

Registered Number 03802593

Pharmacy2U Limited

**Annual report and financial statements for
the year ended 31 March 2023**

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Pharmacy2U Limited

Annual report and financial statements for the year ended 31 March 2023

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Pharmacy2U Limited

Directors and advisers

Directors

K Heath
G Dannatt
P Day
S Fawcett

Company Secretary

S Fawcett

Independent Auditors

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Chartered Accountants and Statutory Auditors
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LS1 4DL

Solicitors

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Registered Number

03802593

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023

The directors present their strategic report for the year ended 31 March 2023.

Business review

Established in 1999, Pharmacy2U Limited was the UK's first Distance Selling Pharmacy (DSP) and is now the country's largest dedicated NHS Distance Selling Pharmacy delivering prescriptions direct to patients' doors.

The Company'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 offers 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 distance selling pharmacy contract. In addition to dispensing NHS prescriptions, the Company performs online retail of a broad range of health and wellbeing products through both the Pharmacy2u.co.uk and Chemistdirect.co.uk websites, runs an online doctor consultation service and provides other pharmacy services.

The company has made significant investment in industry leading automation which provides operational capacity and improves 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.

Throughout the year ended 31 March 2023, the company continued to invest in multiple marketing channels to recruit new patients. The number of NHS patients nominated to Pharmacy2U increased by 11% in the year to 736,000 (2022: 666,000). A number of strategic partnerships have been agreed in the past year which, in combination with existing marketing expertise, will allow the company to continue its growth journey.

During the year ended 31 March 2023 the company continued to deliver improvements in operational efficiency and improved awareness of the Pharmacy2U brand led to a lower marketing cost per patient. These efficiency gains were more than offset by a lower level of gross profit generated in the year, resulting in an EBITDA reduction of £3.1m (excluding other income in FY22) to a loss of £1.5m. The gross margin reduction was a result of over funding by the NHS throughout the covid pandemic, which was then clawed back during the year ended 31 March 2023.

At 31 March 2023, the company had net assets of £17.6 million (2022: £22.8 million).

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

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Future outlook

The company is well positioned to deliver further growth of the core NHS repeat prescription business. As the volume of prescriptions dispensed in the automated facilities increases this will continue to generate cost savings. The Company is also well positioned to play a significant role in the development and provision of pharmacy services, including covid and other vaccinations. The company is also well placed to grow its Consumer Health and Online Doctor businesses.

Principal risks and uncertainties

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

The key business risks and uncertainties affecting the company are primarily considered to relate to competition from all other 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 company 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

Strategic report for the year ended 31 March 2023 (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.

	2023	2022	Growth (%)
KPIs			
NHS Prescription items despatched ('000)	16,732	14,786	13%
NHS patient nominations ('000)	736	666	11%
Revenue (£'000)	173,442	165,067	5%
Gross margin	26%	33%	(18%)
EBITDA before marketing (£'000)	3,973	11,977	(67%)
L/EBITDA before exceptionals and other income (£'000)	(1,536)	1,610	(195%)

Going concern

The directors have performed a review of the company's financial projections and cash flows, considering macro-economic factors such as inflation and interest rates together with the wider going concern status of the company. 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 directors have considered all possible outcomes of this review in the going concern assessment and conclude that the business would remain a going concern with sufficient funds in all possible scenarios.

On 5 October 2023 the company acquired Metabolic Healthcare Limited and as such the going concern review has been conducted to take into account all group entities. On 27 November 2023 the CMA commenced a Phase 1 investigation into the acquisition of Metabolic Healthcare Limited. Both Pharmacy2U and Metabolic Healthcare are fully collaborating with the CMA throughout the process and are confident that the CMA will decide to approve this transaction. The directors have considered all possible outcomes of this review in the going concern assessment. The cash flow forecasts and the availability of funding show that the company has sufficient funds to enable it to meet its liabilities, and those of group entities, for at least one year from the date of approval of these financial statements.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report

Our aim is to be the world leading patient-centric digital healthcare provider. We exist to enable accessible, exceptional healthcare whenever and wherever our customers need it.

Introduction

Pharmacy2U's core mission is to help make the lives of our patients happier and healthier. Our efforts to build a more sustainable business are central to this. We made great progress in FY23 with the framing of our targets and key objectives. However, a strong business is one that is inherently sustainable, and we will continue to focus on these efforts in the months ahead. We believe that Pharmacy2U has an important role to play generating real social value for the communities we serve – ranging from providing guidance and training to our employees, helping our customers, especially those from under-represented communities, and actively engaging with our supplier base, upstream and downstream to develop the Green Economy.

We have made good progress by further quantifying our scope 1, 2 and scope 3 supply chain emissions¹. We are delighted that initiatives to reduce GHG emissions meant that our scope 1, 2 and selected scope 3 emissions declined by 39% YoY. We are committed to setting reduction targets and developing a carbon reduction plan. This is in addition to offsetting our emissions as we work towards these reductions.

Our overall strategy seeks to leverage the opportunities and benefits from a well developed ESG framework. These include:

- Efficiency measures to reduce further operating costs, whilst reducing our environmental footprint.
- Developing a sustainable solution to the management of medication using award-winning technology and low carbon delivery methods.
- Growing a reputation for sustainability amongst our direct peer group, to strengthen our customer and supplier relationships.
- Ongoing investment to attract and retain the best talent, by developing an environment that is inclusive and diverse and reflective of the communities we serve.

ESG Strategy

Pharmacy2U published its first ESG statement in 2022 as part of its Annual Accounts. In it we outlined our initial sustainability ambitions, drawn from the most material sources of ESG (Environmental, Social and Governance) risk and opportunity ('material issues') identified in our 2022 Materiality Assessment.

Our key aims and objectives are detailed below under the E, S and G pillars. Delivery on these serves to strengthen our engagement and relationships with our key stakeholders.

