

Registered Number 03802593

Pharmacy2U Limited
Annual report and consolidated financial
statements for the year ended 31 March 2022



Pharmacy2U Limited

Annual report and consolidated financial statements for the year ended 31 March 2022

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Pharmacy2U Limited

Directors and advisers

Directors

M Livingstone
G Dannatt
P Day

Company Secretary

S Fawcett

Independent Auditors

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

Solicitors

Squire Patton Boggs (UK) LLP
6 Wellington Place
Leeds
LS1 4AP

Bankers

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Registered Office

Lumina
Park Approach
Thorpe Park
Leeds
England
LS15 8GB

Registered Number

03802593

Pharmacy2U Limited

Group strategic report for the year ended 31 March 2022

The directors present their strategic report on the group for the year ended 31 March 2022.

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.

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 performs online retail of a broad range of health and wellbeing products through both the Chemistdirect.co.uk and pharmacy2u.co.uk websites, and also runs an online doctor consultation service.

The Coronavirus pandemic and subsequent national lockdowns that began in March 2020 led to unprecedented growth in demand for the company's core services. In addition, the company responded extremely quickly to the requirement for vaccine services and is proud to have played a significant role in the national Covid vaccination programme. The first vaccination sites were launched in January 2021 and to date over 1,500,000 vaccines have been administered at over 40 locations. The experience gained through the vaccination programme has been invaluable and other pharmacy services are now being offered both in the community and remotely.

The company has made significant investment in industry leading automation which provides capacity to service a greater share of the UK prescription market, whilst improving operating costs. The company's second automated dispensing facility, based in Leicester, was launched in November 2020 and now fulfils the majority of the company's prescription orders with dramatically reduced operating costs.

Throughout the year ended 31 March 2022, the company continued to invest in multiple marketing channels to recruit new patients. The number of NHS patients nominated to Pharmacy2U increased by 9% in the year to 666,000 (2021: 611,000). A number of strategic partnerships have been agreed in the past year which, in combination with existing marketing expertise, will allow the company to recruit patients faster and more efficiently.

During the year ended 31 March 2022 the company 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 cost per patient. The combination of these factors dramatically improved profitability, EBITDA increased by £3.4 million to a profit of £5.9 million, and a profit was made before tax of £2.9 million (2021: £0.1m profit).

As a result of the covid pandemic additional costs exceeding £4 million were incurred. These additional costs were necessary to protect our employees and customers and comprised mainly staff costs as extra breaks were introduced to allow frequent cleaning of all facilities, and to prevent contact between different shifts in our operations. Working seven days a week for many months also required overtime premiums in order to meet the needs of our patients. Significant cost was also incurred to enable over 200 office based employees to work from home. The company received a one-off payment in the year ended 31 March 2022 of £4.3 million as compensation for these costs, which has been reported in other income due to its non-recurring nature.

Pharmacy2U Limited

Group strategic report for the year ended 31 March 2022 (continued)

At the start of the pandemic in March 2020 there was a surge in demand for the company's services therefore it was necessary to operate seven days a week for a number of months to ensure that high service levels were maintained and our services were available to as many new patients as possible. Consequently the auditors were unable to attend a year end stock count for the year ended 31 March 2020 and have therefore issued a modified audit opinion due to the residual impact on cost of sales in the prior year as a result of being unable to attend the stock count as at 31 March 2020. Full stock counts were conducted on all sites in March 2022 and 2021 which were attended by the auditors. The audit report remains modified due to the possible effect on the comparability of the current year's figures for cost of sales and related balances and the corresponding figures as a result of being unable to attend the 2020 stock count.

At 31 March 2022, the company had net assets of £23.4 million (2021: £20.3 million).

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

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 continuing to improve the existing multi-channel marketing approach. The Group launched a second dispensing facility in Q4 2021 which together with the existing Leeds facility will provide operational capacity for c.10% of the repeat prescription market in England. As the volume of prescriptions dispensed in the new, more automated facility increases this will transform the operating costs of the Group. The Group is also well positioned to play a significant role in the development and provision of pharmacy services, including covid and other vaccinations.

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.

Pharmacy2U Limited

Group strategic report for the year ended 31 March 2022 (continued)

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.

	2022	2021	Growth (%)
KPIs			
NHS Prescription items despatched ('000)	14,786	12,691	17%
NHS patient nominations ('000)	666	611	9%
Revenue (£'000)	165,067	139,824	18%
Gross margin	33.4%	28.4%	18%
EBITDA before marketing (£'000)	11,977	8,964	34%
EBITDA before exceptionals (£'000)	5,887	2,498	136%

Going concern and the impact of Covid 19

In light of the Covid 19 pandemic, and other macro-economic factors such as rising inflation, the directors have considered the impact 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 maintained a high 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 by 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 and the high rate of inflation, the directors have carefully assessed the expected impact on the business, and together with the strong trading performance, 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.

Pharmacy2U Limited

Group strategic report for the year ended 31 March 2022 (continued)

Environmental, Social and Governance Report

Overview

The Board of Pharmacy2U is committed to developing the Group's Environmental, Social and Governance ('ESG') strategy and performance to i) reduce its contribution to Greenhouse Gas ('GHG') emissions and climate change; ii) increase the Group's resilience in the medium and long term by identifying risks and opportunities relating to ESG issues; and iii) increase its ability to monitor and manage progress in a more structured way.

