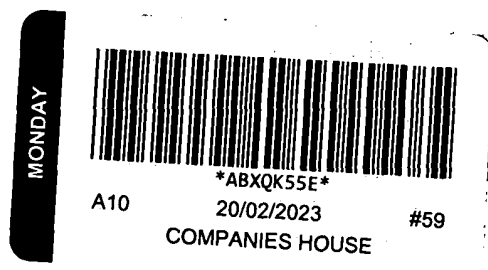


AAH Pharmaceuticals Limited

Annual report and financial statements for the year ended

31 March 2022

Registered number: 00123458



AAH Pharmaceuticals Limited

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

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AAH Pharmaceuticals Limited

Strategic report for the year ended 31 March 2022

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

Principal activities

AAH Pharmaceuticals Limited is a leading distributor of pharmaceutical and healthcare products and services in the UK. The company works in partnership with manufacturers to supply pharmacies, hospitals and dispensing doctors.

Business review

The wholesale pharmaceutical market is competitive. Our customers are adapting to challenging reimbursement levels which result in pressure being put on wholesalers to evolve their value proposition. This is also changing general practitioner prescribing patterns as we are seeing a reduced level of prescriptions and growth in generic medications or over the counter products.

The directors monitor the progress of the Company and the implementation of its strategy by reference to key performance indicators. The indicators include revenue and operating profit discussed in more detail below.

On 31 March, 2022, the Company purchased the Trident generic/parallel import pharmaceuticals and Enterprise over-the-counter product businesses and assets from Barclay Pharmaceuticals Limited, an associate company. The carrying value of net assets of £35,798,000 were purchased in consideration for an inter-company loan.

McKesson Corporation completed the sale of Admenta UK Limited (being the ultimate parent of AAH Pharmaceuticals Limited) to Aurelius Elephant Limited, an entity owned by Aurelius Asset Management Group, on April 6, 2022.

Financial key performance indicators

As referenced above the board monitors the Group's progress in implementing its strategy by reference to a suite of key performance indicators. The key financial metrics for the Group are provided in the table below:

	2022	Change	2021
	£'000	%	£'000
Turnover	3,554,206	8.4	3,278,990
Profit for the year	48,856	(19.5)	60,702
Adjusted EBITDA	84,781	(13.2)	97,623
Shareholders' equity	469,823	12.1	419,280

Turnover

Sales have increased by 8% year on year as a result of increased customer demand.

Profit for the year

Profit for the year was lower primarily due to lower finance income and to a lesser extent competition in the market.

Adjusted EBITDA

Adjusted earnings before interest, income tax, depreciation and amortization ("EBITDA") is defined as profit

before interest, income tax, depreciation, amortization, non-cash asset-related charges/benefits and exceptional items. Adjusted EBITDA is the measure used for evaluating performance and allocating resources. It has been reconciled to operating profit below.

AAH Pharmaceuticals Limited

Strategic report for the year ended 31 March 2022 *(continued)*

Adjusted EBITDA *(continued)*

	2022	2021
	£'000	£'000
Adjusted EBITDA	84,781	97,623
Plus restructuring and other exit charges	(130)	1,759
Movement in bad debts provision	(2,472)	(1,951)
EBITDA	82,179	97,431
Depreciation	(22,757)	(31,977)
Operating profit	59,422	65,454

Shareholders' equity

Shareholders' equity has increased to £469.8m (2021: £419.3m) as a result of the profit for the year.

Within the wider group, in March 2021, McKesson Europe AG extinguished £600,000,000 owed to UK based group undertakings due in 2035 in consideration for one ordinary share in Admenta UK Limited. In addition, McKesson Europe AG contributed £600,000,000 in cash in exchange for one ordinary share in Admenta UK Limited.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of key risks. Risks are formally reviewed by the board and appropriate processes are put in place to monitor and mitigate them.

Regulation and government

The company operates in highly regulated markets; any changes to regulation, or noncompliance with that regulation, could have a negative impact on business performance. For example, we are subject to a range of regulations around pricing margins traceability and storage conditions data or privacy regulations and health safety, or environmental standards. We are indirectly impacted by changes that affect our stakeholders including the changes to drug reimbursement levels which impact some of our customers and could adversely impact the Company's profitability.

In addition, the United Kingdom ("UK") entered into a trading arrangement with the European Union on 31 December 2020. The principal risks we face are around ensuring uninterrupted supply of pharmaceutical and medical products at competitive prices. The risk of fluctuations in exchange rates have the potential to cause business disruption and profitability impacts.

The company continues to seek advice and clarification from the government regarding ongoing negotiations to enhance the trading agreement and mitigate the above risks. Mitigating actions have been implemented including policies, ways of working, and training and monitoring to secure supply and minimise business disruption.

Competition

AAH Pharmaceuticals Limited operates in a market which is highly competitive, particularly around price, service levels and product availability. There is, as a result, ongoing downward pressure on margins with the additional risk that the Company will not meet customer expectations. To mitigate this risk, the Company monitors the market to understand customer and supplier expectations identify whether their needs are being met and to evolve and enhance its value proposition.

AAH Pharmaceuticals Limited

Strategic report for the year ended 31 March 2022 *(continued)*

Cost management

The Company may face increased costs in a number of ways including poor management of change programs, sub-optimal purchasing from vendors, failure of systems that impact our operations and hiring and retaining talent. The Company has implemented a robust programme and talent management, purchasing processes and controls, as well as oversight from its board on strategic matters.

Covid-19 pandemic

The Covid-19 pandemic has created significant volatility and disruption. Despite this, AAH Pharmaceuticals Limited is proud to have continued to play a pivotal role in delivering pharmaceutical products and services to communities around the country, with supply challenges communicated and quickly overcome to ensure patients continued to have access to vital medicines throughout the period.

The health and wellbeing of its employees and customers is the Company's key priority. It has invested in resources to implement safety measure in order to remain open to the pharmaceutical wholesale market as access to other healthcare (e.g. GPs, clinics and hospitals) has been restricted.

Future developments may include changes in demand patterns, governmental or business actions to mitigate risk or save costs, availability and effectiveness of vaccines, impacts on our supply chains, working remotely including reliance of applications that are subject to cybersecurity risks.

Financial Risk Management

The company is exposed to a variety of financial risks, which include credit, liquidity, foreign currency and interest rate risk. The company has employed a programme that seeks to manage and limit any adverse effects of these risks, which are described in more detail below, on the financial performance of the company.

The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board, although use is made of McKesson Corporation's central treasury function which arranges the overall funding requirements of the UK ('the UK group'). This central function operates within a framework of clearly defined policies and procedures. The function reports to the board on a regular basis.

The policies approved by the board of directors are implemented by the company's finance department and the central treasury function. The policies, which are documented in departmental manuals, cover funding and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions.

Credit risk: the company has implemented policies that require appropriate credit checks on potential customers before sales are made. The finance and sales teams also liaise with customers on a regular basis to ensure that key issues are identified at an early stage.

Liquidity risk: the company participates in the banking arrangements of the UK group, which are arranged with the assistance of the central treasury function. The UK group funds its operations through a mix of retained earnings, borrowings and leasing that is designed to ensure that the company has sufficient funds for its day to day operations and other activities.

Cash flow requirements are monitored through projections which are compiled on a periodic basis across the group. The UK group operates a cash pooling arrangement in which the company participates. Under this arrangement, cash funds which are in excess of day to day requirements are loaned to other UK group companies.

Foreign currency and interest rate risk: the company uses instruments to manage its foreign currency risks, including forward currency contracts. The company also has both interest bearing assets and liabilities, these being managed within the UK group, including interest rate hedging contracts.

AAH Pharmaceuticals Limited

Strategic report for the year ended 31 March 2022 *(continued)*

Statement by the directors on the performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

This statement describes how the directors complied with section 172(1) (a)-(f) of the Companies Act 2006 to promote the success of the Company for the benefit of its stakeholders.