¹ Includes business travel and water supply/treatment

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report (continued)

Environmental	Social	Governance
Decarbonising our operations and improving the 'circularity' of our products	Building and growing talented and diverse teams, and promoting an inclusive working environment	Commercialising our product responsibility and investing in the communities in which we operate
<ul style="list-style-type: none"> Reducing energy consumption and carbon emissions and contribution to climate change. 	<ul style="list-style-type: none"> Attract, nurture and retain talent by compensating fairly, offering options for continuous learning and advancement. 	<ul style="list-style-type: none"> Improve patient health outcomes by driving medication adherence and providing support to empower our customers to take control of their own health.
<ul style="list-style-type: none"> Improve efficiency and recyclability of our products by integrating circularity principles into our design process and campaigns to change behaviour among end users. 	<ul style="list-style-type: none"> Create an inclusive workplace where our employees feel supported and motivated to innovate, create and thrive. 	<ul style="list-style-type: none"> Contribute to local development through (1) community investments; (2) charitable donations and (3) employee volunteerism.
<ul style="list-style-type: none"> Work with all stakeholders to increase the sustainability of the industry as a whole, and transition to a circular economy. 	<ul style="list-style-type: none"> Continual focus on support, wellbeing, and health and safety to keep our people safe and well. 	

Environmental

Decarbonising our operations and improving the 'circularity' of our products

Scope 1 and 2 Emissions

One of Pharmacy2U's commitments is to reduce its contribution to GHG emissions and climate change.

We are proud to have become carbon neutral in the financial year ended 31 March 2022 (FYE22), having calculated and offset all aspects of its Scope 1 and 2 and selected aspects of our Scope 3 greenhouse gas emissions. In the financial year ended 31 March 2023 (FYE23) we worked to conduct a more detailed baseline of our emissions as disclosed within the Streamlined Energy and Carbon Reporting ('SECR') Disclosure on page 15. We are now in the process of establishing reduction targets which will be published in the financial year ended 31 March 2024 (FYE24) under our Carbon Reduction Plan.

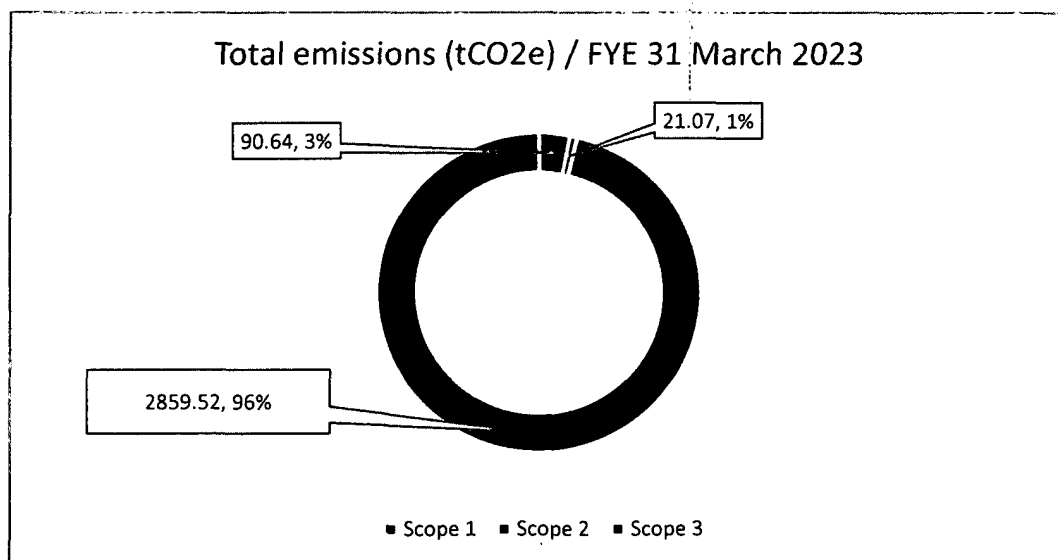
It has been calculated that the total emissions for the base year was 2,971 tCO₂e and, with the information provided, 96.25% are attributable to GHG Scope 3.

Approximately 5.78% of the Company's scope 1 and 2 GHG emissions arise most through electricity consumption at sites, with the remainder in deriving from gas consumption for heating. These are the emissions within company owned or controlled sources. Overall they account for only 3.75% of the total emissions reported.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report (continued)



The decarbonisation actions currently being pursued are:

- Sourcing all electricity from 100% renewable sources where we control the electricity supply
- Upgrading sites at Bardon and Victoria Road with more efficient technologies and equipment e.g. installation of LED lighting and motion sensors
- Promoting energy saving actions and behaviours across all sites
- Green car scheme and installation of electric car charging points at two sites
- Reduction in volume of packaging and consumables
- Working with Royal Mail to increase percentage of delivery via electric vehicle fleet

Scope 3 Emissions

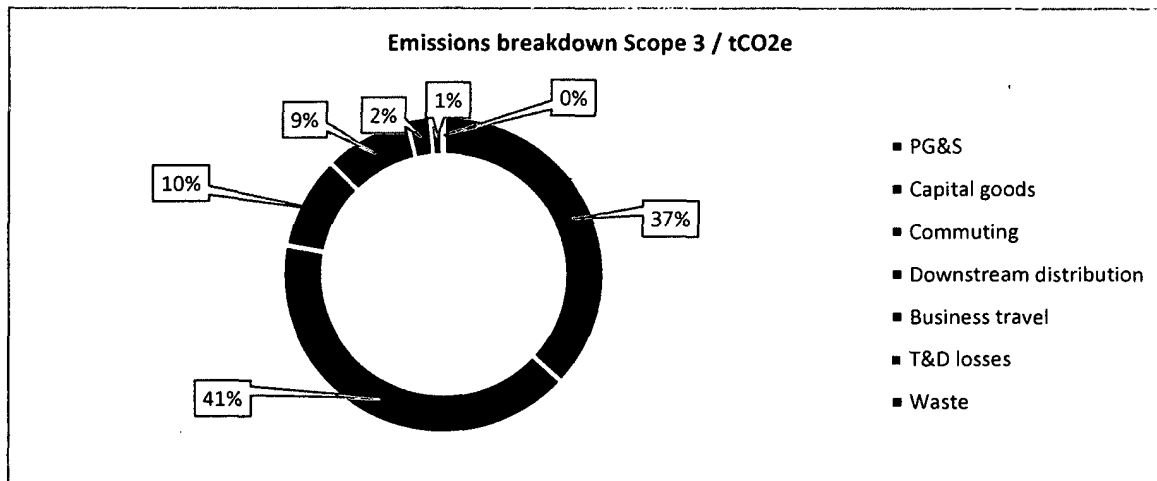
In FY22/23 we undertook our first exercise to measure our Value Chain (Scope 3) emissions, following the GHG Protocol Corporate Value Chain (Scope 3) Accounting Standard methodology. We view this as a valuable tool in understanding supply chain emissions, and importantly to engage with suppliers on their own environmental and sustainability ambitions.

