Note | 2018 £'000 | 2017 £'000 |
|--|------|-----------------|---------------|
| Revenue | 1 | 43,168 | 25,844 |
| Cost of sales | | (31,736) | (17,764) |
| Gross profit | | 11,432 | 8,080 |
| Distribution costs | | (16,832) | (9,198) |
| Administrative expenses - continuing | | (6,002) | (5,009) |
| Administrative expenses - exceptional | 3 | (804) | (14,356) |
| Operating loss | 2 | (12,206) | (20,483) |
| Analysed as: | | | |
| LBITDA | | (10,167) | (5,058) |
| Amortisation | 10 | (551) | (293) |
| Depreciation | 11 | (684) | (775) |
| Exceptional items | 3 | (804) | (14,357) |
| Operating loss | | (12,206) | (20,483) |
| Net finance costs | 7 | (269) | (150) |
| Loss before taxation | | (12,475) | (20,633) |
| Taxation | 8 | 342 | 330 |
| Loss and total comprehensive expense for the year | | (12,133) | (20,303) |

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 2018

| | Note | 2018 £'000 | 2017 £'000 |
|--------------------------------------|------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 4,764 | 4,401 |
| Property, plant and equipment | 11 | 2,785 | 2,971 |
| Investments | 12 | 1 | 1 |
| Deferred taxation | 15 | 616 | 616 |
| Total non-current assets | | 8,166 | 7,989 |
| Current assets | | | |
| Inventories | 13 | 1,914 | 954 |
| Trade and other receivables | 14 | 8,624 | 4,534 |
| Current taxation receivable | | 672 | 330 |
| Cash and cash equivalents | | 20,929 | 614 |
| Total current assets | | 32,139 | 6,432 |
| Total assets | | 40,305 | 14,421 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 12,311 | 7,734 |
| Borrowings | 16 | 4,240 | 1,706 |
| Total current liabilities | | 16,551 | 9,440 |
| Non-current liabilities | | | |
| Trade and other payables | 17 | 315 | 360 |
| Borrowings | 17 | 310 | 1,950 |
| Total non-current liabilities | | 625 | 2,310 |
| Total liabilities | | 17,176 | 11,750 |
| Equity | | | |
| Called up share capital | 19 | 28,034 | 2,199 |
| Share premium account | | 31,851 | 25,184 |
| Accumulated losses | | (36,756) | (24,712) |
| Total equity | | 23,129 | 2,671 |
| Total equity and liabilities | | 40,305 | 14,421 |

Pharmacy2U Limited

Consolidated balance sheet as at 31 March 2018 (continued)

The financial statements on pages 9 to 42 were approved by the board of directors and authorised for issue on 8 November 2018 and were signed on its behalf by:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

G Dannatt

Director

Pharmacy2U Limited, registered number: 03802593

Pharmacy2U Limited

Company balance sheet as at 31 March 2018

| | Note | 2018 £'000 | 2017 £'000 |
|--------------------------------------|--------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 3,460 | 2,930 |
| Property, plant and equipment | 11 | 2,744 | 2,925 |
| Investments | 12 | 26 | 26 |
| Deferred taxation | 15 | 616 | 616 |
| Total non-current assets | | 6,846 | 6,497 |
| Current assets | | | |
| Inventories | 13 | 1,228 | 477 |
| Trade and other receivables | 14 | 11,653 | 6,840 |
| Current taxation receivable | | 672 | 330 |
| Cash and cash equivalents | | 20,354 | 35 |
| Total current assets | | 33,907 | 7,682 |
| Total assets | | 40,753 | 14,179 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 9,819 | 5,096 |
| Borrowings | 16 | 4,240 | 1,706 |
| Total current liabilities | | 14,059 | 6,802 |
| Non-current liabilities | | | |
| Trade and other payables | 17 | 315 | 360 |
| Borrowings | 17 | 310 | 1,950 |
| Total non-current liabilities | | 625 | 2,310 |
| Total liabilities | | 14,684 | 9,112 |
| Equity | | | |
| Called up share capital | 19 | 28,034 | 2,199 |
| Share premium account | | 20,280 | 13,612 |
| Merger reserve | 12, 27 | 11,571 | 11,571 |
| Accumulated losses | | (33,816) | (22,315) |
| Total equity | | 26,069 | 5,067 |
| Total equity and liabilities | | 40,753 | 14,179 |

Pharmacy2U Limited

Company balance sheet as at 31 March 2018 (continued)

| | 2018 £'000 | 2017 £'000 |
|---|-----------------|-----------------|
| Accumulated losses brought forward | (22,315) | (4,278) |
| Loss for the financial year | (11,590) | (17,970) |
| Adjustment in respect of employee share schemes | 89 | (67) |
| Accumulated losses | (33,816) | (22,315) |