The nature of our highly regulated business requires that we consider the long-term consequences of our decisions. Our shareholders have invested capital to drive shareholder value. The Directors' report describes the board's role in managing the business, our reputation, risks and balancing stakeholder needs. The board's other key stakeholders are as follows:

Customers and suppliers

We build strong relationships with our customers and suppliers to promote mutually beneficial sustainable long-term profit growth. Engagement with customers and suppliers is primarily through formal reviews as well as regular conferences that bring suppliers and customers together to discuss shared concerns. Key areas of focus include close coordination to ensure availability of product in a safe and secure supply chain (refer to Principal risks and uncertainties that discusses Covid-19 and Brexit) and innovation by introducing e-commerce to automate the supply chain and supporting prompt payment. The board is briefed on customer and supplier metrics and feedback, opportunities and issues through regular board and management meeting reporting.

Colleagues

Our people are the key to enable us to execute our strategy and many of whom serve our customers, suppliers and patients, all living by our ICARE and ILEAD shared principles.

There are many ways we engage with and listen to our people including pulse surveys, conferences, and forums including town hall meetings where colleagues can interact with our Chief Executive Officer and receive updates on strategic initiatives our business and recognise great performance. We promote a diverse and inclusive workforce through robust hiring processes, manager training, network groups to foster a sense of community, awareness and celebrations. We also provide opportunities for our colleagues to feedback on our policies and processes. The board reviews, and approves, changes to our talent strategy.

Key areas of focus for our colleagues include reinforcement of our culture through our values, code of conduct, career pathways and development plans. We foster a performance-based culture based on regular and transparent feedback, along with regular performance reviews that are linked to compensation. There are numerous development opportunities, including sponsorship for our top talent to attend our European Talent programmes.

The health and wellness of our colleagues are a key priority, and we provide a robust employee assistance program which includes mental health support and free flu vaccinations. In the Covid-19 environment, the board has taken appropriate steps to ensure the safety of our colleagues including social distancing, regular cleaning across all sites, screens where appropriate, temperature checking and personal protective equipment. Appropriately measures and protocols are informed by government guidance.

Colleagues are encouraged to speak up with any concerns they may have. We have in place a Whistleblowing Policy and confidential reporting line, enabling colleagues to raise concerns without fear of retaliation.

The board receives reports on opportunities and concerns raised by colleagues through regular board, committee and management meeting reporting.

AAH Pharmaceuticals Limited

Strategic report for the year ended 31 March 2022 *(continued)*

Statement by the directors on the performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 *(continued)*

Government and regulators

We operate in a highly regulated industry, and patient safety is critical. Government entities, including the Department of Health, determine reimbursement levels for the supply chain, including ourselves. We engage with the government and regulators through sector organisations such as the Healthcare Distribution Association. We also independently engage with stakeholders by responding to consultations, and participate in forums to inform about, educate on and discuss changes to the sector with policy makers.

Key areas of engagement include compliance with laws and regulations, health and safety, evolving how we support stakeholders under Covid-19 and Brexit negotiations. The board is updated on developments through regular board and management meeting reporting on developments and takes these into account when making decisions.

Communities and the Environment

We engage with local communities to build trust and understand the issues that are important to them. Key areas of focus include how we can support local causes and issues, create opportunities to recruit, help to look after the environment (refer to the Directors' report) and engage with communities through social media.

We have an established partnership with the Alzheimer's Society and raise awareness and funds for this cause through corporate events. The board received updated through appropriate board and management reporting.

Approved by the board and signed on its behalf by:

DocuSigned by:

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D Bound
Director

16 February 2023

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 March 2022

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2022.

Results

The results for the financial year are presented in the income statement on page 16.

Dividends

The directors do not recommend a final dividend (2021: £nil). No interim dividend was paid during the year (2021: £nil).

Directors

The directors of the company who were in office during the period and up to the date of signing the financial statements were:

T Anderson	(resigned 11 May 2022)
J Davies	(resigned 22 July 2022)
C Keen	(resigned 18 May 2022)
R L Dargue	(appointed 27 July 2022)
W M Hall	(appointed 27 July 2022)

In accordance with the Articles of Association, none of the directors are required to retire from the board.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Shareholders

As a subsidiary of McKesson Corporation an internal global policy framework ensured that our strategy and long-range financial and operating plans were fully aligned with the expectations of our shareholders. These plans were reviewed at least annually, adjusted as required, and approved by the relevant board committees of McKesson Corporation. The internal policy framework sets out how and when we engaged with our shareholders, and how decisions were made and escalated for shareholder consideration, review and approval. McKesson Corporation managed external shareholder relationships on behalf of the Company.

Effective with the closing of the sale by McKesson Corporation of Admenta UK Limited (of which this Company is a subsidiary) to Aurelius on April 6, 2022, the ultimate parent undertaking and controlling party of the Company is to AURELIUS European Opportunities IV, S.C.A. SICAV-RAIF, a company registered in Luxembourg. As a subsidiary of this company, our strategy and long-range financial and operating plans are in the process of being aligned with the expectations of our shareholders. These plans are reviewed at least annually, adjusted as required, and approved by the relevant board committees of the ultimate parent company.

Political and charitable contributions

No political or charitable contributions were made during the year (2021: £nil donations).

Future developments

Future developments of the business are detailed in the going concern section on pages 8-9.

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 March 2022 *(continued)*

Directors' Responsibility under Section 172 and Statement of engagement with suppliers, customers and others in a business relationship with the Company

The Directors welcome the requirements under Section 172 and Sch. 7.11B(1) to Companies Act 2006. Comments on how the Directors have had a regard for the interests of various stakeholders whilst making key decisions are contained on pages 5-6 in the Strategic Report.

Energy and Carbon Reporting

Details of Energy and Carbon reporting can be found in the group accounts of Admenta UK Limited, therefore not presented in this individual company accounts.

Creditor payment policy

The policy of the company regarding the payment of trade creditors is determined internally. The policy is to:

- a. agree the terms of payment with creditors at the outset of any supply chain partnership and in advance of any provision of goods and services; and
- b. pay in accordance with the agreed terms and any other contractual or legal obligations.

The payment policy applies to all creditors for the supply of revenue and capital goods and services.

Going concern

The directors are required to assess whether adequate resources are available to continue operating for a period of not less than 12 months after the issuance of these statutory financial statements. In making this assessment, the directors considered a number of factors, including our business model, our strategy, risks we are exposed to as well as opportunities in the markets in which we operate.

The directors view the development of the business over the long term, but visibility and granularity of our outlook is greatest in the 12 months ending February 2024, the period most relevant for this going concern assessment. For purposes of the going concern assessment and as an input into impairment assessments, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include changes to government reimbursement levels, cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

The Company is a subsidiary of Aurelius Elephant Limited and is financed through an asset-backed loan facility taken out by another Group company, Aurelius Elephant Limited, that was modified in December 2022 (the "Group's financing arrangements").

The Company is an obligor, guarantor and material subsidiary to the loan facility and is bound by the Group's financing arrangements. Therefore, although the Company is profitable and has net current assets the directors have considered the financial performance of the Group and its ability to comply with the Group's financing arrangements when assessing going concern.

The facility allows the Aurelius Elephant limited group to borrow up to £358 million to April 6, 2025, in line with the initial term. The modified loan facilities are secured on qualifying accounts receivables of certain operating subsidiaries. The interest rate is determined based on the Bank of England rate plus 3.15%. The average asset-backed loan liquidity headroom is projected to increase from a low of more than £17m in March 2023 to being repaid before December 2023 from proceeds of the Group's retail store optimization program in other Group companies.