Pharmacy2U's Scope 3 emissions far exceed and dwarf Scope 1 and 2 emissions – for more information see SECR Disclosure on page 15. In FYE24 we will review the Scope 3 emission hotspots and develop reduction targets. We will target a reduction in carbon emissions by engaging with our suppliers and distributors on emissions.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report (continued)



Sustainable packaging and waste management

We are not a large producer of waste, with protective plastic packaging, cardboard boxes and wooden pallets arriving from upstream making up the bulk of the waste arising from our operations. The Company has policies and incentives in place for collection and recycling of protective plastic packaging, cardboard and wooden pallets. At Bardon on average we bale 20 cardboards bales @500kg each bale, five repack box packaging @500kg each, and half a plastic bale (weight differs) per month which are sent for recycling. Paction reimburse us for the cardboard.

The sustainable packaging and waste reduction solutions currently being pursued are:

- Ice (Water packets we freeze on site) – Deliveries in plastic crates/pallets & are in a closed loop return and re-supply system (backhaul collection from following delivery). Used to come in card boxes
- Wool – Deliveries of wool are in plastic pallets which are flat packed & are in a closed loop return and re-supply system (backhaul collection from following delivery).
- B+/Savoye (autoboxing material) – Delivered with a wooden lid which is returned (backhaul collection from following delivery). Used to come with card lids.
- Coldseal Material – Reducing thickness of material from 170gsm to 130gsm.

Working with stakeholders to increase the sustainability of the industry

The transition to a circular economy is a long term challenge due to the unique technical and market based challenges. The number of parties involved in the manufacturing and distribution processes leads to limited solutions currently. However, the marketplace (customers and end-consumers) are increasingly signalling a preference for sustainable packaging and a focus on closed-loop recycling.

We regularly engage with our customers on their sustainability requirements and preferences, including through our annual customer survey which includes a sustainability section.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report (continued)

Pharmacy2U is working with the NHS Net Zero team to discuss how they can support our efforts. Our engagement will continue to build through FY24. We also raise with all generic manufacturers annually the size of their medicine packs, our preference for engaging efficient packaging manufacturers and the potential to improve the supply chain. All part of our advocacy for the use of sustainable packaging and resizing medicine packs. Achievements to date include:

- Resizing of Teva Atorvastatin 40mg drugs to 'slim pack'
- Reinstatement of Teva Metformin 500mg boxes, following an initial increase in size
- Opted to work with Dr Reddys to take advantage of their 'slim pack' options
- Moved Omeprazole supply to Sandoz when they launched 20mg slim packs
- Maintain active discussions with Accord to supply medicines in reusable totes, rather than boxes and packaging

Key achievements in FY22/23	Current focuses	Targets and KPIs for FY23/24
<ul style="list-style-type: none">– Comprehensive baseline of Scope 1, 2 and 3 emissions.– Became carbon neutral company, offsetting our Scope 1 and 2 Greenhouse Gas (GHG) emissions.– 100% renewable energy for distribution centres.– Estimated 12% of deliveries covered by EV fleet.	<ul style="list-style-type: none">– Reducing Scope 1, 2 and selected scope 3 emissions.– Increasing % of reusable or recycled packaging.– Increasing % of waste sent for recycling.– Advocacy efforts with partners.	<ul style="list-style-type: none">– Defined carbon reduction targets from our baseline year.– Published carbon reduction plan.– Detailed energy audit of our facilities.– Increasing internal and external awareness of our environmental impact abatement strategy.– Scope 3 emissions engagement with our suppliers / distributors.– Number of partners engaged in advocacy efforts.

Social

Building and growing talented and diverse teams, and promoting an inclusive working environment

Attract, nurture and retain talent

We are the ultimate people business. As such, the ability to attract, develop, enable and retain the best employees, managers, pharmacists and medical health professionals in our industry is vital to our success. We have carefully built our culture over many years and have created an exciting, vibrant, safe work environment.

Recruitment

We have further reviewed our recruitment processes and procedures to ensure FY24 strategy further accommodates our diversity and inclusion strategy, and also re-introduced regular touch point meetings for our new starters to ensure they feel nurtured in their first few months of employment.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report (continued)

Employee involvement

During FY23, we conducted our bi-annual Colleague Health Check survey, Pharmacy2U's employee satisfaction survey. This provides the company with feedback on both improvements implemented as well as others required. The results are presented to the Board and wider business. We were pleased to see a 10% increase on the number of colleagues responding along with a 28 point increase from our previous eNPS score. This represents an overall improvement of 65% year-on-year. 84% of colleagues confirmed they are happy in their role, with almost 90% of colleagues confirming that they feel supported by their line manager / team leader. The survey will be followed by our 'You Said, We Did' report shortly – a summary of the actions you stated that we should undertake and the resultant actions.