The financial statements on pages 9 to 42 were approved by the board of directors on 8 November 2018 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 2018

| | Note | Called up Share Capital £'000 | Share premium account £'000 | Accumulated losses £'000 | Total Equity £'000 |
|--|------|--|--------------------------------------|--------------------------------|--------------------------|
| At 1 April 2017 | | 2,199 | 25,184 | (24,712) | 2,671 |
| Loss and total comprehensive income for the financial year | | - | - | (12,133) | (12,133) |
| Shares issued in the financial year | 19 | 25,835 | 6,667 | - | 32,502 |
| Adjustment in respect of employee share schemes | 21 | - | - | 89 | 89 |
| At 31 March 2018 | | 28,034 | 31,851 | (36,756) | 23,129 |

| | Note | Called up Share Capital £'000 | Share premium account £'000 | Accumulated losses £'000 | Total Equity £'000 |
|---|------|--|--------------------------------------|--------------------------------|--------------------------|
| At 1 April 2016 | | 1,188 | 8,424 | (4,342) | 5,270 |
| Loss for the financial year | | - | - | (20,303) | (20,303) |
| Shares issued in the financial year | 19 | 1,011 | 16,760 | - | 17,771 |
| Adjustment in respect of employee share schemes | 21 | - | - | (67) | (67) |
| At 31 March 2017 | | 2,199 | 25,184 | (24,712) | 2,671 |

Pharmacy2U Limited

Company statement of changes in equity for the year ended 31 March 2018

| | Note | Called up Share Capital £'000 | Share premium account £'000 | Merger Reserve £'000 | Accumulated losses £'000 | Total Equity £'000 |
|--|------|---|--------------------------------------|----------------------------|--------------------------------|--------------------------|
| At 1 April 2017 | | 2,199 | 13,612 | 11,571 | (22,315) | 5,067 |
| Loss and total comprehensive income for the financial year | | - | - | - | (11,591) | (11,591) |
| Shares issued in the financial year | 19 | 25,835 | 6,667 | - | - | 32,502 |
| Adjustment in respect of employee share schemes | 21 | - | - | - | 89 | 89 |
| At 31 March 2018 | | 28,034 | 20,280 | 11,571 | (33,817) | 26,069 |

| | Note | Called up Share Capital £'000 | Share premium account £'000 | Merger Reserve £'000 | Accumulated losses £'000 | Total Equity £'000 |
|---|------|---|--------------------------------------|----------------------------|--------------------------------|--------------------------|
| At 1 April 2016 | | 1,188 | 8,424 | - | (4,278) | 5,334 |
| Loss for the financial year | | - | - | - | (17,970) | (17,970) |
| Shares issued in the financial year | 19 | 1,011 | 5,188 | 11,571 | - | 17,770 |
| Adjustment in respect of employee share schemes | 21 | - | - | - | (67) | (67) |
| At 31 March 2017 | | 2,199 | 13,612 | 11,571 | (22,315) | 5,067 |

Pharmacy2U Limited

Consolidated cash flow statement for the year ended 31 March 2018

| | Note | 2018 £'000 | 2017 £'000 |
|--|------|-----------------|----------------|
| Cash flows from operating activities | 22 | (11,400) | (5,401) |
| Taxation recovered | | - | 438 |
| Net cash outflow from operating activities | | (11,400) | (4,963) |
| Cash flows from investing activities | | | |
| Payments to acquire plant, property and equipment | 11 | (498) | (536) |
| Payments to acquire intangible assets | 10 | (914) | (578) |
| Cash acquired with subsidiary undertaking | 27 | - | 282 |
| Net cash outflow from investing activities | | (1,412) | (832) |
| Cash flows from financing activities | | | |
| Increase in borrowings | | 4,000 | 2,058 |
| Loan repayments | | (3,106) | (1,744) |
| Share issue | 19 | 32,502 | 5,494 |
| Interest paid | | (269) | (55) |
| Net cash inflow from financing activities | | 33,127 | 5,753 |
| Net increase/(decrease) in cash and cash equivalents | | 20,315 | (42) |
| Opening cash and cash equivalents | | 614 | 656 |
| Closing cash and cash equivalents | | 20,929 | 614 |