Over FY22, the Group has and is continuing to effectively address many key ESG issues, as detailed below.

Area	Description	Actions and Progress
Environmental	The Group's direct environmental risks result from its Scope 1 and 2 emissions, from the warehousing and packaging of the prescription medicines	The Company is already reducing its direct GHG emissions through energy savings activities, and resizing of packaging across its operations
Social	Given the particular challenges presented by COVID-19, workplace culture and engagement was an area of focus in 2021 and continues in 2022	Throughout the impact of COVID-19, the Company has prioritised the protection of its people
Governance	A strong focus on governance is a vital part of the Company's ability to implement sustainable practices across its operations	The Board has primary oversight of ESG strategy and performance, with ESG and its associated issues being agenda items at Board Meetings. The Company is now supported by two specialist consultancies in relation to its ESG activities, both of which work alongside members of the Executive Team on a day-to-day basis.

Materiality Assessment and Key Material Issues

Early in 2022, to further support the development of a comprehensive ESG strategy, the Group undertook a materiality assessment¹. This assessment, prepared in conjunction with a specialist ESG consultant and following engagement with internal and external stakeholder groups, has identified the Company's significant ESG-related risks and opportunities and will serve as the foundation for the Group's new ESG Strategy.

Using sustainability reports and accepted reporting frameworks, industry reports, media scanning, and other internal and external information Pharmacy2U identified a longlist of likely priorities of each of Pharmacy2U's key stakeholder groups. Each issue was scored based on reputational, operational and investor risk. A refined list was taken into consultations with both internal and external stakeholders to prioritise those ESG issues most material to each key stakeholder group and the Group's stakeholder partners.

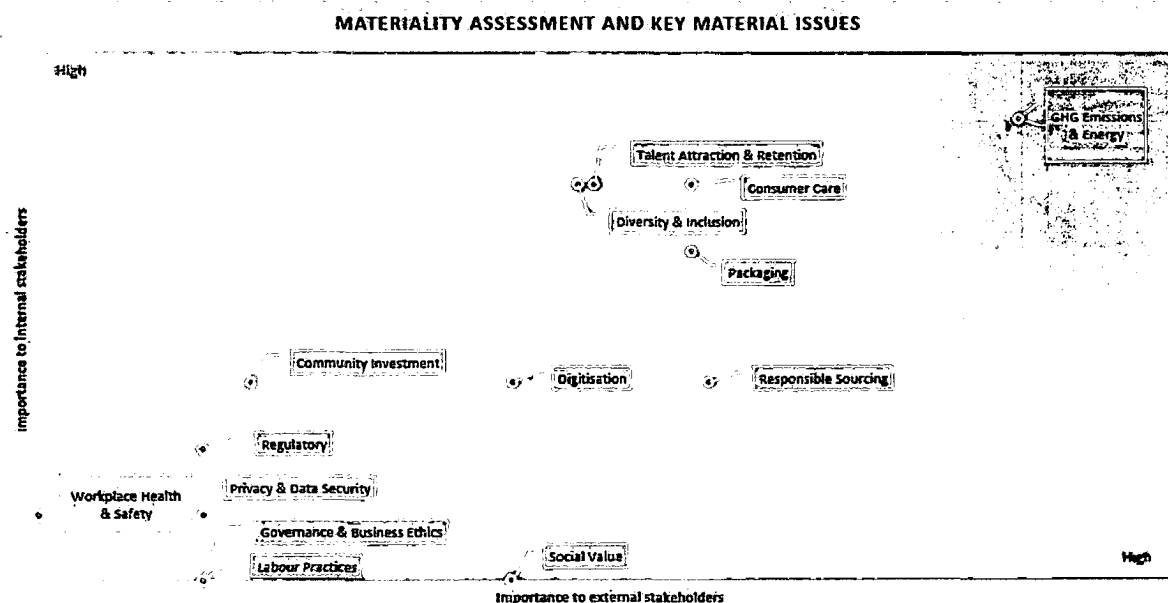
¹ The Materiality Assessment follows accepted reporting frameworks including Sustainability Accounting Standards Board ('SASB') and the Global Reporting Initiative ('GRI').

Pharmacy2U Limited

Group strategic report for the year ended 31 March 2022 (continued)

Environmental, Social and Governance Report (continued)

Finally, the extent of issue materiality was estimated on a basis of importance to Pharmacy2U and importance to external stakeholders, as illustrated in the matrix below.



Key areas of Focus

Through this work the Group has identified three key areas of strategic differentiation for Pharmacy2U: Energy Efficiency, Talent Attraction & Development and Consumer Care. Of the remaining topics, three important enablers are prioritised. They are: Packaging and Waste Reduction, Employee D&I and Community Engagement. These topics will form the basis of Pharmacy2U's ESG strategy over the medium-term. In accordance with GRI guidelines, the level of current operational control and influence Pharmacy2U has over these ESG issues has also been considered to help the Company structure its approach.

All of the issues identified by the Materiality Assessment will continue to be monitored, and subject to various actions as appropriate as part of the overall ESG strategy.