We have also introduced a successful series of monthly 'Pharmacy2U Committee' meetings where colleagues can ask questions directly to members of the senior leadership team and help further develop our charity initiatives. This is complemented through our regular employee updates and 'All hands meetings'.

All communications and videos are shared electronically, which acts as a source of reference for the Group's brand, values, policies and procedures

Training

We strive to provide our people with attractive career paths. We invest in training, support and mentorship to our people, offering a range of career opportunities. We also provide tailored training to management via an externally facilitated programme. These programmes share the common goal of supporting growth, progression and empowering our people to be the best they can be leading their teams to success. To date, 27 individuals have registered on the programme, with five reaching completion by 31 March 2023.

In FY24 we are looking to launch our Leadership Programme which is designed to equip our future leaders with the skills and approach to lead our business in a time of change and increasing complexity.

Create an inclusive workplace

Pharmacy2U is a Disability Confident Committed Employer demonstrating our commitment to ensuring that the recruitment process is inclusive and accessible; that it extends opportunities to those with disabilities and provides support and makes reasonable adjustments to enable any existing employee who acquires a disability or long term health condition to stay in work.



We are also a signatory to the 'Armed Forces Covenant', an official commitment to ensure that those who serve or have served in the Armed Forces, and their families, are treated with fairness and respect in the communities they serve.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report (continued)

Our Equal Opportunities Policy is supported by equality and diversity training for our managers and people.

Flexible and agile working is core to our way of working. We understand that it is an important component of retaining talent, increasing employee engagement and enhancing personal wellbeing. We provide enhanced paid leave for maternity, paternity and adoption, alongside occupational sick pay.

We are committed to supporting the challenges working carers experience in combining their role and caring responsibilities and will closely follow the introduction of the carers leave act which is currently with parliament.

Equity, Diversity & Inclusion

Equity, Diversity & Inclusion (ED&I) a priority issue for the whole business. We are committed to specific ED&I objectives with a plan of action to achieve them.

Support, Wellbeing and Health and Safety

The company has been taking a more holistic approach to the financial and non-financial support offered to colleagues. Due to the inflationary environment in 2022 and into 2023 and its impact on the cost of living the Company ensured that everyone's salaries have been reviewed accordingly. The company has taken a tiered approach to its annual pay award with lower salaried employees receiving a higher percentage increase to their salaries to account for inflationary pressures.

Our new programme, Employer Salary Advance Scheme (ESAS), also allows for colleagues to access some of their salary before their regular payday, without incurring any additional fees.

We also offer staff reductions on health and beauty purchases, an employee referral scheme and an employee recognition programme. These benefits, coupled with the 'Blue Light' cardholder discounts, help towards everyday living costs.

With the help our dedicated employee wellbeing lead, we now have wellbeing ambassadors. They are on hand to help our colleagues who wish to discuss any concerns, whether mental, physical, environmental, social or financial. Our ambassadors can complete the necessary training with Mental Health First Aid England (MHFA England). We are delighted that 2 individuals will be joining our wellbeing lead in the near future.

Human rights

We believe that all businesses have an obligation to prevent slavery and human trafficking. We work to prevent slavery and human trafficking within our business and supply chains. Our hiring processes seek to ensure our people are alert to the signs of exploitation so that we make the necessary action should issues be identified. This extends to the potential for trafficking and involvement of unlicensed gangmasters.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report (continued)

Community investment

We have built deep trust with our clients over many years, underpinned by the reach and depth of our engagement with them. Our digital platforms enable us to help thousands of people each year. This all contributes to the wider success of the communities in which we operate.

We are deeply committed to giving back to others whenever and wherever we can. We have, over the last year, raised money for local and national charities, provided clothes and food for foodbanks across the UK and provided, time, money and resources to cleaning up our local communities.

Key achievements in FY22/23	Current focuses	Targets and KPIs for FY23/24
<ul style="list-style-type: none">- New employee survey conducted, with improved eNPS and retention rates.- Introduction of our employee recognition programme.- Targeted pay increases.- Launch of our recruitment Strategy to find and retain future talent.- Enrolment of 27 managers on our management development course; 5 reaching completion so far.- Reduction in time to hire by 5%.	<ul style="list-style-type: none">- Tailored departmental pulse surveys.- Supporting Carers in the workplace.- Diversity, equity and inclusion- Community investment.	<ul style="list-style-type: none">- Delivery of Employee workshops on ED&I.- Roll out of Menopause Policy.- Enrolment of colleagues in Future Leaders Courses.

Governance

Commercialising our product responsibility and investing in the communities in which we operate

Pharmacy2U remains committed to strong corporate governance and the assessment / mitigation of risks through robust controls. As part of our ongoing focus our ESG committee now reports to the Audit Committee on a six monthly basis. The ESG committee is responsible for ensuring integration of ESG related risks and opportunities into strategic and financial planning, along with day-to-day management of projects to meet our ESG targets. This work will further supports the Company's interaction with its investor community, with this group increasingly requesting sustainability disclosures.

Our policies are readily accessible to our staff and reviewed annually. We also issue annual training on Anti-Bribery and Corruption.

Stakeholder engagement

Pharmacy2U understands its responsibilities to multiple stakeholders. By engaging with our stakeholders, we are better able to understand their needs and strive to surpass their expectations. We actively engage with our investors through regular engagement. The Board receives regular updates on investor themes and questions and host regular meetings.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (continued)

Environmental, Social and Governance Report (continued)

Whistleblowing, safeguarding and grievances

Pharmacy2U is committed to conducting its business with honesty and integrity, and we expect all colleagues to maintain high standards. However, all organisations face the risk of things going wrong from time to time, or of unknowingly harbouring illegal or unethical conduct. A culture of openness and accountability is essential to prevent such situations occurring or to address them when they do occur.

We have a Whistleblowing Policy and Grievance Procedure that enables our people to raise potential concerns regarding unacceptable practices and behaviours within the company without fear of reprisal. Colleagues are encouraged to speak with their line manager, however where the matter is more serious it can be taken to our Freedom to Speak Up Guardian. We also work with the independent whistleblowing charity, Protect, who operate a confidential helpline.