Pharmacy2U Limited

Company cash flow statement for the year ended 31 March 2018

| | Note | 2018 £'000 | 2017 £'000 |
|--|------|-----------------|----------------|
| Cash flows from operating activities | 22 | (11,406) | (7,204) |
| Taxation | | - | 438 |
| Net cash outflow from operating activities | | (11,406) | (6,766) |
| Cash flows from investing activities | | | |
| Payments to acquire plant, property and equipment | 11 | (488) | (531) |
| Payments to acquire intangible assets | 10 | (914) | (578) |
| Net cash outflow from investing activities | | (1,402) | (1,109) |
| Cash flows from financing activities | | | |
| Increase in borrowings | | 4,000 | 2,058 |
| Loan repayments | | (3,106) | (243) |
| Share capital issue | 19 | 32,502 | 5,494 |
| Interest paid | | (269) | (55) |
| Net cash inflow from financing activities | | 33,127 | 7,254 |
| Net increase/(decrease) in cash and cash equivalents | | 20,319 | (621) |
| Opening cash and cash equivalents | | 35 | 656 |
| Closing cash and cash equivalents | | 20,354 | 35 |

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2018

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 has 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 2016, except where adopted IFRS requires alternative treatment.

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 – 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.

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. Having discussed the principal risks the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

New and amended standards effective for current financial period

There were no changes to IFRSs or IFRSIC interpretations that have had a material impact on the Group for the year ended 31 March 2018.

New and amended standards effective for future periods

At the date of approval of these financial statements the following standards and interpretations were in issue but not yet effective:

- IFRS 9 ‘Financial instruments’ (effective for accounting periods commencing on or after 1 January 2018).
- IFRS 15 ‘Revenue from contracts with customers’ (effective for accounting periods commencing on or after 1 January 2018).
- IFRS 16 ‘Leases’ (effective for accounting periods commencing on or after 1 January 2019).

Whilst the Group has not yet formally considered the impact of the above, the adoption of these Standards and Interpretations is not expected to have a material impact on the financial statements of the Group or Company.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2018 (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.

Share based payments

The company issues share options to certain employees which are measured at fair value at the date of grant and recognised as an expense in the statement of comprehensive income on a straight line basis over the expected vesting period with a corresponding increase in the reserves.

At each balance sheet date, the company revises its estimates of the number of options that are expected to vest and the expected vesting period and the company recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to reserves.

Revenue recognition

Revenue from the dispensing of NHS prescriptions is calculated using the re-imbursement rate from NHS drug tariff applicable for the month in which the item has been dispensed. Other revenue is recognised as the invoiced value of the goods supplied during the year, excluding value added tax. Revenue is recognised at the point of goods being despatched.

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.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2018 (continued)

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.

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.

Trade Receivables

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, less provision for impairment.

Trade Payables

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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 2018 (continued)

Operating leases

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

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.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018

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

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Operating loss is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets (note 11) | 684 | 776 |
| Amortisation of intangible fixed assets (note 10) | 551 | 293 |
| Operating lease rentals – land and buildings (note 20) | 238 | 221 |
| - other (note 20) | 9 | 15 |
| Research and development | 602 | 561 |
| Share based payments | 89 | (67) |
| Services provided by the company's auditors | | |
| Fees payable for the audit | 45 | 45 |
| Other non audit services | 246 | - |
| Tax services | 11 | 30 |

3 Exceptional items

| | 2018 £'000 | 2017 £,000 |
|---|---------------|---------------|
| Goodwill impairment (notes 10 and 27) | - | 13,345 |
| Professional fees in respect of financing and investment raised | 727 | 454 |
| Non recurring restructuring costs | 77 | 558 |
| | 804 | 14,357 |

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

4 Employee information

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

| | 2018 Group Number | 2017 Group Number | 2018 Company Number | 2017 Company Number |
|--------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| Selling and distribution | 154 | 100 | 130 | 81 |
| Administration | 64 | 57 | 40 | 35 |
| | 218 | 157 | 170 | 116 |

5 Employee benefit expense

| | 2018 Group £'000 | 2017 Group £'000 | 2018 Company £'000 | 2017 Company £'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Wages and salaries | 6,921 | 4,261 | 5,531 | 3,041 |
| Social security costs | 506 | 390 | 367 | 278 |
| Other pension costs (note 25) | 118 | 97 | 110 | 83 |
| Share option expense/(credit) (note 21) | 89 | (67) | 89 | (67) |
| | 7,634 | 4,681 | 6,097 | 3,335 |

Internal staff costs of £365,000 have been capitalised in the year (2017: £307,000). These are included within note 10, intangible fixed assets and are excluded from the above analysis.