Pharmacy2U Limited

Group strategic report for the year ended 31 March 2022 (continued)

Environmental, Social and Governance Report (continued)

Progress onwards

As with all Pharmacy2U's strategic undertakings, the Group is focused on a deliverable plan rather than on distant targets not readily obtainable.

Pharmacy2U's ESG roadmap demonstrates the work done so far, and approach to delivery over the next two years

FY22	FY23	FY24
<ul style="list-style-type: none">▪ Canvassing and engaging stakeholders▪ Materiality assessment▪ Setting of near-term targets for most influenceable issues▪ Scope 1 & 2 analysis▪ Statement on ESG included in Annual Report '22	<ul style="list-style-type: none">▪ Establishing an ESG Committee▪ First ESG Strategy Report, published with supporting KPIs▪ Actioning of near-term targets and setting of longer-term targets▪ Improve data collection capacity, both internally and from suppliers	<ul style="list-style-type: none">▪ Actioning of near-term and longer-term targets▪ Recanvassing of stakeholders▪ ESG Report with comprehensive materiality assessment update

While some of these ambitions are readily within Pharmacy2U's control and actionable near-term, others will require a collaborative approach with the Group's partners to elicit real change.

Pharmacy2U Limited

Group strategic report for the year ended 31 March 2022 (continued)

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 were 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.

Pharmacy2U Limited

Group strategic report for the year ended 31 March 2022 (continued)

Section 172 Statement (continued)

- *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 and plastic is compacted into bales and sold back to the supplier.
- Commissioned independent review of energy use, and surveyed employees and suppliers to understand the full environmental of our business.
- Became operationally carbon neutral through the purchase of carbon credits to offset scope 1, 2 and 3 usage.

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 2022, along with prior year comparatives. 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 2022	Year ended 31 March 2021
Total UK energy use	Thousand kWh	1,244	1,204
Total UK emissions	Thousand tonnes of CO2e	257	262
Intensity ratio	Thousand tonnes of CO2e per m2 of floor area	0.01	0.02

On behalf of the Board



G Dannatt
Director
Date 20 December 2022

Pharmacy2U Limited

Directors' report for the year ended 31 March 2022

The directors present their report together with the audited consolidated financial statements for the year ended 31 March 2022.

The directors do not propose payment of a dividend in respect of the financial year ended 31 March 2022 (2021: £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
P Day

Future developments, going concern and financial risk management

Please refer to the Group strategic report on pages 2 to 9.

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 £3.1 million, of which £1.2m is recorded as an expense in the consolidated statement of comprehensive income and £1.9m has been capitalised (2021: £2.2 million total, £1.1m expense, £1.1m capitalised).

Pharmacy2U Limited

Directors' report for the year ended 31 March 2022 (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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group and 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

Date

20 December 2022

Pharmacy2U Limited

Independent auditor's report to the members of Pharmacy2U Limited

Qualified opinion on the financial statements

In our opinion, except for the possible effects on the corresponding figures 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards 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.

We have audited the financial statements of Pharmacy2U Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise Consolidated statement of comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity for the year, Company statement of changes in equity for the year, Consolidated cash flow statement for the year, Company cash flow statement for the year, Statement of accounting policies for the year and 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 and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for qualified opinion

For the year ending 31 March 2020, due to the COVID-19 pandemic we were unable to attend the physical inventory count for one of the subsidiary entities. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 March 2020, which are included in the balance sheet at £4,388k, by using other audit procedures. Consequently, we were unable to determine whether there was any consequential effect of the cost of sales for the year ended 31 March 2021. Our audit opinion on the financial statements for the year ended 31 March 2021 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures for cost of sales and related balances and the corresponding figures.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group and 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.

Pharmacy2U Limited

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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.

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

As described in the basis for qualified opinion section of our report, where the other information refers to inventories, cost of sales or related balances the current year and corresponding figures may not be comparable.

Opinions Companies Act 2006 reporting

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

Except for the possible effect of 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Pharmacy2U Limited

Independent auditor's report to the members of Pharmacy2U Limited

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Pharmacy2U Limited

Independent auditor's report to the members of Pharmacy2U Limited

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.

DocuSigned by:

Paul Davies

D44FEAE45B2A4E7...

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

Date 20 December 2022

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 2022

	Note	2022 £'000	2021 £'000
Revenue	1	165,067	139,824
Cost of sales		(110,035)	(100,050)
Gross profit		55,032	39,774
Other income	2	4,277	-
Distribution costs		(40,226)	(29,875)
Administrative expenses		(15,506)	(9,153)
Operating profit	3	3,577	746
Analysed as:			
EBITDA		5,887	2,498
Amortisation - intangibles	10	(562)	(385)
Amortisation - right of use assets	21	(623)	(665)
Depreciation	11	(1,126)	(702)
Operating profit		3,577	746
Interest payable	7	(656)	(620)
Profit before taxation		2,921	126
Taxation	8	274	2,052
Profit and total comprehensive income for the year		3,195	2,178