Cybersecurity

In the financial year ending 31 March 2023, Pharmacy2U made substantial progress in enhancing cyber security all aimed at fostering a secure and resilient digital environment for our operations.

We successfully achieved the Cyber Essentials Plus certification and exceeded the standards set by the NHS Data Security and Protection Toolkit, demonstrating our capability to manage and safeguard sensitive health data securely and effectively.

We incorporated risk-based penetration testing for new or particularly sensitive infrastructure, adding an extra layer of security and vigilance, in addition to our regular and annual penetration testing.

Our efforts also extended to raising employee awareness and competency in information security. We conducted annual information security training for all our staff and provided need-based training in response to emerging cyber threats and trends. Our information governance and information security training programs were also thoroughly reviewed and updated to reflect current best practices and threats.

Recognising the financial risks associated with potential cyber incidents, we revisited our cyber insurance arrangements, aligning them with the current threat landscape. Regular audits were conducted to ensure compliance with our security policies, which themselves were reviewed at least annually to ensure their relevance and effectiveness.

Lastly, we made significant investments in our information security team, recognising that their expertise and dedication form the cornerstone of our information security approach.

We remain vigilant and proactive in our efforts to secure our operations and protect our stakeholders' interests. With this ongoing commitment, we are confident that we will continue to make strides in improving our cyber security posture in the years to come.

Key achievements in FY22/23	Current focuses	Targets and KPIs for FY23/24
<ul style="list-style-type: none">Executive ESG Committee established assisting the Board on the development of the ESG strategy.	<ul style="list-style-type: none">Business integrity and robust controls.Development of our Supplier Code of Conduct.	<ul style="list-style-type: none">Building on disclosures including validation of emissions targets.Positive customer feedback and maintenance of NPS monitoring.Roll out of Supplier Code of Conduct.

Pharmacy2U Limited

Strategic report for the year ended 31 March 2023 (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

Strategic report for the year ended 31 March 2023 (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 2023, 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 2023	Year ended 31 March 2022
Total UK energy use	Thousand kWh	1,778	1,244
Total UK emissions	Thousand tonnes of CO ₂ e	339	257
Intensity ratio	Thousand tonnes of CO ₂ e per m ² of floor area	0.02	0.01

On behalf of the Board



S Fawcett
Director
Date 20 December 2023

Pharmacy2U Limited

Directors' report for the year ended 31 March 2023

The directors present their report together with the audited financial statements for the year ended 31 March 2023.

The directors do not propose payment of a dividend in respect of the financial year ended 31 March 2023 (2022: £nil).

Directors

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

G Dannatt

P Day

K Heath (appointed 14 December 2022)

S Fawcett (appointed 1 February 2023)

M Livingstone (resigned 14 December 2022)

Future developments, going concern and financial risk management

Please refer to the Company strategic report on pages 2 to 15.

Employees

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

Equal Opportunities

The Company is committed to employment policies based on equal opportunities for all employees irrespective of sex, race, colour, disability or marital status. The Company 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 Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Research and Development

The Company is fully committed to ongoing technological innovation in all areas of its business. The company has invested significantly in the design and development of bespoke automated dispensing facilities to improve both operational efficiency and clinical accuracy. The company has also invested heavily in integrated customer focused product development. Expenditure on research and development in the year amounted to £2.9m, of which £0.8m is recorded as an expense in the statement of comprehensive income and £2.1m has been capitalised (2022: £3.1m total, £1.2m expense, £1.9m capitalised).

Pharmacy2U Limited

Directors' report for the year ended 31 March 2023 (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 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the 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 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 auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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



S Fawcett

Director

Date 20 December 2023

Pharmacy2U Limited

Independent auditor's report to the members of Pharmacy2U Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pharmacy2U Limited ("the Company") for the year ended 31 March 2023 which comprise Statement of comprehensive income, Balance Sheet, Statement of changes in equity, Cash flow statement 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.

Basis for opinion

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

Independence

We are independent of the 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.

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 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.

Pharmacy2U Limited

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Pharmacy2U Limited

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

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:

Non-compliance with laws and regulations

The Company is subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be including, but not limited to International Financial Reporting Standards, Companies Act 2006, employment law, UK taxation legislation and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Enquiry of those charged with governance.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Pharmacy2U Limited

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

Fraud (continued)

Based on our risk assessment, we considered the area's most susceptible to fraud to be:

- Manual journals posted to recognise revenue;
- Manual journals posted to the financial statements.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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

Date 20 December 2023

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

Pharmacy2U Limited

Statement of comprehensive income for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	1	173,442	165,067
Cost of sales		(128,450)	(110,035)
Gross profit		44,992	55,032
Other income	2	-	4,277
Distribution costs		(32,346)	(40,226)
Administrative expenses		(16,593)	(15,340)
Exceptional Items	3	(786)	-
Operating (loss)/profit	4	(4,733)	3,743
Analysed as:			
EBITDA		(1,536)	5,887
Exceptional Items	3	(786)	-
Amortisation - intangibles	10	(514)	(395)
Amortisation - right of use assets	21	(646)	(623)
Depreciation	11	(1,251)	(1,126)
Operating (loss)/profit		(4,733)	3,743
Interest payable	8	(911)	(656)
(Loss)/profit before taxation		(5,644)	3,087
Taxation	9	459	274
(Loss)/profit and total comprehensive (loss)/ income for the year		(5,185)	3,361