6 Directors' emoluments

| | 2018 £'000 | 2017 £'000 |
|---|-----------------------|-----------------------|
| Aggregate emoluments | 625 | 451 |
| Company contributions to money purchase pension schemes | 9 | 9 |
| | 634 | 460 |
| Highest paid director | 2018 £'000 | 2017 £'000 |
| Aggregate emoluments | 297 | 141 |

Retirement benefits are accruing to 1 (2017: 2) directors under a defined contribution scheme.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

7 Net finance costs

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Interest receivable and similar income | - | 8 |
| Bank interest payable | (269) | (158) |
| | (269) | (150) |

8 Taxation

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax on losses for the year | 342 | 330 |
| Total current tax credit | 342 | 330 |
| Deferred tax | | |
| Origination and reversal of timing differences | - | - |
| Changes in tax rates | - | (12) |
| Adjustments in respect of prior periods | - | 12 |
| Total deferred tax (note 15) | - | - |
| Total tax credit | 342 | 330 |

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

8 Taxation (continued)

The total tax credit is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below.

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Loss before taxation | (12,475) | (20,633) |
| Loss before taxation multiplied by standard rate in the UK of 19% (2017: 20%) | (2,370) | (4,127) |
| Expenses not deductible | 369 | 176 |
| Tax losses not recognised | 2,001 | 4,407 |
| Relief for research and development expenditure | (342) | (330) |
| Exempt amounts | - | (468) |
| Tax rate changes | - | 12 |
| Total tax credit | (342) | (330) |

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

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 £11,591,000 (2017: loss of £17,970,000).

10 Intangible assets

| Group | Goodwill £'000 | Customer Base £'000 | Brand £'000 | Software development £'000 | Total £'000 |
|--|-------------------|---------------------------|----------------|----------------------------------|-----------------|
| Cost | | | | | |
| At 1 April 2016 | 2,285 | - | - | 292 | 2,577 |
| Additions (note 27) | 13,345 | 336 | 1,323 | 578 | 15,582 |
| At 31 March 2017 | 15,630 | 336 | 1,323 | 870 | 18,159 |
| Accumulated amortisation and impairment | | | | | |
| At 1 April 2016 | (64) | - | - | (56) | (120) |
| Charge for the year | - | (25) | (99) | (169) | (293) |
| Impairment charge | (13,345) | - | - | - | (13,345) |
| At 31 March 2017 | (13,409) | (25) | (99) | (225) | (13,758) |
| Net book amount | | | | | |
| At 31 March 2016 | 2,221 | - | - | 236 | 2,457 |
| At 31 March 2017 | 2,221 | 311 | 1,224 | 645 | 4,401 |
| Cost | | | | | |
| At 1 April 2017 | 15,630 | 336 | 1,323 | 870 | 18,159 |
| Additions | - | - | - | 914 | 914 |
| At 31 March 2018 | 15,630 | 336 | 1,323 | 1,784 | 19,073 |
| Accumulated amortisation and impairment | | | | | |
| At 1 April 2017 | (13,409) | (25) | (99) | (225) | (13,758) |
| Charge for the year | - | (34) | (132) | (385) | (551) |
| At 31 March 2018 | (13,409) | (59) | (231) | (610) | (14,309) |
| Net book amount | | | | | |
| At 31 March 2018 | 2,221 | 277 | 1,092 | 1,174 | 4,764 |
| At 31 March 2017 | 2,221 | 311 | 1,224 | 645 | 4,401 |

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

10 Intangible assets (continued)

| Company | Software | | Total |
|---------------------------------|--------------|--------------|--------------|
| | Goodwill | development | |
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 April 2016 | 2,285 | 292 | 2,577 |
| Additions | - | 578 | 578 |
| At 31 March 2017 | 2,285 | 870 | 3,155 |
| Accumulated amortisation | | | |
| At 1 April 2016 | - | (56) | (56) |
| Charge for the year | - | (169) | (169) |
| At 31 March 2017 | - | (225) | (225) |
| Net book amount | | | |
| At 31 March 2016 | 2,285 | 236 | 2,521 |
| At 31 March 2017 | 2,285 | 645 | 2,930 |
| Cost | | | |
| At 1 April 2017 | 2,285 | 870 | 3,155 |
| Additions | - | 914 | 914 |
| At 31 March 2018 | 2,285 | 1,784 | 4,069 |
| Accumulated amortisation | | | |
| At 1 April 2017 | - | (225) | (225) |
| Charge for the year | - | (384) | (384) |
| At 31 March 2018 | - | (609) | (609) |
| Net book amount | | | |
| At 31 March 2018 | 2,285 | 1,175 | 3,460 |
| At 31 March 2017 | 2,285 | 645 | 2,930 |

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

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 2018.

There are no reasonably possible changes to a key assumption which would give rise to an impairment charge.