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 March 2022 *(continued)*

Past retail store optimization programs provide evidence around the length of time between initiating a program and the amount and timing of proceeds realized. Recent programs were substantially completed within a year and exceeded budgeted targets. This experience, and agreements for pharmacy disposals received in the year to date, provide the directors with confidence that the forecast proceeds will be realised. If forecast proceeds are achieved in line with the projected timeline, the asset-backed loan would be repaid before December 2023.

In forming their conclusions that the Group is a going concern the Group's directors performed sensitivity analysis considering downside scenarios to reduce expected proceeds per store and timing of disposals. Headroom remains under these scenarios.

The directors considered sensitivities to the cash flow forecasts which included the amount of proceeds realized from retail store disposals. Even assuming a 25% reduction to proceeds, liquidity headroom would not be at risk.

The Group's directors performed a reverse stress test to identify what level of deterioration would be required to breach the liquidity and adjusted EBITDA each covenant.

In relation to liquidity, the tightest point is at March 2023 where, disposal proceeds would need to be 100% lower than expected to be realized in March 2023 to breach the liquidity test. This is not considered likely given the percentage of sales this would represent in March.

Actual 12-month rolling Group adjusted EBITDA performance could be 30% below forecast before a covenant would be breached. The most sensitive month would be March 2023 where a delay of 2 months in expected proceeds from retail store disposals combined with a reduction of retail EBITDA equivalent to a 11% shortfall of retail revenue for both February and March 2023 result in a breach.

Under this scenario, a number of actions would be available to management including rationalizing overheads such as bonus and staffing costs, adjusting the timing of when we invest in advertising and promotion, and delaying/avoiding discretionary expenditure on property, plant and equipment. Together these mitigating actions would avoid the risk of breaching our covenants. Whilst not directly under our control given our liquidity headroom we could also seek amendment to financial covenant terms.

The Group's directors have not performed sensitivity analysis beyond December 2023 as they expect to repay debt under the asset backed-loan before December 2023.

The Group's directors also performed an assessment of the ongoing regulatory proceedings impacting Lloyds Pharmacy Clinical Homecare Limited and whilst uncertainty still exists in relation to the outcome of these proceedings, the Directors do not anticipate the outcome to have a material impact on the group's ability to stay within the requirements of the ABL agreement.

On the basis of these reviews, the directors of the Company consider it is appropriate for the going concern basis to be adopted in preparing the annual report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Employment of disabled persons

Wherever possible, disabled persons are given the same consideration for employment opportunities as other applicants and training and promotion prospects are identical. In particular, special consideration is given to continuity of employment in the case of an employee who becomes disabled, with suitable retraining for alternative employment, if practicable.

Engagement with employees

This is included within s172 statement in the strategic report.

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 March 2022 *(continued)*

Directors' Responsibilities Statement

The directors are responsible for preparing the annual 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), including FRS 101 "Reduced Disclosure Framework". 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 these financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and accounting estimates that are reasonable and prudent;
- (c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditor

Each person who is a director at the date of approval of this report confirms the following: so far as each director is aware (a) there is no relevant audit information - that is information needed by the company's auditor in connection with preparing their report - of which the company's auditor is unaware and (b) the director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

AAH Pharmaceuticals Limited


Directors' report for the year ended 31 March 2022 *(continued)*

Events after the reporting period

McKesson Corporation closed the sale of Admenta UK Limited (of which this company is a subsidiary) to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

The Company became a party to an asset-backed loan on April 6, 2022 as set out in note 2. The banking arrangements of the Company operate on a pooled basis with certain affiliates. Under these arrangements participating companies guarantee each other's borrowings. Borrowings are permitted against the Company's qualifying accounts receivable. The ability to borrow against the Company's qualifying inventory voluntarily terminated in December 2022. The Company is also contingently liable in the event the Company, or an affiliate, defaults under the asset-backed loan, principally for failure to repay borrowings.

Approved by the board of directors and signed on its behalf by:

DocuSigned by:

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D Bound
Director

16 February 2023

AAH Pharmaceuticals Limited
Registered number: 00123458

AAH Pharmaceuticals Limited

Independent auditor's report to the members of AAH Pharmaceuticals Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of AAH Pharmaceuticals Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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

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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included an assessment of the entity's:

- financing facilities including nature of facilities, repayment terms and covenants
- linkage to business model and medium-term risks
- assumptions used in the forecasts including cash generated from the store optimisation programme in Lloyds Pharmacies as set out in note 2
- amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis and sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

AAH Pharmaceuticals Limited

Independent auditor's report to the members of AAH Pharmaceuticals Limited *(continued)*

Conclusions relating to going concern *(continued)*

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.

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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

AAH Pharmaceuticals Limited

Independent auditor's report to the members of AAH Pharmaceuticals Limited *(continued)*

Extent to which the audit was considered 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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation etc and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included regulatory solvency requirements and environmental regulations.

We discussed among the audit engagement team including internal tax, pensions and IT audit specialists the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- material misstatement of revenue due to the posting of manual adjustments. We performed substantive testing on a sample of these transactions and agreed our samples through underlying relevant supporting documentation in order to conclude that each transaction was compliant with the accounting standards, was approved before posting, was recognised at the correct amount and related to a genuine transaction for a legitimate adjustment

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

AAH Pharmaceuticals Limited

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

- enquiring of management, internal audit and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports and reviewing correspondence with HMRC.

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 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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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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Kate Hadley FCA Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date: 16 February 2023

AAH Pharmaceuticals Limited

Income Statement for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Revenue	3	3,554,206	3,278,990
Cost of sales		(3,306,648)	(3,047,876)
Gross Profit		247,558	231,114
Other income	6	13,563	27,016
Distribution costs and administrative expenses	7	(201,699)	(192,676)
Operating profit	9	59,422	65,454
Finance costs	8	(923)	(1,602)
Finance income	8	3,803	13,352
Profit before income tax		62,302	77,204
Income tax expense	10	(13,446)	(16,502)
Profit for the financial year attributable to the equity holder of the parent		48,856	60,702

All of the activities of the company are classified as continuing.

AAH Pharmaceuticals Limited

Statement of Comprehensive Income for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Profit for the year		48,856	60,702
Other comprehensive income - items that will not be reclassified to profit or loss			
Actuarial gain on post employment benefit obligations	24	2,247	16,208
Deferred tax on actuarial (loss)	10	(560)	(2,940)
Other comprehensive income/(expense) for the year net of tax		1,687	13,268
Total comprehensive income for the year attributable to the equity holders of the parent		50,543	73,970

AAH Pharmaceuticals Limited

Balance Sheet as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	73,734	77,598
Intangible assets	29	4,345	4,345
Investments	14	14,536	18,565
Trade and other receivables	17	137,653	137,653
Other financial assets	15	11,636	8,535
Deferred tax	10	527	2,060
		<u>242,431</u>	<u>248,756</u>
Current Assets			
Inventories	16	234,419	228,501
Trade and other receivables	17	464,359	552,571
Cash and cash equivalents	19	192,071	154,759
		<u>890,849</u>	<u>935,831</u>
Total assets		<u><u>1,133,280</u></u>	<u><u>1,184,587</u></u>
Liabilities			
Current liabilities			
Trade and other payables	20	565,054	654,637
Corporation tax group relief payable		28,706	38,310
Other financial liabilities	21	11,784	13,546
Provisions	22	-	155
Derivative financial instruments	18	-	181
Other current liabilities	23	19,229	20,453
		<u>624,773</u>	<u>727,282</u>
Net current assets		<u>266,076</u>	<u>208,549</u>
Total assets less current liabilities		<u>508,507</u>	<u>457,305</u>
Non current liabilities			
Other financial liabilities	21	32,151	31,727
Provisions	22	6,533	6,298
		<u>38,684</u>	<u>38,025</u>
Total liabilities		<u>663,457</u>	<u>765,307</u>
Net assets		<u>469,823</u>	<u>419,280</u>
Equity			
Issued capital	25	50,000	50,000
Capital contribution reserve	26	31,624	31,624
Retained earnings	26	388,199	337,656
Total equity		<u>469,823</u>	<u>419,280</u>