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

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

Pharmacy2U Limited

Balance sheet as at 31 March 2023

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Intangible assets	10	7,877	6,486
Property, plant and equipment	11	16,529	14,389
Investments	12	25	25
Deferred taxation	16	5,457	4,957
Right of use assets	21	3,791	4,127
Trade and other receivables	14	1,692	1,678
Total non-current assets		35,371	32,293
Current assets			
Inventories	13	9,202	8,516
Trade and other receivables	14	21,239	20,614
Current taxation receivable	15	163	711
Cash and cash equivalents		2,472	526
Total current assets		33,076	30,367
Total assets		68,447	62,660
Equity and liabilities			
Current liabilities			
Trade and other payables	17	30,339	27,909
Borrowings	17	12,058	5,788
Lease liabilities	21	775	538
Total current liabilities		43,172	34,235
Non-current liabilities			
Trade and other payables	18	90	135
Borrowings	18	3,496	303
Lease liabilities	21	4,067	4,548
Total non-current liabilities		7,653	5,618
Total liabilities		50,825	39,853
Equity			
Called up share capital	20	15,001	15,001
Merger reserve	12	10,653	10,653
Accumulated losses		(8,032)	(2,847)
Total equity		17,622	22,807
Total equity and liabilities		68,447	62,660

Pharmacy2U Limited

Balance sheet as at 31 March 2023 (continued)

	2023 £'000	2022 £'000
Accumulated losses brought forward	(2,847)	(6,208)
(Loss)/profit for the financial year	(5,185)	3,361
Accumulated losses	(8,032)	(2,847)

The financial statements on pages 22 to 49 were approved by the board of directors on 20 December 2023 and were signed on its behalf by:



S Fawcett
Director
Pharmacy2U Limited, registered number: 03802593

Pharmacy2U Limited

Statement of changes in equity for the year ended 31 March 2023

	Called up Share Capital £'000	Share premium account £'000	Merger Reserve £'000	Accumulated losses £'000	Total Equity £'000
At 1 April 2022	15,001	-	10,653	(2,847)	22,807
(Loss)/profit and total comprehensive (loss)/income for the financial year	-	-	-	(5,185)	(5,185)
At 31 March 2023	15,001	-	10,653	(8,032)	17,622

	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

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

Cash flow statement for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Cash flows (used in)/from operating activities	22	(2,233)	10,115
Taxation		507	720
Net cash (outflow)/inflow from operating activities		(1,726)	10,835
Cash flows from investing activities			
Additions to plant, property and equipment	11	(3,391)	(4,384)
Additions to right of use assets	21	(310)	-
Additions to intangible assets	10	(1,905)	(1,465)
Movements in capital accruals		969	878
Payments to acquire tangible and intangible assets		(4,637)	(4,971)
Net cash (outflow)/inflow from investing activities		(4,637)	(4,971)
Cash flows from financing activities			
Increase in borrowings		15,048	-
Loan repayments		(5,585)	(6,437)
Lease payments		(471)	(790)
Interest paid		(683)	(413)
Net cash inflow/(outflow) from financing activities		8,309	(7,640)
Net increase/(decrease) in cash and cash equivalents	23	1,946	(1,776)
Opening cash and cash equivalents		526	2,302
Closing cash and cash equivalents		2,472	526

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2023

The principal accounting policies applied in the preparation of these 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 financial statements of Pharmacy2U Limited have been prepared in accordance with International Financial Reporting Standards (“IFRS UK”) 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 have not been separately disclosed in the financial statements.

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

Going concern

The directors have performed a review of the company’s financial projections and cash flows, considering macro-economic factors such as inflation and interest rates together with the wider going concern status of the company. 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 directors have considered all possible outcomes of this review in the going concern assessment and conclude that the business would remain a going concern with sufficient funds in all possible scenarios.

On 5 October 2023 the company acquired Metabolic Healthcare Limited and as such the going concern review has been conducted to take into account all group entities. On 27 November 2023 the CMA commenced a Phase 1 investigation into the acquisition of Metabolic Healthcare Limited. Both Pharmacy2U and Metabolic Healthcare are fully collaborating with the CMA throughout the process and are confident that the CMA will decide to approve this transaction. The directors have considered all possible outcomes of this review in the going concern assessment. The cash flow forecasts and the availability of funding show that the company has sufficient funds to enable it to meet its liabilities, and those of group entities, for at least one year from the date of approval of these financial statements.

Changes in accounting policies

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

New standards impacting the Company that will be adopted in the annual financial statements for the year ended 31 March 2023, and which have given rise to changes in the Company’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 company as they are either not relevant to the company’s activities or require accounting which is consistent with the company’s current accounting policies.

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2023 (continued)

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 Company'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.

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

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2023 (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.

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 Company's accounting policies in respect of financial instrument transactions are explained below.

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

Financial assets

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

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

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

Pharmacy2U Limited

Statement of accounting policies for the year ended 31 March 2023 (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 Company 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 Company obtains substantially all the economic benefits from use of the asset; and
- (c) the Company has the right to direct use of the asset.

The Company 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 Company obtains substantially all the economic benefits from use of the asset, the Company 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 Company has the right to direct use of the asset, the Company 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 Company 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 Company 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 2023 (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 Company'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 company 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 Company 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 company 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 company 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 company to use an identified asset and require services to be provided to the company by the lessor, the company 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 2023 (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 company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that there are available deferred tax liabilities to be offset against and also 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 Company financial statements are presented in sterling (£) which is the company'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 company's objectives when managing capital are to safeguard the company'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 company 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 2023 (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 Company'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 Company 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 Company 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 company 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 Company 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 2023

1 Revenue

Revenue consists of sales originating and derived substantially from the United Kingdom. The directors consider that the company 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, this was a one-off reimbursement and there was no other income in the year ended 31 March 2023.

3 Exceptional items

During the year, the company incurred £786,000 of costs (2022: £nil) in relation to closure of vaccination sites, this was one-off in nature and outside the usual course of business which does not form part of the continuing expenses of the company.

