

Registered Number 06349417

Direct Healthcare Limited
Annual report and financial statements
for the year ended 31 March 2020



Direct Healthcare Limited

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

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Direct Healthcare Limited

Directors and advisers

Directors

M Livingstone
G Dannatt

Independent auditors

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

Solicitors

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

Bankers

Barclays Bank PLC
Northern Corp 1
1 Churchill Place
London
E14 5HP

Registered Office

Lumina
Park Approach
Thorpe Park
Leeds
England
LS15 8GB

Registered Number

06349417

Direct Healthcare Limited

Strategic report for the year ended 31 March 2020

The directors present their strategic report for Direct Healthcare Limited (“the company”) together with the audited financial statements for the year ended 31 March 2020.

Business Review

For the year ended 31 March 2020 the company generated revenue of £10.6 million (2019: £11.1 million). Over the same year the company made a loss before taxation of £15,000 (2019: £20,000 profit).

Exceptional costs of £214k were incurred in the year in relation to restructuring costs and relocating the warehouse.

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

Principal risks and uncertainties

The principal risks and uncertainties facing the company are economic and market risk, fraud, stock obsolescence, IT risk, and financial risks of liquidity and credit risk. These items are managed by the company as described below:

Economic and market risk

The company’s performance is directly impacted by the economic environment and competitor pricing. Consumer spending is integral to achieving sales growth. The company strives to deliver value to all customers via investment in quality and price and through continually renewing and refreshing its product offering.

Fraud

The company must be constantly vigilant against fraudulent transactions which are a common occurrence within internet retailing. Processes are in place to monitor and control fraud.

Stock obsolescence

The company bears the risk of perishable stock becoming unusable following expiry of the products. The company monitors its stock levels on a regular basis to ensure that expired stock is provided for.

IT systems and infrastructure risk

The company is dependent on its IT infrastructure to trade and could be impacted by a failure in the IT systems. Regular testing and updates are undertaken by the company to ensure the continued integrity and efficiency of its systems.

Direct Healthcare Limited

Strategic report for the year ended 31 March 2020 (continued)

Principal risks and uncertainties (continued)

Financial risk management

Liquidity risk

The company manages its cash flow in order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments. A detailed cash flow is updated and monitored on a daily basis to manage the day to day spending of the company and to forecast the cash flow on a short-term basis. This is used to track and analyse income and spending to assist in forecasting the company's long-term cash requirements.

Credit risk

The company's principal financial assets are bank balances and cash and trade receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of cash flows. The credit risk on bank balances is limited because the counterparty is a bank with a high credit rating assessed by an external credit rating agency.

Key performance indicators

The company uses a number of performance indicators to measure operational and financial activity in the business. Most of these are studied on a daily, weekly or monthly basis. Various reports are produced and distributed daily or weekly and a management accounts pack including a profit and loss statement as well as key ratios is prepared monthly.

The Key Performance Indicators (KPIs) which are used to monitor progress of the longer-term objectives of the business are as follows:

KPI	Year ended 31 March 2020	Year ended 31 March 2019
<i>Core gross margin</i> Margin on core retail sales only, that is excluding trade, measuring the profitability of the product lines.	30.9 %	32.3%
<i>Order despatches</i> Order despatch volumes can be used to identify effectiveness of strategies, periodic variations and track overall performance.	411,000 despatches	424,000 despatches
<i>Traffic</i> The number of unique visitors to the website and analysis by marketing channel is an indicator of the effectiveness of the marketing strategies for increasing visitor numbers.	7.8 m visits	7.0m visits

Direct Healthcare Limited

Strategic report for the year ended 31 March 2020 (continued)

Going concern

On 31 March 2020 the company transferred the trade and assets of the business to Pharmacy2U Limited, following this intra-group transfer the company ceased to trade. The Directors have prepared a consolidated cash flow forecast for the ultimate parent company to November 2021, which includes the expected trading results and cash flows for the enlarged group. After reviewing the financial projections of the group, taking into account all reasonably foreseeable circumstances, and considering financial support available from the ultimate parent, the directors have a reasonable expectation that the company will continue to have adequate resources to continue in operational existence for the 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and audited financial statements.