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

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

Pharmacy2U Limited

Consolidated balance sheet as at 31 March 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	10	7,126	6,224
Property, plant and equipment	11	14,389	11,111
Investments	12	-	-
Deferred taxation	16	5,589	5,525
Right of use assets	21	4,127	4,750
Total non-current assets		31,231	27,610
Current assets			
Inventories	13	8,516	6,422
Trade and other receivables	14	22,292	29,359
Current taxation receivable	15	711	1,157
Cash and cash equivalents		526	2,302
Total current assets		32,045	39,240
Total assets		63,276	66,850
Equity and liabilities			
Current liabilities			
Trade and other payables	17	27,884	27,688
Borrowings	17	5,788	11,044
Lease liabilities	21	538	547
Total current liabilities		34,210	39,279
Non-current liabilities			
Trade and other payables	18	135	180
Deferred taxation	16	632	568
Borrowings	18	303	1,485
Lease liabilities	21	4,548	5,085
Total non-current liabilities		5,618	7,318
Total liabilities		39,828	46,597
Equity			
Called up share capital	20	15,001	15,001
Accumulated profit		8,447	5,252
Total equity		23,448	20,253
Total equity and liabilities		63,276	66,850

Pharmacy2U Limited

Consolidated balance sheet as at 31 March 2022 (continued)

	2022 £'000	2021 £'000
Accumulated profit brought forward	5,252	3,074
Profit for the financial year	3,195	2,178
Accumulated profit	8,447	5,252

The financial statements on pages 16 to 49 were approved by the board of directors and authorised for issue on 20 December 2022 and were signed on its behalf by:



G Dannatt

Director

Pharmacy2U Limited, registered number: 03802593

Pharmacy2U Limited

Company balance sheet as at 31 March 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	10	6,485	5,417
Property, plant and equipment	11	14,389	11,111
Investments	12	25	25
Deferred taxation	16	5,589	5,525
Right of use assets	21	4,127	4,750
Total non-current assets		30,615	26,828
Current assets			
Inventories	13	8,516	6,422
Trade and other receivables	14	22,292	29,359
Current taxation receivable	15	711	1,157
Cash and cash equivalents		526	2,302
Total current assets		32,045	39,240
Total assets		62,660	66,068
Equity and liabilities			
Current liabilities			
Trade and other payables	17	27,909	27,713
Borrowings	17	5,788	11,044
Lease liabilities	21	538	547
Total current liabilities		34,235	39,304
Non-current liabilities			
Trade and other payables	18	135	180
Deferred taxation	16	632	568
Borrowings	18	303	1,485
Lease liabilities	21	4,548	5,085
Total non-current liabilities		5,618	7,318
Total liabilities		39,853	46,622
Equity			
Called up share capital	20	15,001	15,001
Merger reserve	12	10,653	10,653
Accumulated losses		(2,847)	(6,208)
Total equity		22,807	19,446
Total equity and liabilities		62,660	65,525

Pharmacy2U Limited

Company balance sheet as at 31 March 2022 (continued)

	2022 £'000	2021 £'000
Accumulated losses brought forward	(6,208)	(8,538)
Profit for the financial year	3,361	13,841
Merger reserve release to retained earnings	-	(11,511)
Accumulated losses	(2,847)	(6,208)

The financial statements on pages 16 to 49 were approved by the board of directors on 20 December 2022 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 2022

	Called up Share Capital £'000	Share premium account £'000	Retained earnings £'000	Total Equity £'000
At 1 April 2021	15,001	-	5,252	20,253
Profit and total comprehensive income for the financial year	-	-	3,195	3,195
At 31 March 2022	15,001	-	8,447	23,448

	Called up Share Capital £'000	Share premium account £'000	Retained earnings £'000	Total Equity £'000
At 1 April 2020	15,001	-	3,074	18,075
Profit and total comprehensive income for the financial year	-	-	2,178	2,178
At 31 March 2021	15,001	-	5,252	20,253

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 2022

	Called up Share Capital £'000	Share premium account £'000	Merger Reserve £'000	Accumulated losses £'000	Total Equity £'000
At 1 April 2021	15,001	-	10,653	(6,208)	19,446
Profit and total comprehensive income for the financial year	-	-	-	3,361	3,361
At 31 March 2022	15,001	-	10,653	(2,847)	22,807

	Called up Share Capital £'000	Share premium account £'000	Merger Reserve £'000	Accumulated losses £'000	Total Equity £'000
At 1 April 2020	15,001	-	(858)	(8,538)	5,605
Profit and total comprehensive income for the financial year	-	-	-	13,841	13,841
Merger reserve release to retained earnings	-	-	11,511	(11,511)	-
At 31 March 2021	15,001	-	10,653	(6,208)	19,446

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 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities	22	10,115	(1,913)
Taxation		720	776
Net cash inflow/(outflow) from operating activities		10,835	(1,137)
Cash flows from investing activities			
Additions to plant, property and equipment	11	(4,384)	(2,858)
Additions to intangible assets	10	(1,465)	(1,090)
Movements in capital accruals		878	300
Payments to acquire tangible and intangible assets		(4,971)	(3,648)
Net cash outflow from investing activities		(4,971)	(3,648)
Cash flows from financing activities			
Increase in borrowings		-	11,391
Loan repayments		(6,437)	(7,196)
Lease payments		(790)	-
Interest paid		(413)	(354)
Net cash (outflow)/inflow from financing activities		(7,640)	3,842
Net (decrease) in cash and cash equivalents	23	(1,776)	(944)
Opening cash and cash equivalents		2,302	3,245
Closing cash and cash equivalents		526	2,302