Refer to note 27 for detail of goodwill arising and impairment in the year ended 31 March 2017.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

11 Property, plant and equipment

| Group | Plant and machinery £'000 | Fixtures and fittings £'000 | Total £'000 |
|---------------------------------|---------------------------------|-----------------------------------|----------------|
| Cost | | | |
| At 1 April 2016 | 3,467 | 718 | 4,185 |
| Additions | 407 | 129 | 536 |
| Additions - acquisition | 66 | 37 | 103 |
| Disposals | (367) | (10) | (377) |
| At 31 March 2017 | 3,573 | 874 | 4,447 |
| Accumulated depreciation | | | |
| At 1 April 2016 | (1,003) | (75) | (1,078) |
| Charge for the year | (668) | (107) | (775) |
| Disposals | 367 | 10 | 377 |
| At 31 March 2017 | (1,304) | (172) | (1,476) |
| Net book amount | | | |
| At 31 March 2017 | 2,269 | 702 | 2,971 |
| At 31 March 2016 | 2,464 | 643 | 3,107 |
| Cost | | | |
| At 1 April 2017 | 3,573 | 874 | 4,447 |
| Additions | 405 | 93 | 498 |
| At 31 March 2018 | 3,978 | 967 | 4,945 |
| Accumulated depreciation | | | |
| At 1 April 2017 | (1,304) | (172) | (1,476) |
| Charge for the year | (570) | (114) | (684) |
| At 31 March 2018 | (1,874) | (286) | (2,160) |
| Net book amount | | | |
| At 31 March 2018 | 2,104 | 681 | 2,785 |
| At 31 March 2017 | 2,269 | 702 | 2,971 |

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

11 Property, plant and equipment (continued)

| Company | Plant and machinery £'000 | Fixtures and fittings £'000 | Total £'000 |
|---------------------------------|---------------------------------|-----------------------------------|----------------|
| Cost | | | |
| At 1 April 2016 | 3,467 | 718 | 4,185 |
| Additions | 407 | 124 | 531 |
| Disposals | (367) | (10) | (377) |
| At 31 March 2017 | 3,507 | 832 | 4,339 |
| Accumulated depreciation | | | |
| At 1 April 2016 | (1,003) | (75) | (1,078) |
| Charge for the year | (611) | (102) | (713) |
| Disposals | 367 | 10 | 377 |
| At 31 March 2017 | (1,247) | (167) | (1,414) |
| Net book amount | | | |
| At 31 March 2017 | 2,260 | 665 | 2,925 |
| At 31 March 2016 | 2,464 | 643 | 3,107 |
| Cost | | | |
| At 1 April 2017 | 3,507 | 832 | 4,339 |
| Additions | 395 | 93 | 488 |
| At 31 March 2018 | 3,902 | 925 | 4,827 |
| Accumulated depreciation | | | |
| At 1 April 2017 | (1,247) | (167) | (1,414) |
| Charge for the year | (555) | (114) | (669) |
| At 31 March 2018 | (1,802) | (281) | (2,083) |
| Net book amount | | | |
| At 31 March 2018 | 2,100 | 644 | 2,744 |
| At 31 March 2017 | 2,260 | 665 | 2,925 |

At 31 March 2018 the group had no contractual commitments for capital expenditure (2017: £ nil).

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

12 Investments

| | Group 2018 £'000 | Group 2017 £'000 | Company 2018 £'000 | Company 2017 £'000 |
|--|---|---|---|---|
| Investment in ChemD Holdings Limited (note 27) | - | - | - | - |
| Investment in Private Meds Limited | - | - | 25 | 25 |
| Investment in LLPs | 1 | 1 | 1 | 1 |

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. Refer to note 27 for further information regarding the acquisition of ChemD Holdings Limited, and subsequent impairment of the investment.

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. The total carrying value of these investments is £1,050 (2017: £1,050). 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.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

13 Inventories

| | 2018 Group £'000 | 2017 Group £'000 | 2018 Company £'000 | 2017 Company £'000 |
|------------------|------------------------|------------------------|--------------------------|--------------------------|
| Goods for resale | 1,914 | 954 | 1,228 | 477 |

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £30,638,000 (2017: £17,070,000).

14 Trade and other receivables

| | 2018 Group £'000 | 2017 Group £'000 | 2018 Company £'000 | 2017 Company £'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Trade receivables | 5,665 | 2,962 | 5,476 | 2,859 |
| Amounts due from group undertaking | - | - | 3,493 | 2,699 |
| Amounts due from parent undertaking | 973 | - | 973 | - |
| Other receivables | 930 | 898 | 815 | 752 |
| Prepayments and accrued income | 1,056 | 674 | 896 | 530 |
| Trade and other receivables: amounts falling due within one year | 8,624 | 4,534 | 11,653 | 6,840 |

Trade receivables of the Group and Company are stated after provisions for impairment of £25,000 (2017: £8,000).