The financial statements of AAH Pharmaceuticals Limited (registered number 00123458) were approved by the board of directors and authorised for issue on 16 February 2023. They were signed on its behalf by:

DocuSigned by:

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D Bound
Director

AAH Pharmaceuticals Limited

Statement of Changes in Equity for the year ended 31 March 2022

	Issued Capital	Capital Contribution Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	50,000	31,624	263,686	345,310
Other comprehensive income (note 11)	-	-	13,268	13,268
Profit for the year	-	-	60,702	60,702
Total comprehensive income for the year	-	-	73,970	73,970
Dividends paid (note 12)	-	-	-	-
Capital contribution reserve (note 26)	-	-	-	-
Balance as at 31 March 2021	50,000	31,624	337,656	419,280
Other comprehensive income (note 11)	-	-	1,687	1,687
Profit for the year	-	-	48,856	48,856
Total comprehensive income for the year	-	-	50,543	50,543
Dividends paid (note 12)	-	-	-	-
Balance as at 31 March 2022	50,000	31,624	388,199	469,823

AAH Pharmaceuticals Limited

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

1 General information

AAH Pharmaceuticals Limited is a private company limited by shares and is domiciled in the UK and registered in England and Wales (registered number: 00123458). The registered office address is Sapphire Court, Walsgrave Triangle, Coventry CV2 2TX.

The nature of the company's operations and its principal activities are set out in the strategic report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Admenta UK Limited. The group accounts of Admenta UK Limited are available to the public and can be obtained from Companies House.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

2 Summary of significant accounting policies

Basis of preparation

The financial statements for the year ended 31 March 2022 have been prepared on a going concern basis.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard. The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The financial statements have been prepared on the historical cost basis as modified by financial instruments recognised at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Consolidated financial statements

The financial statements contain information about AAH Pharmaceuticals Limited as an individual company, rather than consolidated information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as its results and the results of its subsidiaries are included by full consolidation in the financial statements of its ultimate parent, Admenta UK Limited.

Set out below is a summary of the principal accounting policies, which have been applied consistently except where stated.

Going concern

The directors are required to assess whether adequate resources are available to continue operating for a period of not less than 12 months after the issuance of these statutory financial statements. In making this assessment, the directors considered a number of factors, including our business model, our strategy, risks we are exposed to as well as opportunities in the markets in which we operate.

The directors view the development of the business over the long term, but visibility and granularity of our outlook is greatest in the 12 months ending February 2024, the period most relevant for this going concern assessment. For purposes of the going concern assessment and as an input into impairment assessments, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include changes to government reimbursement levels, cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

The Company is a subsidiary of Aurelius Elephant Limited and is financed through an asset-backed loan facility taken out by another Group company, Aurelius Elephant Limited, that was modified in December 2022 (the "Group's financing arrangements").

The Company is an obligor, guarantor and material subsidiary to the loan facility and is bound by the Group's financing arrangements. Therefore, although the Company is profitable and has net current assets the directors have considered the financial performance of the Group and its ability to comply with the Group's financing arrangements when assessing going concern.

The facility allows the Aurelius Elephant limited group to borrow up to £358 million to April 6, 2025, in line with the initial term. The modified loan facilities are secured on qualifying accounts receivables of certain operating subsidiaries. The interest rate is determined based on the Bank of England rate plus 3.15%. The average asset-backed loan liquidity headroom is projected to increase from a low of more than £17m in March 2023 to being repaid before December 2023 from proceeds of the Group's retail store optimization program in other Group companies.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Past retail store optimization programs provide evidence around the length of time between initiating a program and the amount and timing of proceeds realized. Recent programs were substantially completed within a year and exceeded budgeted targets. This experience, and agreements for pharmacy disposals received in the year to date, provide the directors with confidence that the forecast proceeds will be realised. If forecast proceeds are achieved in line with the projected timeline, the asset-backed loan would be repaid before December 2023.

In forming their conclusions that the Group is a going concern the Group's directors performed sensitivity analysis considering downside scenarios to reduce expected proceeds per store and timing of disposals. Headroom remains under these scenarios.

The directors considered sensitivities to the cash flow forecasts which included the amount of proceeds realized from retail store disposals. Even assuming a 25% reduction to proceeds, liquidity headroom would not be at risk.

The Group's directors performed a reverse stress test to identify what level of deterioration would be required to breach the liquidity and adjusted EBITDA each covenant.

In relation to liquidity, the tightest point is at March 2023 where, disposal proceeds would need to be 100% lower than expected to be realized in March 2023 to breach the liquidity test. This is not considered likely given the percentage of sales this would represent in March.

Actual 12-month rolling Group adjusted EBITDA performance could be 30% below forecast before a covenant would be breached. The most sensitive month would be March 2023 where a delay of 2 months in expected proceeds from retail store disposals combined with a reduction of retail EBITDA equivalent to a 11% shortfall of retail revenue for both February and March 2023 result in a breach.

Under this scenario, a number of actions would be available to management including rationalizing overheads such as bonus and staffing costs, adjusting the timing of when we invest in advertising and promotion, and delaying/avoiding discretionary expenditure on property, plant and equipment. Together these mitigating actions would avoid the risk of breaching our covenants. Whilst not directly under our control given our liquidity headroom we could also seek amendment to financial covenant terms.

The Group's directors have not performed sensitivity analysis beyond December 2023 as they expect to repay debt under the asset backed-loan before December 2023.

The Group's directors also performed an assessment of the ongoing regulatory proceedings impacting Lloyds Pharmacy Clinical Homecare Limited and whilst uncertainty still exists in relation to the outcome of these proceedings, the Directors do not anticipate the outcome to have a material impact on the group's ability to stay within the requirements of the ABL agreement.

On the basis of these reviews, the directors of the Company consider it is appropriate for the going concern basis to be adopted in preparing the annual report and financial statements.

Adoption of new and revised Standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16.	<p>The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.</p> <p>The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continued, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions in the current year and these amendments had no impact on the financial statements of the Company.</p>
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<p>The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).</p> <p>The amendments include the following practical expedients:</p> <ul style="list-style-type: none"> • A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest • Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued • Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. <p>These amendments had no impact on the financial statements of the Company.</p>

Revenue

Revenue originates from the sale of merchandise and, to a lesser extent, from the provision of services and receipt of royalties. The contract with the customer generally relates to a confirmed purchase order, which is to be completed under the agreed terms or the general terms and conditions of the company. In the retail business, the contract is usually closed at the point of sale.

Revenue is recognised when control of the goods is transferred to the customer, provided that the amount of revenue can be reliably measured and it is likely that economic benefits will flow to the group. Service revenues are recognised when services are provided to the customer. For long-term service contracts, revenue is recognised on a straight-line basis over the term of the contract. Any deductions from sales such as returned goods, rebates, discounts allowed and bonuses are deducted from gross revenue. The variable consideration is estimated at the most likely amount.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

For the sale of goods, the customer obtains control at the point in time at which the goods are delivered. The transfer of control is not tied to the transfer of legal ownership. Deliveries of goods where past experience shows that returns should be expected are not recognised in income until the deadline for the return has expired. For expected returns a refund liability is recognized as well as a corresponding asset for the right to recover goods from customers.

If one party to the contract has satisfied its performance obligation, but the other party has not yet, then the contract is accounted for as either a contract liability or a contract asset, whereby an unconditional right to receive payment is presented separately as a trade receivable. As we usually satisfy our performance obligation to deliver goods or services first, which results in an unconditional right to receive payment, our contract balances are typically not material.