Approved by the Board and signed on its behalf on 9 December 2020 by:



Gary Dannatt
Director

Direct Healthcare Limited

Directors' report for the year ended 31 March 2020

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

Directors

The directors of the company during the year were:

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

Principal activities

Until 31 March 2020 Direct Healthcare Limited traded as Chemist Direct. Chemist Direct is one of the UK's leading on-line pharmacies. On 31 March 2020 the company transferred the trade and assets of the business to Pharmacy2U Limited, following this intra-group transfer the company ceased to trade.

Results and dividends

The statement of comprehensive income is set out on page 10 and shows the loss for the year.

A review of business and future developments, principal risks and uncertainties and financial risk management policies are set out within the strategic report.

The directors of the company have not declared a dividend in the current year (2019 - £nil).

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 United Kingdom Accounting Standards, comprising FRS 102, have been followed, 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.

Direct Healthcare Limited

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

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 company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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

On behalf of the board



G Dannatt
Director
9 December 2020

Direct Healthcare Limited

Independent auditors' report to the members of Direct Healthcare Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Direct Healthcare Limited ("the Company") for the year ended 31 March 2020 which comprise Statement of comprehensive income, Balance Sheet, Statement of changes in equity and The notes to the financial statements, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Direct Healthcare Limited

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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 and Directors' report.

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

- adequate accounting records have not been kept, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

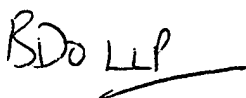
<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Direct Healthcare Limited

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

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.

A handwritten signature in black ink that reads "BDO LLP" with a horizontal line underneath.

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

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

Direct Healthcare Limited

Statement of comprehensive income for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Revenue	1	10,572	11,136
Cost of sales		(7,305)	(7,722)
Gross profit		3,267	3,414
Other income		193	285
Administrative expenses - continuing		(3,261)	(3,661)
Administrative expenses - exceptional	2	(214)	(17)
Operating (loss)/profit	2	(15)	21
Finance costs		-	(1)
(Loss)/profit before taxation		(15)	20
Tax on (loss)/profit	6	-	-
(Loss)/profit and total comprehensive (loss)/income for the financial year		(15)	20

Direct Healthcare Limited

Balance sheet as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Assets			
Fixed assets			
Property, plant and equipment	7	-	59
		-	59
Current assets			
Inventories	8	-	650
Trade and other receivables	9	-	483
Cash and cash equivalents		-	281
		-	1,414
Total assets		-	1,473
Equity and liabilities			
Current liabilities			
Trade and other payables	10	-	17,207
Total current liabilities		-	17,207
Total liabilities		-	17,207
Equity			
Called up share capital	11	-	-
Share premium account		-	-
Capital contribution reserve		15,749	-
Accumulated losses		(15,749)	(15,734)
Total equity		-	(15,734)
Total equity and liabilities		-	1,473

The financial statements on pages 10 to 23 were approved by the board of directors and authorised for issue on 9 December 2020 and were signed on its behalf by:



Gary Dannatt
Director
 Direct Healthcare Limited, registered number: 06349417

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Direct Healthcare Limited

Statement of changes in equity for the year ended 31 March 2020

	Share Capital £'000	Capital contribution reserve £'000	Accumulated losses £'000	Total Equity £'000
At 1 April 2019	-	-	(15,734)	(15,734)
Transfer of trade and assets to a parent undertaking	-	15,749	-	15,749
Loss for the financial year	-	-	(15)	(15)
At 31 March 2020	-	15,749	(15,749)	-

Statement of changes in equity for the year ended 31 March 2019

	Share Capital £'000	Share premium account £'000	Accumulated losses £'000	Total Equity £'000
At 1 April 2018	1	3,700	(19,455)	(15,754)
Capital reduction	(1)	(3,700)	3,701	-
Profit for the financial year	-	-	20	20
At 31 March 2019	-	-	(15,734)	(15,734)

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

Capital contribution reserve

Represents the value of the capital contribution received from the parent undertaking in return for the transfer of trade and assets on 31 March 2020.