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

| Trade and other receivables: amounts falling due after more than one year | 2018 Group £'000 | 2017 Group £'000 | 2018 Company £'000 | 2017 Company £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Deferred tax (note 15) | 616 | 616 | 616 | 616 |

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

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

15 Deferred taxation

The movement on deferred taxation during the year was:

| Group and Company | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| At 1 April | 616 | 616 |
| Current year credit/(charge) to the statement of comprehensive income | - | (12) |
| Adjustments in respect of prior periods | - | 12 |
| At 31 March | 616 | 616 |

The amounts of deferred tax provided are as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Accelerated capital allowances and other timing differences | 2 | 2 |
| Carried forward trading losses | 614 | 614 |
| Total deferred tax asset | 616 | 616 |

The deferred tax asset of £616,000 (2017: £616,000) includes £616,000 (2017: £616,000) that has been classed as recoverable after more than one year.

The group has unutilised trading losses amounting to approximately £34,971,000 (2017: £25,205,000), which are available for relief against future profits. £17,267,000 of these losses arose in Direct Healthcare Limited, and £58,000 in ChemD Holdings Limited, which were acquired during the prior year. Of the total losses, £3,612,000 (2017: £3,612,000) have been recognised on the basis that trading profits are expected to be generated in the foreseeable future against which these losses may be utilised.

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.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

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

| | 2018 Group £'000 | 2017 Group £'000 | 2018 Company £'000 | 2017 Company £'000 |
|-------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Bank and other borrowings (note 18) | 4,240 | 1,706 | 4,240 | 1,706 |
| Trade payables | 10,206 | 6,764 | 8,383 | 4,718 |
| Amounts owed to group undertaking | - | - | 25 | 25 |
| Other taxation and social security | 356 | 398 | 138 | 100 |
| Other payables | 943 | 37 | 720 | 6 |
| Accruals and deferred income | 761 | 490 | 508 | 202 |
| Deferred government grant | 45 | 45 | 45 | 45 |
| | 16,551 | 9,440 | 14,059 | 6,802 |

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 IFRS7.

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

| | 2018 Group £'000 | 2017 Group £'000 | 2018 Company £'000 | 2017 Company £'000 |
|-------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Bank and other borrowings (note 18) | 310 | 1,950 | 310 | 1,950 |
| Deferred government grant | 315 | 360 | 315 | 360 |
| | 625 | 2,310 | 625 | 2,310 |

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

18 Borrowings

| Group and Company | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year | | |
| Receivables financing | - | 1,382 |
| Revolving credit facility | 4,000 | - |
| Bank loan | 240 | 324 |
| | 4,240 | 1,706 |
| Amounts falling due after more than one year | | |
| Bank loan | 310 | 1,950 |

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 | 2018 £'000 | 2017 £'000 |
|-----------------------------------|---------------|---------------|
| In one year or less, or on demand | 4,240 | 1,706 |
| Between one and two years | 208 | 241 |
| Between two and five years | 102 | 1,709 |
| | 4,550 | 3,656 |

In July 2016 the company obtained unsecured fixed rate loan notes of £1,400,000. The loan is repayable after 5 years and attracts an interest rate of 9%. This loan was repaid in full on 29 March 2018.

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 the group's assets.

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

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

19 Called up share capital

| Group and Company | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Authorised, Allotted and fully paid | | |
| 5,227,936 (2017: 5,227,936) A ordinary shares of 10p each | 523 | 523 |
| 261,090,472 (2017: 10,376,067) B ordinary shares of 10p each | 26,109 | 1,037 |
| 5,781,213 (2017: 5,781,213) C ordinary shares of 10p each | 578 | 578 |
| 608,476 (2017: 608,476) D ordinary shares of 10p each | 61 | 61 |
| 4,551,680 (2017: nil) E ordinary shares of 10p each | 455 | - |
| 3,076,424 (2017: nil) F ordinary shares of 10p each | 307 | - |
| 200,000 (2017: 200,000) deferred shares of 0.01p each | - | - |
| | 28,034 | 2,199 |

The entire share capital of Pharmacy2U Limited was acquired by P2U Holdings Limited on 29 March 2018.