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for its employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to profit or loss of £2,738,000 (2021: £4,662,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 March 2022, contributions of £nil (2021: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in other payables.

Taxes

The tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity and other comprehensive income is also recognised in equity and other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. This is unless the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Taxes *(continued)*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Intangible assets – goodwill

Goodwill represents the excess of the fair value of consideration given to acquire new businesses over the fair value of the separable net assets at the date of the acquisition. Goodwill is capitalised as an intangible asset on the balance sheet and is carried net of impairment.

Property, plant and equipment

Property, plant and equipment are carried at amortised cost, net of accumulated depreciation and/or accumulated impairment losses, if any. All repair and maintenance costs are recognised in the income statement as incurred.

With the exception of land, which is not depreciated, items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The following rates have been applied to the various asset categories:

Freehold buildings	2% straight line
Short leasehold land and buildings	2% straight line or over the period of the lease
Fixtures, fittings, plant and equipment	5% - 33.3% straight line
Motor vehicles	25% - 33.3% straight line

Impairment losses are recorded on items of property, plant and equipment when the carrying amount of the asset exceeds the recoverable amount. These are reversed as soon as the reasons for the impairment no longer exist.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Investments

Shares in group companies are shown at historic cost less any necessary write down for impairment.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Leases *(continued)*

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the property, plant and equipment line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in profit or loss (see note 9).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company as lessor

The Company enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Leases *(continued)*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

The Company has recognised the outflows of £6,767,000 (2021: £2,267,000) for the short term leases during the financial year. The total cash outflows for leases amount to £14,846,000 (2021: £17,973,000).

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on weighted average purchase price basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Where necessary, allowance is made for obsolete, slow moving and defective inventory.

Inventories held under agency agreements do not represent assets for which the Company has all the risks and rewards. Therefore this inventory is not recognised in the Company's financial statements.

Financial assets

(i) Initial recognition and measurement

All financial assets are recognised initially at their fair value. The Company's financial assets include cash and cash equivalents, trade and other receivables and derivative financial instruments.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Financial assets at fair value through profit and loss (including derivatives) are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

Available for sale financial investments include equity investments which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available for sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in finance costs.

The Company does not have any held-to-maturity investment financial assets.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Financial assets *(continued)*

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

(iv) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade debtors and contract assets.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

The Company's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts and derivative financial instruments.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade and other payables:

Trade and other payables are recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Financial liabilities *(continued)*

Loans and borrowings:

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Financial guarantee contracts:

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as a liability when it is likely there will be an outflow of resources. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs.

Derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement.

Provisions

Provision is made in the financial statements for present obligations arising from past events, where there is a reasonable degree of certainty as to their amount and date of settlement. Where there is a potential obligation based on a past event which will probably not result in the Company's assets being utilised or amounts due upon the realisation of the obligation cannot be estimated with sufficient reliability, no provision is made, but a contingent liability is disclosed in the financial statements.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Currency translation

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Any such translation differences are taken to the income statement. Non-monetary items denominated in foreign currencies are translated using the exchange rate at the date of the transaction.

Pensions

The Company contributes to group pension schemes operated by Admenta UK Limited and Sangers (Northern Ireland) Limited, including defined benefit and defined contribution schemes.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit method. This method involves considering the biometric parameters and the respective long-term interest rates on the capital markets as well as the latest assumptions on future salary and pension increases. Re-measurement comprising actuarial gains and losses are recognised immediately on the statement of comprehensive income with a charge or credit to other comprehensive income.

The past service costs are recognised as an expense at the earlier of when the plan amendment or curtailment occurs and when the company recognises related restructuring costs or termination benefits. The net interest on the net defined benefit liability is reported within finance costs.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Interest income and expenses

Interest is recorded as an expense or income respectively in the period in which it arises unless the criteria of IAS 23 are satisfied for capitalising it in the cost of an asset or liability. Interest income is recognised in the income statement using the effective interest method.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

AAH Pharmaceuticals Limited

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

2 Summary of significant accounting policies *(continued)*

Critical accounting judgments and key sources of estimation uncertainty *(continued)*

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment Impairments – key source of estimation uncertainty

The basis for any impairment write down of investments is by reference to the higher of the post-tax net realisable value and the value in use of those assets. For the purposes of determining any impairment the income generating unit takes account of associated cash flows within the Admenta UK Limited group.

The Directors have conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of the CGUs is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

Defined Benefit Pensions – key source of estimation uncertainty

The cost of defined benefit post-employment plans and the fair value of the defined benefit obligation are determined using actuarial calculations. Actuarial calculations involve making assumptions about discount rates, future wage and salary increases, the mortality rate and future pension increases. All assumptions are reviewed at each reporting date. When determining the appropriate discount rate, management uses the interest rates of first-class corporate bonds in each country. The mortality rate is based on publicly available mortality tables for the U.K. Future salary and pension increases are based on expected future inflation rates for the U.K.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in note 24.

AAH Pharmaceuticals Limited

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

3 Revenue

Revenue is generated wholly in the United Kingdom. The breakdown of revenue is as follows:

	2022 £'000	2021 £'000
Sales of goods	3,540,862	3,273,635
Services	13,344	5,355
	<u>3,554,206</u>	<u>3,278,990</u>

The Directors consider there is one business segment being the distribution of pharmaceutical and healthcare products and services in the UK.

4 Directors' emoluments

Key management are the directors of the Company. Compensation for key management is detailed below.

From 1 April 2020 all directors are paid by a fellow subsidiary company, Lloyds Pharmacy Limited, which makes no recharge to the company. All directors of this company are directors of a number of fellow subsidiary companies and it is impossible to make an accurate apportionment of their time and therefore their emoluments in respect of each of these companies. Accordingly, no emoluments in respect of these directors are disclosed. The directors received total remuneration of £2,951,000 from AAH Pharmaceuticals limited and Lloyds Pharmacy Ltd during the year.

	2022 £'000	2021 £'000
Aggregate emoluments	<u>-</u>	<u>-</u>

No retirement benefits under defined benefit schemes were accrued to the director of the company during the year (2021: £nil).

5 Employee Information

The average monthly number of persons employed during the year was:

By function	2022 Number	2021 Number
Distribution	2,418	2,619
Administration	210	269
	<u>2,628</u>	<u>2,888</u>

Staff costs	2022 £'000	2021 £'000
Wages and salaries	86,393	89,206
Social security costs	5,563	5,673
Other staff costs	2,738	4,662
	<u>94,694</u>	<u>99,541</u>

AAH Pharmaceuticals Limited

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

6 Other income

	2022 £'000	2021 £'000
Other income		
Operating income from third parties	11,400	22,279
Operating income from affiliates	2,163	4,737
	<u>13,563</u>	<u>27,016</u>

Other operating income represents income from the provision of services to other group companies, promotional income, and from the sale of data.

7 Distribution costs and administrative expenses

	2022 £'000	2021 £'000
Staff costs	94,694	99,541
Other expenses	84,248	61,158
Depreciation	22,757	24,270
Impairment	-	7,708
	<u>201,699</u>	<u>192,677</u>

8 Finance income and costs

	2022 £'000	2021 £'000
Finance costs		
Interest on borrowings	64	3
Finance charges payable under finance leases and hire	859	989
Net finance expense	-	438
Interest expenses on pension	-	172
	<u>923</u>	<u>1,602</u>
	2022 £'000	2021 £'000
Finance income		
Net finance income	118	-
Interest income on loans and receivables from affiliates	3,507	13,352
Interest income on pension	178	-
	<u>3,803</u>	<u>13,352</u>
Finance charges receivable under finance leases and hire	-	-
Total finance income	3,803	13,352

Interest income relates primarily to interest earned on intercompany balances which attracted interest equivalent to the overall cost of borrowing for the UK group of 0.64% (2021: 2.69%).