Pharmacy2U Limited

Company cash flow statement for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities	22	10,115	(1,913)
Taxation		720	776
Net cash inflow/(outflow) from operating activities		10,835	(1,137)
Cash flows from investing activities			
Additions to plant, property and equipment	11	(4,384)	(2,858)
Additions to intangible assets	10	(1,465)	(1,090)
Movements in capital accruals		878	300
Payments to acquire tangible and intangible assets		(4,971)	(3,648)
Net cash inflow from investing activities		(4,971)	3,948
Cash flows from financing activities			
Increase in borrowings		-	11,391
Loan repayments		(6,437)	(7,196)
Lease payments		(790)	
Interest paid		(413)	(354)
Net cash (outflow)/inflow from financing activities		(7,639)	3,841
Net (decrease) in cash and cash equivalents	23	(1,776)	(944)
Opening cash and cash equivalents		2,302	3,245
Closing cash and cash equivalents		526	2,302

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2022

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 and have been prepared in conformity with the requirements of the Companies Act 2006.

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

In light of the Covid 19 pandemic, and other macro-economic factors such as rising inflation, the directors have considered the impact 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 maintained a high 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 by 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 and the high rate of inflation, the directors have carefully assessed the expected impact on the business, and together with the strong trading performance, 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 2021, and which have given rise to changes in the Group’s accounting policies are:

- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

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 2022 (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 revenue from over-the-counter sales and private prescriptions, 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.

For all revenue relating to the provision of services, such as vaccinations, the point of recognition is when the service is administered, and revenue is recognised at the transaction price. When providing the service for the NHS the transaction price is set by the NHS for the specific service provided and where the service is provided privately the transaction price is the invoiced price of the service supplied.

Other income

Other income is the re-imbursement of costs by the NHS that are outside the contracted prescription service re-imbursement model.

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 – 10 years
- Acquired brands, customer base - 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Previously the group depreciated its software intangibles over a period of 3 years. During the year ended 31 March 2021 the directors reassessed the useful economic life of these assets to 10 years. This resulted in a reduction in the depreciation charge for the prior year of £500,000.

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

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2022 (continued)

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 6.66% - 33.33%
- Fixtures and fittings 6.66% - 20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Previously the group depreciated its automated dispensing equipment over a period of 10 years. During the year ended 31 March 2021 the directors reassessed the useful economic life of these assets to 15 years. This resulted in a reduction in the depreciation charge for the prior year of £186,000. Automated dispensing equipment is included within plant and machinery.

Previously the group depreciated its leasehold improvements over a period of 10 years. During the year ended 31 March 2021 the directors reassessed the useful economic life of these assets to 15 years. This has resulted in a reduction in the depreciation charge for the prior year of £47,000. Leasehold improvements are included within fixtures and fittings.

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.

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 Group'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.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2022 (continued)

Financial instruments (continued)

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 10 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.

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.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2022 (continued)

Identifying leases (continued)

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.

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 or 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.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2022 (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.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2022 (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 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%.

Estimation of the useful economic life of tangible and intangible fixed assets

The Group regularly reviews the useful economic life of tangible and intangible assets. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022

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; as a pharmacy, providing online and mail order pharmacy services as well as advanced services such as vaccinations at our services sites.

2 Other income

During the Coronavirus pandemic and subsequent lockdowns the business incurred additional costs exceeding £4 million, these costs were necessary to protect our employees and customers whilst ensuring we were able to continue meeting the needs of our patients. In the year ended 31 March 2022 the NHS re-imbursed pharmacies for some of the additional costs incurred during this period.

3 Operating profit

	2022 £'000	2021 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets (note 11)	1,126	702
Amortisation of intangible fixed assets (note 10)	562	385
Research and development	1,249	1,064
Services provided by the company's auditors:		
Fees payable for the audit of parent company and consolidated financial statements	58	55
Fees payable for the audit of subsidiaries	5	5

4 Employee information

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

Group and Company	2022 Number	2021 Number
Selling and distribution	423	308
Administration	112	92
	535	400

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

5 Employee benefit expense

Group and Company	2022 £'000	2021 £'000
Wages and salaries	14,385	10,342
Social security costs	1,091	840
Other pension costs (note 26)	312	248
	15,788	11,430

Internal staff costs of £893,000 have been capitalised in the year (2021: £618,000). These are included within note 10, intangible fixed assets and are excluded from the above analysis.

6 Directors' emoluments

	2022 £'000	2021 £'000
Aggregate emoluments	609	689
Company contributions to money purchase pension schemes	19	21
	628	710

Highest paid director	2022 £'000	2021 £'000
Aggregate emoluments	265	309

Retirement benefits are accruing to 2 (2021: 2) directors under a defined contribution scheme.