Share premium

Amount subscribed for share capital in excess of nominal value.

Accumulated losses

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

Direct Healthcare Limited

Statement of accounting policies for the year ended 31 March 2020

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

Direct Healthcare Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company’s operations and principal activities are given in the strategic report.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and in accordance with the Companies Act 2006.

The financial statements are presented in Sterling as that is the primary economic environment in which the company operates.

In preparing the financial statements the company has taken advantage of the following disclosure exemptions, as permitted by the FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”:

- the requirements of Section 4 Statement of Financial Position, paragraph 4.12 (a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation, paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments, paragraph 11.39 to 11.48A; and
- the requirements of Section 33 Related Party Disclosures, paragraph 33.7.

This information is included in the consolidated financial statements of Pharmacy2U Limited for the year ended 31 March 2020, and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Going concern

On 31 March 2020 the company transferred the trade and assets of the business to Pharmacy2U Limited, following this intra-group transfer the company ceased to trade. The Directors have prepared a consolidated cash flow forecast for the ultimate parent company to November 2021, which includes the expected trading results and cash flows for the enlarged group. After reviewing the financial projections of the group, taking into account all reasonably foreseeable circumstances, and considering financial support available from the ultimate parent, the directors have a reasonable expectation that the company will continue to have adequate resources to continue in operational existence for the 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and audited financial statements.

Direct Healthcare Limited

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

The principal accounting policies, which have been consistently applied, are as follows:

Revenue

Revenue represents the net amount receivable, excluding value added tax from the sales of goods, net of returns and customer rebates. Revenue is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are despatched. When payments are received from customers in advance of goods provided, the amounts are recorded as deferred income and are recognised as part of creditors due within one year.

Marketing income

Income from marketing and advertising has been recorded as other income below gross profit.

Operating leases

Operating lease rentals are charged to the statement of comprehensive income in equal instalments over the life of the lease; except that provision is made for the expected net cost on vacant leasehold properties.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any provisions for impairments. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is charged on a straight line basis so as to allocate the cost of assets less their residual value over their estimated useful lives, which are considered to be as follows:

Leasehold improvements	- 5 years
Fixtures and fittings	- 5 years
Computer equipment	- 3 years
Website and domain names	- 3 years
Website development	- 3 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. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income.

Website development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the statement of comprehensive income as incurred.

Costs which are directly attributable to bringing the computer system into working condition for its intended use within the business are considered to be related to the hardware and consequently treated as a tangible fixed asset.

Direct Healthcare Limited

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

Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is the estimated selling price less costs to sell.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in the statement of comprehensive income.

Foreign currency

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Direct Healthcare Limited

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

Financial assets

Financial assets, which comprise debtors and cash at bank and in hand, are initially measured at transaction price (including transaction costs) and subsequently held at cost less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, which comprise trade creditors, other creditors, accruals, amounts owed to group undertakings and other loans, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions. Cash equivalents are highly liquid investments with original maturity of three months or less.

Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other amounts receivable and payable and loans to and from related parties.

Financial assets that are measured at cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income. The impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, either the amount or timing are uncertain, and a reliable estimate can be made of the amount of the obligation. These are measured at management's best estimate of the amount required to settle the obligation at the reporting date.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

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.

Direct Healthcare Limited

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

Critical accounting estimates and judgements

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. In preparing these financial statements, the directors have made the following judgements:

- Determining whether leases entered into by the company should be recognised either as an operating or finance lease. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Assessing whether there are indicators of impairment of the tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

Key areas of estimation uncertainty are:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The company has recognised provisions for the impairment of stock. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors, such as ageing, quantities on hand, and usage.
- Reserves for stock returns - the company assesses the known and expected level of stock returns based on historical trading patterns and other empirical evidence and reserves obligations accordingly.