| Group and Company | Number | £'000 |
|--|--------------------|---------------|
| Authorised, Allotted and fully paid | | |
| Ordinary shares of 10p at 1 April 2017 | 21,993,692 | 2,199 |
| Deferred shares of 0.01p at 1 April 2017 | 200,000 | - |
| Total share capital at 1 April 2017 | 22,193,692 | 2,199 |
| F Ordinary shares issues on rights issue April 2017 | 3,076,424 | 308 |
| E Ordinary shares issued on exercise of options | 4,551,680 | 455 |
| B Ordinary shares issued on exercise of options | 720,597 | 72 |
| B Ordinary Shares issued on equity investment March 2018 | 249,993,808 | 25,000 |
| Total share capital at 31 March 2018 | 280,536,201 | 28,034 |

In addition to the £25m of growth capital raised on 29 March 2018, a further unconditional investment of £15m has been committed by the shareholders of the group's parent undertaking. £10m of this is expected to be drawn down on 29 March 2019, with the remaining £5m on 29 March 2020.

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Notes to the financial statements for the year ended 31 March 2018 (continued)

20 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases for each of the following periods are as follows:

| Group | 31 March 2018 | | 31 March 2017 | |
|---|--------------------|-----------|--------------------|-----------|
| | Land and buildings | Other | Land and buildings | Other |
| | £'000 | £'000 | £'000 | £'000 |
| Payments due: | | | | |
| No later than 1 year | 258 | 9 | 238 | 9 |
| Later than 1 year and no later than 5 years | 422 | 13 | 664 | 22 |
| More than 5 years | - | - | 16 | - |
| | 680 | 22 | 918 | 31 |

| Company | 31 March 2018 | | 31 March 2017 | |
|---|--------------------|-----------|--------------------|-----------|
| | Land and buildings | Other | Land and buildings | Other |
| | £'000 | £'000 | £'000 | £'000 |
| Payments due: | | | | |
| No later than 1 year | 206 | 6 | 206 | 6 |
| Later than 1 year and no later than 5 years | 422 | 9 | 612 | 14 |
| More than 5 years | - | - | 16 | - |
| | 628 | 15 | 834 | 20 |

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Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Share based payments

The group operates an employee share option scheme. In accordance with the requirements of IFRS2, an expense is recognised in the statement of comprehensive income in respect of all equity settled share options granted to employees.

Options are granted with a fixed exercise price equal to the market price, at the date of grant, of the shares under option. The contractual life of an option is 10 years. Options are exercisable only on flotation or trade sale of the company.

The fair value of options at grant is calculated using the Black-Scholes option pricing model. All options were exercised during the year. The fair value of options granted and the significant assumptions used in the calculation of the most recent grants are as follows:

| Grant date | 10 Aug 2017 (E Shares) | 1 Oct 2017 (B Shares) |
|-----------------------------------|---------------------------|--------------------------|
| Share price at date of grant | £0.10 | £1.38 |
| Exercise price | £0.10 | £1.38 |
| Number of participating employees | 7 | 1 |
| Shares under option ('000) | 992,768 | 25,000 |
| Vesting period (years) | 0.6 | 0.5 |
| Expected volatility | 25% | 25% |
| Option life (years) | 10 | 10 |
| Expected life (years) | 0.6 | 0.5 |
| Risk free rate | 2.00% | 2.00% |
| Expected dividend yield | Nil | Nil |
| Fair value per option | £0.01 | £0.17 |

The expected volatility is based on the average historical volatility of certain companies whose shares are listed on a recognised stock exchange that the Directors consider to operate in a comparable market sector to the company. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

At 31 March 2018 there were no (2017: 3,769,000) share options in issue but not yet exercised and the company recorded an IFRS 2 charge for the year then ended of £89,000 (2017: £67,000 credit). For the purposes of calculating the IFRS 2 charge for the year, the actual exercise date of 31 March 2018 was used.

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Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Share based payments (continued)

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

| | 2018 | | 2017 | |
|-------------------------|----------------|---|----------------|---|
| | Number '000 | Weighted average exercise price £ | Number '000 | Weighted average exercise price £ |
| At 1 April | 3,769 | 0.24 | 517 | 0.80 |
| Lapsed | - | - | (123) | 0.80 |
| Granted | 1,018 | 0.13 | 3,375 | 0.18 |
| Exercised | (4,787) | (0.22) | - | - |
| Outstanding at 31 March | - | - | 3,769 | 0.24 |