4 Operating (Loss)/profit

	2023 £'000	2022 £'000
Operating (loss)/profit is stated after charging:		
Depreciation of tangible fixed assets (note 11)	1,251	1,126
Amortisation of intangible fixed assets (note 10)	514	395
Research and development	774	1,249
Fees payable for the audit	68	63

5 Employee information

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

	2023 Number	2022 Number
Selling and distribution	406	423
Administration	122	112
	528	535

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

6 Employee benefit expense

	2023 £'000	2022 £'000
Wages and salaries	13,852	14,385
Social security costs	1,308	1,091
Other pension costs (note 25)	351	312
	15,511	15,788

Internal staff costs of £1,114,000 have been capitalised in the year (2022: £893,000). These are included within note 10, intangible fixed assets and are excluded from the above analysis.

7 Directors' emoluments

	2023 £'000	2022 £'000
Aggregate emoluments	634	609
Company contributions to money purchase pension schemes	14	19
	648	628

Highest paid director	2023 £'000	2022 £'000
Aggregate emoluments	180	250
Company contributions to money purchase pension schemes	1	15
	181	265

Retirement benefits are accruing to 3 (2022: 2) directors under a defined contribution scheme.

8 Net finance costs

	2023 £'000	2022 £'000
Bank interest payable	(683)	(413)
Finance charge on leases	(228)	(243)
	(911)	(656)

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

9 Taxation

	2023 £'000	2022 £'000
Current tax		
UK corporation tax on profits for the year	-	173
Adjustment in respect of prior years	(41)	101
Total current tax credit	(41)	274
Deferred tax		
Origination and reversal of timing differences	(549)	(64)
Losses	1,049	64
Total deferred tax credit (note 16)	500	-
Total tax credit	459	274

The total tax credit is lower (2022: lower) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £'000	2022 £'000
(Loss)/Profit before taxation	(5,644)	3,087
(Loss)/Profit before taxation multiplied by standard rate in the UK of 19% (2022: 19%)	(1,072)	587
Adjustment in respect of prior years	41	(101)
Expenses not deductible	728	662
Income not taxable	(1,205)	(1,141)
Losses	-	227
Effects of other reliefs	13	(159)
Tax rate changes	(120)	(1,190)
Tax losses recognised	1,156	841
Total tax credit	(459)	(274)

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

10 Intangible assets

	Goodwill £'000	Software development £'000	Assets under construction £'000	Total £'000
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
Cost				
At 1 April 2022	2,285	5,435	365	8,085
Additions	-	1,905	-	1,905
Transfer	-	365	(365)	-
Disposals	-	-	-	-
At 31 March 2023	2,285	7,705	-	9,990
Accumulated amortisation				
At 1 April 2022	-	(1,599)	-	(1,599)
Charge for the year	-	(514)	-	(514)
Disposals	-	-	-	-
At 31 March 2023	-	(2,113)	-	(2,113)
Net book amount				
At 31 March 2023	2,285	5,592	-	7,877
At 31 March 2022	2,285	3,836	365	6,486

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

10 Intangible assets (continued)

The goodwill on the 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 whether 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 Company 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 Company 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 – post discount rate used during the year was 15%.

Goodwill has been tested and there is no impairment required for the year end 31 March 2023.

The impairment test for the year ended 31 March 2023 has identified that the carrying value of goodwill is sensitive to changes in assumptions. The table below shows the headroom at 31 March 2023, and the impact of changes in the assumptions used in calculating the fair value:

	Headroom
Headroom at 31 March 2023	(£470,000)
Long term growth rate reduced from 1% to 0%	(£70,000)
1% increase in discount rate from 15% to 16%	(£110,000)

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

11 Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
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	(2,068)	(685)	-	(2,753)
Charge for the year	(822)	(304)	-	(1,126)
Disposals	195	105	-	300
At 31 March 2022	(2,695)	(884)	-	(3,579)
Net book amount				
At 31 March 2022	8,613	2,772	3,004	14,389
At 31 March 2021	8,560	2,571	-	11,131
Cost				
At 1 April 2022	11,308	3,656	3,004	17,968
Additions	3,229	162	-	3,391
Transfer	3,004	-	(3,004)	-
Disposals	(480)	(110)	-	(590)
At 31 March 2023	17,061	3,708	-	20,769
Accumulated depreciation				
At 1 April 2022	(2,695)	(884)	-	(3,579)
Charge for the year	(913)	(338)	-	(1,251)
Disposals	480	110	-	590
At 31 March 2023	(3,128)	(1,112)	-	(4,240)
Net book amount				
At 31 March 2023	13,933	2,596	-	16,529
At 31 March 2022	8,613	2,772	3,004	14,389

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

11 Property, plant and equipment (continued)

At 31 March 2023 the company had contractual commitments of £0.7m for capital expenditure (2022: £3.3m). On 13 September 2021 the company 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 company's operating capacity. The expenditure has been incurred through 2021 to 2023.

12 Investments

	2023 £'000	2022 £'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 2022 and after 19 of these 21 joint ventures have been liquidated, the total carrying value of these investments at 31 March 2023 is £150 (2022: £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 2023 (continued)

13 Inventories

	2023 £'000	2022 £'000
Goods for resale	9,202	8,516

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £125,765,000 (2022: £107,558,000). Inventory is stated after provisions of £240,000 (2022: £425,000).

14 Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	16,106	14,956
Other receivables	3,297	2,453
Prepayments and accrued income	1,836	3,205
Trade and other receivables: amounts falling due within one year	21,239	20,614

Trade receivables of the Company are stated after provisions for impairment of £25,000 (2022: £25,000).