Direct Healthcare Limited

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

1 Revenue

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

2 Operating (loss)/profit

	2020 £'000	2019 £'000
Operating (loss)/profit is stated after charging:		
Depreciation of tangible fixed assets	19	15
Exceptional restructuring costs	214	17
Operating lease rentals	52	55
Loss on foreign exchange	-	1
Services provided by the company's auditors:		
Fees payable for the audit	10	15
Tax services	-	5

3 Employee information

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

	2020 Number	2019 Number
Selling and distribution	21	19
Administration	22	23
	43	42

Direct Healthcare Limited

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

4 Employee benefit expense

	2020 £'000	2019 £'000
Wages and salaries	544	1,380
Social security costs	89	136
Other pension costs	21	24
	654	1,540

5 Directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	45	45
Company contributions to money purchase pension schemes	1	1
	46	46

Highest paid director	£'000	£'000
Aggregate emoluments	18	16

Retirement benefits are accruing to one (31 March 2019: one) director under a defined contribution scheme.

Direct Healthcare Limited

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

6 Tax on (loss)/profit

There was no (2019: nil) current or deferred tax charge.

The total tax credit is lower (31 March 2019: lower) than the standard rate of corporation tax in the UK of 19% (31 March 2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(15)	20
(Loss)/profit before taxation multiplied by standard rate in the UK of 19% (31 March 2019: 19%)	(3)	4
Tax losses not recognised	3	(4)
Total tax credit	-	-

Following the intra-group transfer of all trade and assets from Direct Healthcare Limited to Pharmacy2U Limited all trade losses have also transferred therefore the company has an unrecognised deferred tax asset of £nil (2019: £3,462,000) comprising unrelieved tax losses of £nil (2019: £3,275,000), fixed asset timing differences of £nil (2019: £171,000) less other short-term timing differences of £nil (2019: £15,265).

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

Direct Healthcare Limited

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

7 Property, plant and equipment

	Leasehold Improvements £'000	Fixtures and fittings £'000	Computer Equipment £'000	Website and domain names £'000	Website development £'000	Total £'000
Cost						
At 1 April 2019	57	29	227	102	955	1,370
Additions	1	-	3	-	-	4
Transfer of assets to a parent undertaking	(58)	(29)	(230)	(102)	(955)	(1,374)
At 31 March 2020	-	-	-	-	-	-
Accumulated depreciation						
At 1 April 2019	(32)	(23)	(199)	(102)	(955)	(1,311)
Charge for the year	(9)	(2)	(7)	-	-	(18)
Transfer of assets to a parent undertaking	41	25	206	102	955	1,329
At 31 March 2020	-	-	-	-	-	-
Net book amount						
At 31 March 2020	-	-	-	-	-	-
At 31 March 2019	25	6	28	-	-	59

Direct Healthcare Limited

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

8 Inventories

	2020 £'000	2019 £'000
Goods for resale	-	650

The cost of inventories recognised as an expense and included in 'cost of sales' in the year ended 31 March 2020 amounted to £6,763,000 (2019: £7,125,000). Inventory is stated after provisions of £nil (2019: £70,000).

9 Trade and other receivables

	2020 £'000	2019 £'000
Trade debtors	-	231
Other debtors	-	204
Prepayments and accrued income	-	48
Trade and other receivables	-	483

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

10 Trade and other payables

	2020 £'000	2019 £'000
Trade creditors	-	1,291
Amounts owed to group undertakings	-	15,452
Other creditors	-	148
Taxation and social security	-	34
Accruals and deferred income	-	282
Trade and other payables: amounts falling due within one year	-	17,207

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Direct Healthcare Limited

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

11 Called up share capital

	2020 £	2019 £
Allotted, called and fully paid		
1 (2019: 1) ordinary shares of £1 (2019: £1) each	1	1
	1	1

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.

12 Operating lease commitments

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

	2020 £'000	2019 £'000
Payments due:		
No later than 1 year	55	55
Later than 1 year and no later than 5 years	-	52
	55	107

13 Intra-group transfer of trade and assets

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

14 Ultimate controlling party

The company's immediate parent company is ChemD Holdings Limited, a company registered in England and Wales. P2U Holdings Limited, a company registered in England and Wales is the ultimate parent undertaking. There is no ultimate controlling party of the group.

Copies of the consolidated financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The smallest group for which consolidated financial statements are prepared for the year ended 31 March 2020 is Pharmacy2U Limited and the largest group is P2U Holdings Limited.