7 Net finance costs

	2022 £'000	2021 £'000
Bank interest payable	(413)	(354)
Finance charge on leases	(243)	(266)
	(656)	(620)

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

8 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on losses for the year	173	437
Adjustment in respect of prior years	101	(58)
Total current tax credit	274	379
Deferred tax		
Origination and reversal of timing differences	(64)	(327)
Losses	64	2,000
Total deferred tax credit (note 16)	-	1,673
Total tax credit	274	2,052

The total tax credit is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Profit before taxation	3,087	126
Loss before taxation multiplied by standard rate in the UK of % (2021: 19%)	587	24
Adjustment in respect of prior years	(101)	89
Expenses not deductible	662	92
Income not taxable	(1,141)	-
Losses	227	-
Relief for research and development expenditure	-	(312)
Effects of group/other reliefs	(159)	38
Tax rate changes	(1,190)	-
Tax losses recognised	841	(1,983)
Total tax credit	(274)	(2,052)

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 profit within the financial statements of the company is £3,361,000 (2021: £13,854,000).

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (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 2020	15,630	336	1,323	2,871	927	21,087
Additions	-	-	-	1,090	-	1,090
Transfer	-	-	-	927	(927)	-
Disposals	-	-	-	(553)	-	(553)
At 31 March 2021	15,630	336	1,323	4,335	-	21,624
Accumulated amortisation						
At 1 April 2020	(13,409)	(127)	(495)	(1,537)	-	(15,568)
Charge for the year	-	(34)	(132)	(219)	-	(385)
Disposals	-	-	-	553	-	553
At 31 March 2021	(13,409)	(161)	(627)	(1,203)	-	(15,400)
Net book amount						
At 31 March 2021	2,221	175	696	3,132	-	6,224
At 31 March 2020	2,221	209	828	1,334	927	5,519
Cost						
At 1 April 2021	15,630	336	1,323	4,335	-	21,624
Additions	-	-	-	1,100	365	1,465
Disposals	-	-	-	-	-	-
At 31 March 2022	15,630	336	1,323	5,435	365	23,089
Accumulated amortisation						
At 1 April 2021	(13,409)	(161)	(627)	(1,203)	-	(15,400)
Charge for the year	-	(34)	(132)	(396)	-	(562)
Disposals	-	-	-	-	-	-
At 31 March 2022	(13,409)	(195)	(759)	(1,599)	-	(15,962)
Net book amount						
At 31 March 2022	2,221	141	564	3,836	365	7,127
At 31 March 2021	2,221	175	696	3,132	-	6,224

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

10 Intangible assets (continued)

Company	Goodwill £'000	Software development £'000	Assets under construction £'000	Total £'000
Cost				
At 1 April 2020	2,285	2,871	927	6,083
Additions	-	1,090	-	1,090
Transfer	-	927	(927)	-
Disposals	-	(553)	-	(553)
At 31 March 2021	2,285	4,335	-	6,620
Accumulated amortisation				
At 1 April 2020	-	(1,537)	-	(1,537)
Charge for the year	-	(219)	-	(219)
Disposals	-	553	-	553
At 31 March 2021	-	(1,203)	-	(1,203)
Net book amount				
At 31 March 2021	2,285	3,132	-	5,417
At 31 March 2020	2,285	1,334	927	4,546
Cost				
At 1 April 2021	2,285	4,335	-	6,620
Additions	-	1,100	365	1,465
Disposals	-	-	-	-
At 31 March 2022	2,285	5,435	365	8,085
Accumulated amortisation				
At 1 April 2021	-	(1,203)	-	(1,203)
Charge for the year	-	(396)	-	(396)
Disposals	-	-	-	-
At 31 March 2022	-	(1,599)	-	(1,599)
Net book amount				
At 31 March 2022	2,285	3,836	365	6,486
At 31 March 2021	2,285	3,132	-	5,417

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (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 principal 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 2022 (2021:nil).

The impairment test for the year ended 31 March 2022 has identified that the carrying value of goodwill is sensitive to changes in assumptions. The table below shows the headroom at 31 March 2022, and the impact of changes in the assumptions used in calculating the fair value:

	Headroom
Headroom at 31 March 2022	£122,000
Long term growth rate reduced from 1% to 0%	(£105,000)
1% increase in discount rate from 15% to 16%	(£164,000)

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (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 2020	4,309	1,828	5,260	11,397
Additions	1,852	969	-	2,821
Transfer	4,674	586	(5,260)	-
Disposals	(207)	(127)	-	(334)
At 31 March 2021	10,628	3,256	-	13,884
Accumulated depreciation				
At 1 April 2020	(1,765)	(640)	-	(2,405)
Charge for the year	(534)	(168)	-	(702)
Disposals	207	127	-	334
At 31 March 2021	(2,092)	(681)	-	(2,773)
Net book amount				
At 31 March 2022	8,536	2,575	-	11,111
At 31 March 2021	2,544	1,188	5,260	8,992
Cost				
At 1 April 2021	10,628	3,256	-	13,884
Additions	875	505	3,004	4,384
Disposals	(195)	(105)	-	(300)
At 31 March 2022	11,308	3,656	3,004	17,968
Accumulated depreciation				
At 1 April 2021	(2,092)	(681)	-	(2,773)
Charge for the year	(822)	(304)	-	(1,126)
Disposals	195	105	-	300
At 31 March 2022	(2,719)	(880)	-	(3,599)
Net book amount				
At 31 March 2022	8,589	2,776	3,004	14,369
At 31 March 2021	8,536	2,575	-	11,111