22 Cash outflows from operating activities

| | 2018 Group £'000 | 2017 Group £'000 | 2018 Company £'000 | 2017 Company £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Loss before tax | (12,475) | (20,633) | (11,932) | (18,301) |
| Depreciation (note 11) | 684 | 776 | 669 | 713 |
| Amortisation (note 10) | 551 | 293 | 384 | 169 |
| Impairment (note 10) | - | 13,345 | - | 12,250 |
| (Increase)/Decrease in inventories (note 13) | (960) | 382 | (751) | 422 |
| (Increase)/decrease in trade and other receivables (note 14) | (4,094) | (1,792) | (4,813) | (4,434) |
| Increase/(decrease) in trade and other payables (note 16) | 4,536 | 2,145 | 4,679 | 1,894 |
| Share based payments charge/(credit) (note 21) | 89 | (67) | 89 | (67) |
| Interest (received)/paid | 269 | 150 | 269 | 150 |
| Net cash (outflow) from operating activities | (11,400) | (5,401) | (11,406) | (7,204) |

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Notes to the financial statements for the year ended 31 March 2018 (continued)

23 Reconciliation of net cash/(debt)

| Group | At beginning of year £'000 | Cash flow £'000 | Other movements £'000 | At end of year £'000 |
|-----------------------------------|----------------------------------|--------------------|-----------------------------|----------------------------|
| Cash | 614 | 20,315 | - | 20,929 |
| Debt due within one year | (1,706) | 1,706 | (4,240) | (4,240) |
| Debt due after more than one year | (1,950) | (2,600) | 4,240 | (310) |
| Net cash/(debt) | (3,042) | 19,421 | - | 16,379 |

| Company | At beginning of year £'000 | Cash flow £'000 | Other movements £'000 | At end of year £'000 |
|-----------------------------------|----------------------------------|--------------------|-----------------------------|----------------------------|
| Cash | 35 | 20,319 | - | 20,354 |
| Debt due within one year | (1,706) | 1,706 | (4,240) | (4,240) |
| Debt due after more than one year | (1,950) | (2,600) | 4,240 | (310) |
| Net cash/(debt) | (3,621) | 19,425 | - | 15,804 |

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Notes to the financial statements for the year ended 31 March 2018 (continued)

24 Related party transactions

On 2 July 2016 Pharmacy2U Limited acquired 100% of the issued share capital of ChemD Holdings Limited (see note 12 and 26). At 31 March 2018 £3,492,000 (2017: £2,583,000) was due to Pharmacy2U Limited from ChemD Holdings Limited.

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 lease is on normal commercial terms. The initial term of the lease is 15 years, with rent reviews every five years. The annual rent is £109,000. There were no balances due at 31 March 2018 (2017: £nil).

During the year ended 31 March 2016, Pharmacy2U Limited acquired a 50% interest in a number of newly formed LLPs (see note 12). At 31 March 2018, £7,534 (2017: £2,259) was receivable from the LLPs, comprising costs funded by the Company and re-charged to the LLPs, net of fees payable to the LLPs.

25 Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund which amounted to £118,000 (2017: £97,000) in the year and £22,000 (2017: £16,000) was owed to the fund at the year end.

26 Ultimate controlling party

P2U Holdings Limited is the immediate and ultimate parent undertaking. G Square Capital is the ultimate controlling party of the group.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

27 Acquisition

On 2 July 2016 the group acquired 100% of the share capital of ChemD Holdings Limited, a complementary online pharmacy for consideration of £12.25m. The consideration was paid by a share for share exchange in which the shareholders of ChemD Holdings Limited assumed a 35% interest in Pharmacy2U Limited, in exchange for the entire trade and assets of ChemD Holdings Limited.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| | On acquisition £'000 |
|------------------------------------|-------------------------|
| Fair value of consideration | 12,250 |
| Fair value of liabilities acquired | (1,095) |
| Goodwill | 13,345 |

The goodwill arising on acquisition represents future revenue and cost saving synergies expected to be recognised through the integration of the two businesses into one group. Given that the group is still loss making, management have considered the carrying value of the goodwill arising and an exceptional impairment charge of £13,345,000 has been recognised in the year ended 31 March 2017. In the company financial statements a corresponding impairment charge of £12,250,000 has been recognised to provide for the investment in full.

The assets and liabilities arising from the acquisition, provisionally determined, are as follow:

| | Fair value £'000 |
|---------------------------------|---------------------|
| Intangibles | 1,659 |
| Cash and cash equivalents | 281 |
| Property, plant and equipment | 103 |
| Stock | 437 |
| Trade and other receivables | 337 |
| Trade and other payables | (2,367) |
| Borrowings | (1,545) |
| Net liabilities acquired | (1,095) |

The revenue from ChemD Holdings Limited included in the consolidated income statement for 2017 was £8,383,000. ChemD Holdings Limited also generated a loss of £1,114,000 over the same period.

If ChemD Holdings Limited had been acquired on 1 April 2016 it would have contributed revenue of £10,920 and generated a loss of £1,634,000 for the year ended 31 March 2017.