AAH Pharmaceuticals Limited

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

9 Operating profit

Operating profit is stated after charging the following:

	2022 £'000	2021 £'000
Net foreign exchange (gains)/losses	(118)	438
Depreciation – property, plant and equipment:		
Charge for the year on owned assets	9,028	9,518
Charge for the year on assets held under finance	13,729	14,751
Impairment of property, plant and equipment (note 7)	-	7,708
Operating lease rentals		
Lease costs in relation to land, buildings and motor	1,523	1,620
Staff costs	94,694	99,541
Cost of inventories recognised within cost of sales	3,306,648	3,047,876
Including: - write down of inventories to net realisable value	2,472	3,473
Impairment of investment (note 7)	4,029	3,549
Services provided by the company's auditor		
Fees payable for the audit of the financial statements	585	434

Total auditor's remuneration for the year was £192,000 (2021: £192,000). There were no fees for non-audit related services in either the current or previous years.

10 Income tax expense

The major components of income tax expense for the year ended 31 March 2022 are:

Income statement:	2022 £'000	2021 £'000
Current income tax:		
UK corporation tax at 19% (2021: 19.0%)	12,400	16,841
Adjustment in respect of previous years	73	69
	<u>12,473</u>	<u>16,910</u>
Deferred tax		
Relating to origination and reversal of temporary differences	426	(378)
Impact of change in tax rate	(126)	-
Adjustment in respect of previous years	673	(30)
	<u>973</u>	<u>(408)</u>
Income tax expense reported in the income statement	<u>13,446</u>	<u>16,502</u>
Statement of other comprehensive income		
Deferred tax related to items charged or credited directly to other comprehensive income during the year	560	2,940
Income tax charged directly to equity	<u>560</u>	<u>2,940</u>

The above item included directly in other comprehensive income will not be reclassified subsequently to profit or loss.

An increase in the main UK corporation tax rate from 19% to 25%, applicable from 1 April 2023, was enacted on 10 June 2021 in Finance Act 2021. The deferred taxes in these financial statements have therefore been calculated at 19%.

AAH Pharmaceuticals Limited

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

10 Income tax expense (continued)

The tax assessed on the profit on ordinary activities for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The difference is reconciled below:

	2022 £'000	2021 £'000
Profit before tax	62,302	77,204
Profit before tax multiplied by the standard rate of tax	11,837	14,669
Expenses not deductible for tax purposes	989	1,794
Current tax adjustments in respect of previous years	73	69
Impact of change in tax rate	(126)	-
Deferred tax adjustments in respect of previous years	673	(30)
Income tax expense reported in the income statement	<u>13,446</u>	<u>16,502</u>

Deferred taxation

	2022 £'000	2021 £'000
The movement in the total deferred tax balances are as set out below:		
At the beginning of the year	2,060	4,592
Deferred tax movement in the income statement	(973)	408
Deferred tax movement in the statement of comprehensive income	(560)	(2,940)
At the end of the year	<u>527</u>	<u>2,060</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £'000	2021 £'000
Accelerated capital allowances	2,529	2,973
Short term timing differences	901	709
Deferred tax on pension liability	(2,903)	(1,622)
Total deferred taxation asset	<u>527</u>	<u>2,060</u>

A deferred tax asset has been recognised based on forecast profits against which these timing differences are expected to reverse.

11 Components of other comprehensive income

	2022 £'000	2021 £'000
Actuarial gain/(loss) on post employment benefit obligations net of tax	<u>1,687</u>	<u>13,268</u>
	<u>1,687</u>	<u>13,268</u>

AAH Pharmaceuticals Limited

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

12 Dividends

	2022 £'000	2021 £'000
Equity Ordinary		
Interim dividend: £0.00 (2021: £0.00) per £1 share	-	-

13 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Fixtures, fittings, plant and equipment £'000	Motor vehicles £'000	Right-of- use Buildings £'000	Right-of- use Vehicles £'000	Total £'000
At 1 April 2021	9,353	28,129	118,363	3,126	43,419	27,847	230,237
Additions	11	338	3,854	-	9,826	5,000	19,030
Reclassification from other assets	-	-	(12)	-	-	-	(12)
Disposals	-	-	(124)	-	(3,642)	(3,019)	(6,785)
At 31 March 2022	9,364	28,467	122,081	3,126	49,603	29,828	242,469

Accumulated depreciation

	4,453	18,735	97,452	3,126	12,874	15,999	152,639
At 1 April 2021	4,453	18,735	97,452	3,126	12,874	15,999	152,639
Depreciation charge for the year	128	2,610	6,290	-	5,966	7,763	22,757
Impairment charge for the year	-	-	-	-	-	-	-
Disposals	-	-	-	-	(3,642)	(3,019)	(6,661)
At 31 March 2022	4,581	21,345	103,742	3,126	15,198	20,743	168,735

Net book value

	4,783	7,122	18,339	-	34,405	9,085	73,734
At 31 March 2022	4,783	7,122	18,339	-	34,405	9,085	73,734
At 31 March 2021	4,900	9,394	20,911	-	30,545	11,848	77,598

Impairment charge

There was no impairment charge in the year. In the prior year £7,708,000 was recorded in relation to the warehouse closure.

Incremental borrowing rate

The weighted average lessees incremental borrowing rate (IBR) applied to lease liabilities recognised in the balance sheet on 1 April 2021 is shown below:

Lease Term in Months	IBT %	Lease Term in Months	IBT %	Lease Term in Months	IBT %
1	0.33	60	0.59	300	2.03
3	0.33	84	0.75	360	2.28
6	0.33	96	0.83	420	2.36
12	0.33	108	0.91	480	2.45
24	0.35	120	0.99	540	2.46
36	0.43	180	1.43	600	2.47
48	0.51	240	1.79	1200	2.47

AAH Pharmaceuticals Limited

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

14 Investments

	Investment in subsidiaries £'000
Cost	
At 1 April 2021	47,271
Transfer to Goodwill	-
At 31 March 2022	47,271
Impairment	
At 1 April 2021	28,706
Transfer to Goodwill	-
Impairment	4,029
At 31 March 2022	32,735
Net book value	
At 31 March 2022	14,536
At 31 March 2021	18,565

The impairment charge is £4,029,000 (2021: £3,549,000) in respect of the investment in Sangers (NI) Limited, a subsidiary company. Investments were written down to their recoverable value based on the methodology described in note 2. The recoverable amount being based on value in us is £11,536,000 (2021: £15,565,000).

The impairment charge is £nil (2021: £nil) in respect to MASTA Limited. The recoverable amount being based on value in us is £3,000,000 (2021: £3,000,000).

The discount rate used is 7.50% (2021: 7.90%).

The company has investments in the following subsidiary undertakings, associates and other significant investments.

Subsidiary	Nature of business	Holding	% held
Sangers (NI) Limited	Pharmaceutical Wholesaler	Ordinary	100
Masta Limited	Vaccinations Specialist	Ordinary	100

The registered address of Sangers (NI) Limited is 2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR.

The registered address of MASTA Limited is Sapphire Court, Walsgrave Triangle, Coventry, England, CV2 2TX.

15 Other financial assets

	2022 £'000	2021 £'000
Current		
Other assets	-	-
Non – current		
Pension plan asset (note 24)	11,636	8,535

Other assets include loans receivable from customers.

AAH Pharmaceuticals Limited

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

16 Inventories

	2022 £'000	2021 £'000
Finished goods and goods for resale	<u>234,419</u>	<u>228,501</u>

In the reporting year inventories were written down by £2,472,000 (2021: £3,473,000).

17 Trade and other receivables

Trade receivables are non-interest bearing and generally on 30-day terms.