	2023 £'000	2022 £'000
Trade and other receivables: amounts falling due after more than one year	£'000	£'000
Amounts due from parent undertaking	1,692	1,678

The balance recognised as amounts due from parent undertaking due after more than one year is technically due on demand however the company does not expect this balance to be recovered in the short term therefore has been recognised as due after more than one year. The balance is due from the parent entity P2U Holdings Limited. 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 2023 (continued)

15 Current taxation receivable

The movement on current taxation during the year was:

	2023 £'000	2022 £'000
At 1 April	711	1,157
Received in the year	(507)	(720)
Current year (credit)/charge to the statement of comprehensive income	(41)	274
At 31 March	163	711

16 Deferred taxation

The movement on deferred taxation during the year was:

	2023 £'000	2022 £'000
At 1 April	4,957	4,957
Current year credit to the statement of comprehensive income	500	-
At 31 March	5,457	4,957

The amounts of deferred tax provided are as follows:

	2023 £'000	2022 £'000
Carried forward trading losses	6,605	5,589
Total deferred tax asset	6,605	5,589

	2023 £'000	2022 £'000
Accelerated capital allowances and other timing differences	(1,148)	(632)
Total deferred tax liability	(1,148)	(632)

The company has unutilised trading losses amounting to approximately £68,100,469 (2022: £57,829,522), which are available for relief against future profits. Of the total losses, £25,850,000 (2022: £21,655,596) 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 25%.

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

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

	2023 £'000	2022 £'000
Bank and other borrowings (note 19)	12,058	5,788
Trade payables	28,984	26,015
Other taxation and social security	335	390
Other payables	104	133
Accruals and deferred income	871	1,326
Deferred government grant	45	45
Lease liabilities (note 21)	775	538
	43,172	34,235

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

	2023 £'000	2022 £'000
Bank and other borrowings (note 19)	3,496	303
Deferred government grant	90	135
Lease liabilities (note 21)	4,067	4,548
	7,653	4,986

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

19 Borrowings

	2023 £'000	2022 £'000
Amounts falling due within one year		
Invoice financing facility	10,554	4,606
Bank loan	1,504	1,182
	12,058	5,788
Amounts falling due after more than one year		
Bank loan	3,496	303

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

The loans including the receivables financing are repayable as follows:

	2023 £'000	2022 £'000
In one year or less, or on demand	12,058	5,788
Between one and two years	1,661	303
Between two and five years	1,835	-
	15,554	6,091

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 company's assets. During the year ended 31 March 2023 this loan was repaid in full.

In March 2023 the company obtained a term loan of £5,000,000 from Hampshire Trust Bank. The loan is repayable over 3 years and attracts an interest rate of base rate plus 6%. The loan is secured by a debenture and guarantee over the company's assets.

20 Called up share capital

	2023 £'000	2022 £'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 2023 (continued)

21 Leases

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

Right-Of-Use Assets

	Land and buildings	Other	Total
	£'000	£'000	£'000
As at 1 April 2021	4,693	57	4,750
Additions	-	-	-
Amortisation	(603)	(20)	(623)
As at 31 March 2022	4,090	37	4,127
Additions	-	109	109
Rent revision	201	-	201
Amortisation	(623)	(23)	(646)
As at 31 March 2023	3,668	123	3,791

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

21 Leases (continued)

Lease Liabilities

	Land and buildings	Other	Total
	£'000	£'000	£'000
As at 1 April 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
Additions	-	109	109
Rent revision	201	-	201
Interest expense	223	5	228
Lease payments	(755)	(26)	(781)
As at 31 March 2023	4,716	126	4,842

Lease Liability Maturity

	Within 12 months	2 – 5 years	After 5 years	Total
	£'000	£'000	£'000	£'000
Lease liabilities	775	2,547	1,520	4,842

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

22 Cashflows from operating activities

	2023 £'000	2022 £'000
Loss/profit before tax	(5,644)	3,087
Depreciation (note 11)	1,251	1,104
Amortisation of right of use assets (note 21)	646	623
Amortisation of intangibles (note 10)	514	398
(Increase)/decrease in inventories (note 13)	(689)	(2,094)
(Increase)/decrease in trade and other receivables (note 16)	(639)	7,054
(Increase)/decrease in trade and other payables (note 17)	1,416	(712)
Interest charge (note 7)	911	656
Net cash (outflow)/inflow from operating activities	(2,233)	10,115

23 Analysis of net debt

	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
Cash	526	1,946	-	2,472
Debt due within one year	(6,326)	(4,219)	(2,288)	(12,833)
Debt due after more than one year	(4,851)	(5,000)	2,288	(7,563)
Net debt	(10,651)	(7,273)	-	(17,924)

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 2023 (continued)

24 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 2023, no amount was due to the LLPs (2022: £nil was due to the LLPs) relating to fees payable to the LLPs. A total of £ nil (2022: £ nil) was paid to the LLPs in the year.

25 Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund which amounted to £351,000 (2022: £312,000) in the year and £73,000 (2022: £77,000) was owed to the fund at the year end.

26 Financial Instruments

The Company 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 Company is exposed to risks that arise from its use of financial instruments. This note describes the Company'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 Company's exposure to financial risks or management of such risks in the year.

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

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

	2023 £'000	2022 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	24,390	21,271
Financial liabilities		
Financial liabilities measured at amortised cost	(50,826)	(39,221)

Pharmacy2U Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

26 Financial instruments (continued)

The Company'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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from the NHS as the Company'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 Company monitors its exposure to interest rate risk in light of the Company's current borrowings and the current economic environment.

Foreign exchange risk

Foreign exchange risk arises when the Company 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 Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Company 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.

27 Ultimate controlling party

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

The smallest and largest group for which consolidated financial statements are prepared for the year ended 31 March 2023 is P2U Holdings Limited. These financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

28 Post Balance Sheet Event

On 5 October 2023 the company acquired 100% of the share capital of Metabolic Healthcare Limited. Metabolic Healthcare Limited trades as LloydsDirect and as such the acquisition brings together two of the most trusted and experienced distance selling pharmacies in the UK. The two businesses complement each other and plan to retain the patient-centricity and service excellence for which both are individually known. The company has not yet finalised the acquisition accounting or fair value assessments in respect of assets and liabilities acquired and is therefore unable to disclose such information as at the accounts signing date. This exercise will be completed within 12 months of the acquisition and reported in the statutory accounts for the year ending 31 March 2024.