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (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 2020	4,254	1,772	5,260	11,286
Additions	1,852	969	-	2,821
Transfer	4,674	586	(5,260)	-
Disposals	(207)	(127)	-	(334)
At 31 March 2021	10,573	3,200	-	13,773
Accumulated depreciation				
At 1 April 2020	(1,686)	(608)	-	(2,294)
Charge for the year	(534)	(168)	-	(702)
Disposals	207	127	-	334
At 31 March 2021	(2,013)	(649)	-	(2,662)
Net book amount				
At 31 March 2022	8,560	2,551	-	11,111
At 31 March 2021	2,568	1,164	5,260	8,992
Cost				
At 1 April 2021	10,573	3,200	-	13,773
Additions	875	505	3,004	4,384
Disposals	(195)	(105)	-	(300)
At 31 March 2022	11,253	3,600	3,004	17,857
Accumulated depreciation				
At 1 April 2021	(2,013)	(649)	-	(2,662)
Charge for the year	(822)	(304)	-	(1,126)
Disposals	195	105	-	300
At 31 March 2022	(2,640)	(848)	-	(3,488)
Net book amount				
At 31 March 2022	8,613	2,752	3,004	14,369
At 31 March 2021	8,560	2,551	-	11,111

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

11 Property, plant and equipment (continued)

At 31 March 2022 the group had contractual commitments of £3.3m for capital expenditure (2021: £0.5m). On 13 September 2021 the group entered into a £6.6 million contract for the second phase of development at the automated dispensing facility in Bardon which will significantly increase the group's operating capacity. The expenditure will be incurred through 2021 to 2023.

12 Investments

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'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 2021 and after 18 of these 21 joint ventures have been liquidated, the total carrying value of these investments at 31 March 2022 is £150 (2021: £150).

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

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

13 Inventories

Group and Company	2022 £'000	2021 £'000
Goods for resale	8,516	6,422

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £107,558,000 (2021: £97,507,000). Inventory is stated after provisions of £425,000 (2021: £380,000).

14 Trade and other receivables

Group and Company	2022 £'000	2021 £'000
Trade receivables	14,956	24,130
Amounts due from parent undertaking	1,678	1,529
Other receivables	2,453	2,288
Prepayments and accrued income	3,205	1,412
Trade and other receivables: amounts falling due within one year	22,292	29,359

Trade receivables of the Group and Company are stated after provisions for impairment of £25,000 (2021: £25,000).

Amounts due from parent undertaking are interest free and repayable on demand.

Trade and other receivables: amounts falling due after more than one year	2022 £'000	2021 £'000
Deferred tax (note 16)	5,589	5,525

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 2022 (continued)

15 Current taxation receivable

The movement on current taxation during the year was:

Group and Company	2022 £'000	2021 £'000
At 1 April	1,157	1,554
Received in the year	(720)	(776)
Current year credit to the statement of comprehensive income	274	379
At 31 March	711	1,157

16 Deferred taxation

The movement on deferred taxation during the year was:

Group and Company	2022 £'000	2021 £'000
At 1 April	4,957	3,284
Current year credit to the statement of comprehensive income	-	1,673
At 31 March	4,957	4,957

The amounts of deferred tax provided are as follows:

	2022 £'000	2021 £'000
Carried forward trading losses	5,589	5,525
Total deferred tax asset	5,589	5,525
	2021 £'000	2021 £'000
Accelerated capital allowances and other timing differences	(632)	(568)
Total deferred tax liability	(632)	(568)

The group has unutilised trading losses amounting to approximately £44,590,695 (2021: £46,312,000), which are available for relief against future profits. Of the total losses, £26,086,842 (2021: £26,216,000) 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. The deferred tax asset has been recognised at 19%.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

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

	2022 Group £'000	2021 Group £'000	2022 Company £'000	2021 Company £'000
Bank and other borrowings (note 19)	5,788	11,044	5,788	11,044
Trade payables	26,015	23,030	26,015	23,030
Other taxation and social security	390	242	390	242
Other payables	108	3,247	133	3,272
Accruals and deferred income	1,326	1,124	1,326	1,124
Deferred government grant	45	45	45	45
Lease liabilities (note 21)	538	547	538	547
	34,210	39,279	34,235	39,304

Amounts owed to group undertaking are interest free, unsecured, and with no fixed repayment date. During the year ended 31 March 2022 the amount owed to group undertaking was settled in full.

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

	2022 Group £'000	2021 Group £'000	2022 Company £'000	2021 Company £'000
Bank and other borrowings (note 19)	303	1,485	303	1,485
Deferred government grant	135	180	135	180
Lease liabilities (note 21)	4,548	5,085	4,548	5,085
	4,986	6,750	4,986	6,750

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

19 Borrowings

Group and Company	2022 £'000	2021 £'000
Amounts falling due within one year		
Invoice financing facility	4,606	9,907
Bank loan	1,182	1,137
	5,788	11,044
Amounts falling due after more than one year		
Bank loan	303	1,485

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

The loans including the receivables financing are repayable as follows:

Group and Company	2022 £'000	2021 £'000
In one year or less, or on demand	5,788	11,044
Between one and two years	303	1,182
Between two and five years	-	303
	6,091	12,529

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	2022 £'000	2021 £'000
Authorised, Allotted and fully paid		
1,500,067,955 ordinary shares of 1p each	15,001	15,001
	15,001	15,001

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.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

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.