	2022 £'000	2021 £'000
Current		
Trade receivables from third parties	251,398	290,583
Amounts owed by direct parent	752	1,664
Amounts owed by other group entities	114,661	139,730
Other assets	95,902	119,078
Prepayments and accrued income	<u>1,646</u>	<u>1,516</u>
	<u>464,359</u>	<u>552,571</u>
Non – current		
Amounts owed by direct parent	<u>137,653</u>	<u>137,653</u>

Receivables from affiliated companies: Intragroup funding balance related to amounts receivable from other entities in the McKesson Europe AG group associated with the McKesson Europe AG group treasury funding arrangements. These balances are unsecured and have no fixed repayment date, other than that they are payable on demand. The balances were either interest free or attracted interest equivalent to the overall cost of borrowing for the McKesson related companies in the UK, of 0.64% (2021: 2.69%).

Other assets include supplier claims and rebates, creditors with debit balances, receivables from employees and other short-term receivables from customers.

As at 31 March 2022, trade receivables of £337,000 (2021: £1,873,000) were impaired and fully provided. The table below presents the movement on expected credit losses for trade receivables in the year.

	2022 £'000	2021 £'000
Allowances brought forward	(1,873)	(2,528)
Additions	(156)	(73)
Utilisations	1,944	1,280
Reversals	<u>(252)</u>	<u>(552)</u>
Allowances carried forward	<u>(337)</u>	<u>(1,873)</u>

The expected credit losses are minimal compared to the overall trade receivables of £251,398,000 (2021: £290,583,000). In the case of the trade receivables that are not impaired, there is no indication that the debtors will not be able to meet their payment obligations.

AAH Pharmaceuticals Limited

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

18 Derivative financial instruments

	2022 Asset £'000	2022 Liability £'000	2021 Asset £'000	2021 Liability £'000
Forward currency contracts	0	0	0	181

19 Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	192,071	154,759
Bank loans and overdraft (note 21)	-	(1,870)
	<u>192,071</u>	<u>152,889</u>

20 Trade and other payables

	2022 £'000	2021 £'000
Trade payables	459,073	587,780
Finance lease assets - short term	(319)	(243)
Amounts owed to other group entities	106,300	67,100
	<u>565,054</u>	<u>654,637</u>

Amounts owed to affiliated companies: Intragroup funding balance related to amounts payable to other entities in the McKesson Europe AG group associated with the McKesson Europe AG group treasury funding arrangements. These balances are unsecured and have no fixed repayment date, other than that they are payable on demand. The balances were either interest free or attracted interest equivalent to the overall cost of borrowing for the McKesson related companies in the UK, of 0.64% (2021: 2.69%).

21 Other financial liabilities

	2022 £'000	2021 £'000
Current financial liabilities		
Bank loans and overdraft	-	1,870
Lease liabilities	11,784	11,676
	<u>11,784</u>	<u>13,546</u>
Non – current financial liabilities		
Lease liabilities	32,151	31,727

The bank loans and overdrafts are secured against assets of the group and company.

AAH Pharmaceuticals Limited

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

22 Provisions

	Dilapidations / ARO	Restructuring	Total
	£'000	£'000	£'000
At 1 April 2021	6,298	155	6,453
Charged to the income statement	235	-	235
Utilised during the period	-	(155)	(155)
At 31 March 2022	6,533	-	6,533

Analysis of total provisions	2022	2021
Non-current	£'000	£'000
Dilapidations / ARO	6,533	6,298
	6,533	6,298
Current	£'000	£'000
Restructuring	-	155
	-	155

The dilapidations / ARO provision relates to the dilapidation (asset retirement obligations) costs associated to the warehouses and properties leased. The related leases are expected to expire within a period of between 1 to 10 years.

The restructuring provisions represent an assessment of the costs to cover dilapidations. The assessment is made in conjunction with Admenta UK Limited's property services department.

23 Other current liabilities

	2022	2021
	£'000	£'000
Other taxation and social security liabilities	4,069	3,198
Accrued expenses	8,765	7,567
Other liabilities	6,395	9,688
	19,229	20,453

AAH Pharmaceuticals Limited

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

24 Pension obligations

Admenta Pension Scheme

The Company operates a Defined Benefit Pension Scheme.

The Company participates in a group defined benefit scheme for qualifying employees operated by Admenta UK Limited. The defined benefit scheme is a joint scheme with fellow subsidiary AAH Pharmaceuticals Limited and is divided by reference to the historic number of employees. The scheme is funded and constituted as an independently administered fund with assets being held separately from those of the company. The fund is valued every three years by a professionally qualified, independent actuary, with the rates of contribution payable being determined by the actuary.

In November 2021, McKesson Corporation announced an agreement to sell Admenta UK Limited to Aurelius and the sale closed on April 6, 2022. Under the Share Purchase and Sale agreement the plan is aligning itself towards a buy out basis. McKesson Corporation has put into place a guarantee in the form of a letter of credit up to a £35m if there is a funding shortfall on a buy out basis with any excess to be paid by Admenta UK Limited. In conjunction with the sale agreement, the Company contributed an incremental £12m to the plan, an amount representing the entire remaining funding deficit amount under a funding agreement between Admenta UK Limited and the Trustees after having already paid £3m in April 2021. In addition, the Trustees approved initiating the wind up of this scheme in March 2022.

The defined benefit disclosures in these financial statements relate to the Company's share of the scheme's assets and liabilities, the remaining assets and liabilities of the scheme are disclosed in the AAH Pharmaceuticals Limited financial statements. Through this scheme the Company is exposed to a number of risks, the most significant of which are as follows:

Asset volatility:

The Scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if Scheme assets underperform this yield, this will create a deficit. As a result of the agreement to sell Admenta UK Limited and wind-up the Scheme, the Scheme reduced the level of investment risk by investing more in assets that better match the liabilities as of 31 March 2022.

Changes in bond yields:

A decrease in corporate bond yields will increase Scheme liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk:

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, restrictions on the level of inflationary increases are in place to protect the Scheme against extreme inflation). The Scheme's assets are unaffected by (fixed interest bonds) inflation, meaning that an increase in inflation will not materially increase a deficit.

Life expectancy:

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Scheme's liabilities.

The scheme is funded and constituted as an independently administered fund with the assets being held separately from those of the Company. The operating costs are borne by the scheme.

AAH Pharmaceuticals Limited

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

24 Pension obligations *(continued)*

Admenta Pension Scheme *(continued)*

A full actuarial valuation is carried out every 3 years as required by the Pension Regulator and the last full valuation was carried out as at 31 March 2020. However, the valuation is updated to each accounting year end by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2022	2021
Rate of increase in salaries	4.10%	3.60%
Rate of increase in pensions in payment	3.60%	3.10%
Discount rate	2.80%	2.00%
Inflation assumption	3.70%	3.20%
Assumed life expectancies on retirement at age 65:		
Retiring today – males	86.9	86.9
Retiring today – females	89	89
Retiring in 20 years – males	88.3	88.3
Retiring in 20 years – females	90.5	90.4

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the table below. The value of the defined benefit obligation after adjusting the assumption by the amount stated is as follows:

Value of defined benefit obligation

	2022 £'000	2021 £'000
Increase in discount rate of 0.5%	123,628	134,066
Decrease in discount rate of 0.5%	139,613	152,553
Increase in rate of pension progression of 0.5%	135,194	147,316
Decrease in rate of pension progression of 0.5%	127,407	138,564
Increase in rate of increase in salaries of 0.5%	131,226	142,846
Decrease in rate of increase in salaries of 0.5%	130,921	142,466
Increase in mortality of retiree of 10%	126,800	137,939
Decrease in mortality of retiree of 10%	136,005	148,141

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The contributions, including administration expenses relating to expenses and levies to the Scheme, paid by the company in the year amounted to £nil (2021: £360,000), which includes £nil (2021: £nil) in respect of reducing the scheme's funding deficit, which are included in the accounting results. All contributions and payments relating to administration expenses are excluded from the accounting results. The contributions for the FY23 are expected to be £nil.