Right-Of-Use Assets

	Land and buildings	Other	Total
Group	£'000	£'000	£'000
As at 1 April 2020	5,334	81	5,415
Additions	-	-	-
Amortisation	(641)	(24)	(665)
As at 31 March 2021	4,693	57	4,750
Additions	-	-	-
Amortisation	(603)	(20)	(623)
As at 31 March 2022	4,090	37	4,127

	Land and buildings	Other	Total
Company	£'000	£'000	£'000
As at 1 April 2020	5,296	81	5,377
Additions	38	-	38
Amortisation	(641)	(24)	(665)
As at 31 March 2021	4,693	57	4,750
Additions	-	-	-
Amortisation	(603)	(20)	(623)
As at 31 March 2022	4,090	37	4,127

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

21 Leases (continued)

Lease Liabilities

Group	Land and buildings £'000	Other £'000	Total £'000
As at 1 April 2020	5,921	83	6,004
Interest expense	263	3	266
Lease payments	(610)	(27)	(637)
As at 31 March 2021	5,574	59	5,633
Interest expense	241	2	243
Lease payments	(768)	(23)	(791)
As at 31 March 2022	5,047	38	5,085

Company	Land and buildings £'000	Other £'000	Total £'000
As at 1 April 2020	5,870	83	5,953
Additions	51	-	51
Interest expense	263	3	266
Lease payments	(610)	(27)	(637)
As at 31 March 2021	5,574	59	5,633
Additions	-	-	-
Interest expense	241	2	243
Lease payments	(768)	(23)	(791)
As at 31 March 2022	5,047	38	5,085

Lease Liability Maturity

Group	Within 12 months £'000	2 – 5 years £'000	After 5 years £'000	Total £'000
Lease liabilities	537	2,244	2,304	5,085
Company	£'000	£'000	£'000	£'000
Lease liabilities	537	2,244	2,304	5,085

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

22 Cashflows from operating activities

	2022 Group £'000	2021 Group £'000	2022 Company £'000	2021 Company £'000
Profit before tax	2,921	126	3,087	291
Depreciation (note 11 and 21)	1,727	385	1,727	182
Amortisation (note 10)	564	1,367	398	1,367
(Increase) in inventories (note 13)	(2,094)	(2,034)	(2,094)	(2,034)
(Increase) in trade and other receivables (note 14)	7,054	(13,710)	7,054	(2,199)
Increase in trade and other payables (note 17)	(712)	11,333	(712)	(140)
Interest charge (note 7)	656	620	656	620
Net cash outflow from operating activities	10,115	(1,913)	10,115	(1,913)

23 Analysis of net debt

Group	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
Cash	2,302	(1,776)	-	526
Debt due within one year	(11,591)	6,985	(1,720)	(6,326)
Debt due after more than one year	(6,571)	-	1,720	(4,851)
Net debt	(15,860)	5,209	-	(10,651)

Company	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
Cash	2,302	(1,776)	-	526
Debt due within one year	(11,591)	6,985	(1,720)	(6,326)
Debt due after more than one year	(6,571)	-	1,720	(4,851)
Net debt	(15,860)	5,209	-	(10,651)

Other movements are the reclassification of debt from more than one year to being due within one year.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (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. During the year ended 31 March 2021 the amount owed to group undertaking was settled in full.

25 Related party transactions

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 2022, no amount was due to the LLPs (2021: £nil was due to the LLPs) relating to fees payable to the LLPs. A total of £nil (2021: £4,389) was paid 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 £312,000 (2021: £248,000) in the year and £77,000 (2021: £52,000) was owed to the fund at the year end.

27 Financial Instruments

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There has been no substantive changes in the Group's exposure to financial risks or management of such risks in the year.

The Group's financial assets are measured at amortised cost and comprise cash, trade and other debtors.

The Group's financial liabilities are measured at amortised cost and comprise trade and other creditors, accruals and amounts owed to group undertakings and borrowings.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

27 Financial instruments (continued)

Group	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	21,271	30,903	21,271	30,903
Financial liabilities				
Financial liabilities measured at amortised cost	(39,196)	(46,029)	(39,221)	(46,054)

The Group's funding requirements and financial risks are reviewed regularly by the Board and senior management to ensure sufficient and appropriate financing is available for the day to day business needs.

The overall objective is to set policies that work to minimise risk as much as possible, further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from the NHS as the Group's main trade debtor which is considered low risk. Most customers are not offered credit as payment is made at the point of sale, before extending credit to any customers credit checks are performed to assess risk. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only those with suitable credit ratings are used.

Interest rate risk

The Group monitors its exposure to interest rate risk in light of the Group's current borrowings and the current economic environment.

Foreign exchange risk

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than GBP. This risk is insignificant in the business as transactions are all in GBP.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group aims to always have a minimum headroom as agreed with the Board to ensure that it can meet its liabilities as they fall due. Cash flow projections are provided to the board and live operating cash flow forecasts are reviewed regularly.

28 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 2022 is Pharmacy2U Limited and the largest group is P2U Holdings Limited. These financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.