The results of the latest funding valuation at 5 April 2020, carried out by a qualified actuary have been adjusted to the balance sheet date taking account of experience over the period since 5 April 2020, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Method.

AAH Pharmaceuticals Limited

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

24 Pension obligations *(continued)*

Admenta Pension Scheme *(continued)*

As the scheme is closed to ongoing accrual there were no contributions in respect of additional accrued benefits during the year or prior year.

The pension plan is closed to ongoing accrual and therefore closed to new entrants so the average age of the membership will increase over time. The weighted average duration of the defined benefit obligation is 13 years (2021: 14 years). The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving the Scheme. The Scheme closed to future accrual on 28 February 2017.

Plan assets are comprised as follows:

	2022 £'000	2021 £'000
Equity Instruments (Quoted)		
- Hosking Global Fund	-	24,390
- Morgan Stanley	-	20,576
Insurance Contracts (Unquoted)	933	1,146
Cash and Cash Equivalents	2,183	1,560
Blackrock	-	9,603
PIMCO	-	38,335
M&G Alpha Opportunities Fund	-	28,983
Insight LDI Solutions	136,234	26,475
Total Plan Assets	139,349	151,068

	2022 £'000	2021 £'000
Total benefit liability		
Fair value of scheme assets	139,349	151,068
Present value of funded defined benefit obligation	(131,071)	(142,653)
Net defined benefit asset	8,278	8,415

The amounts charged to the income statement can be analysed as follows:

	2022 £'000	2021 £'000
Past service costs & curtailments	-	42
Interest on scheme assets	(2,933)	(2,910)
Interest on scheme liabilities	2,765	3,045
Net defined benefit (income) / expense	(168)	177

The amounts charged to the statement of comprehensive income can be analysed as follows:

	2022 £'000	2021 £'000
Experience adjustments of defined benefit obligation	(1,154)	548
Experience adjustments of plan assets	(7,136)	25,228
Effects from changes in financial assumptions	7,985	(11,329)
Net actuarial (gain) / loss	(305)	14,447

AAH Pharmaceuticals Limited

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

24 Pension obligations *(continued)*

Admenta Pension Scheme *(continued)*

Movements in the present value of the defined benefit obligation are as follows:

	2022	2021
	£'000	£'000
Defined benefit obligation at 1 April	142,653	135,608
Movement in year:		
Past service cost and curtailments	-	42
Interest cost	2,765	3,045
Benefits paid	(7,516)	(6,823)
Actuarial loss / (gain) arising from changes in demographic assumptions	1,154	(548)
Actuarial (gain) / loss arising from changes in financial assumptions	(7,985)	11,329
Defined benefit obligation at 31 March	131,071	142,653

Movements in the fair value of plan assets are as follows:

	2022	2021
	£'000	£'000
Fair value of plan assets at 1 April	151,068	129,753
Movement in year:		
Interest on scheme assets	2,933	2,910
Return on plan assets in less than interest on scheme assets	(7,136)	25,228
Benefits paid	(7,516)	(6,823)
Fair value of plan assets at 31 March	139,349	151,068

The actual return on scheme assets in the year was (£4,203,000) (2021: £28,138,000).

Included in other creditors at the balance sheet date were amounts of £nil accrued in respect of Admenta Pension Scheme contributions (2021: £nil).

AAH Pharmaceuticals Limited

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

24 Pension obligations *(continued)*

The Sangers (Northern Ireland) Limited Pension Fund

This is a career average defined benefit scheme with members of the scheme being certain employees of Sangers (Northern Ireland) Limited subsidiary. The defined benefit liability has been assumed by the group based on it being the sponsoring employer for each member of the scheme. Through this scheme the group is exposed to a number of risks, the most significant of which are as follows:

Asset volatility:

The Scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if Scheme assets underperform this yield, this will create a deficit. The UK plans hold a significant proportion of assets in return seeking assets such as equities, property and diversified growth funds, which are expected to outperform bonds in the long-term while providing more volatility and risk in the short-term.

As the Scheme matures, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The group believes that due to the long-term nature of the Scheme liabilities and the strength of the supporting Company a level of continuing investment in return seeking assets is appropriate.

Changes in bond yields:

A decrease in corporate bond yields will increase Scheme liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk:

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, restrictions on the level of inflationary increases are in place to protect the Scheme against extreme inflation). The majority of the Scheme's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. Benefits are accrued under a formula linked to career average earnings and this provides a degree of offset against the effects of inflation in the future.

Life expectancy:

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Scheme's liabilities.

The scheme is funded and constituted as an independently administered fund with the assets being held separately from those of the Group. The operating costs are borne by the employer.

A full actuarial valuation is carried out every 3 years as required by the Pension Regulator and the last full valuation was carried out as at 31st March 2020. Next one will be 31 March 2023. However, the valuation is updated to each accounting year end by a qualified independent actuary. The major assumptions used by the actuary were as follows:

AAH Pharmaceuticals Limited

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

24 Pension obligations *(continued)*

The Sangers (Northern Ireland) Limited Pension Fund *(continued)*

	2022	2021
Rate of increase in career average revalued earnings	3.00%	2.50%
Rate of increase in pensions in payment	3.00%	3.00%
Discount rate	2.80%	2.10%
Inflation assumption	2.30%	2.80%
Assumed life expectancies on retirement at age 65:		
Retiring today – males	86.2	86.2
Retiring today – females	88.6	88.6
Retiring in 20 years – males	87.5	87.6
Retiring in 20 years – females	90.1	90.0

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the table below. The value of the defined benefit obligation after adjusting the assumption by the amount stated is as follows:

Value of defined benefit obligation

	2022 £'000	2021 £'000
Increase in discount rate of 0.5%	22,624	24,145
Decrease in discount rate of 0.5%	26,632	28,708
Increase in rate of pension progression of 0.5%	25,290	27,677
Decrease in rate of pension progression of 0.5%	23,727	24,803
Increase in rate of increase in salaries of 0.5%	24,507	26,283
Decrease in rate of increase in salaries of 0.5%	24,507	26,283
Increase in mortality of retiree of 10%	23,723	25,420
Decrease in mortality of retiree of 10%	25,378	27,244

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The contributions, including administration expenses relating to expenses and levies to the Scheme, paid by the Group in the year amounted to £825,000 (2021: £242,000), which includes £705,000 (2021: £139,200) in respect of reducing the scheme's funding deficit, which are included in the accounting results. All contributions and payments relating to administration expenses are excluded from the accounting results. The Company contributed £1,453,000 in April 2022 and expects to contribute £726,500 to this defined benefit plan over the 12 months to April 2023.

The results of the latest funding valuation at 31 March 2019 and updated to 31 March 2022, carried out by a qualified actuary have been adjusted to the balance sheet date taking account of experience over the period since 31 March 2019, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Method.

AAH Pharmaceuticals Limited

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

24 Pension obligations *(continued)*

The Sangers (Northern Ireland) Limited Pension Fund *(continued)*

The Fund is open to ongoing accrual and Group contributions during the year were at a rate of 15.2% pa of member pensionable salary prior to 1 October 2020 and 26.4% pa thereafter plus £705,000 in respect of the current deficit recovery plan (2021: £139,200).

The Fund is closed to new members and so the average age of the membership will increase over time. The weighted average duration of the defined benefit obligation is 13 years (2021: 14 years). The level of benefits provided by the Fund depends on a member's length of service and their career average salary adjusted for inflation to the date of leaving the Fund.

Plan assets are comprised as follows:

	2022 £'000	2021 £'000
Equity Instruments (Quoted)		
- L&G All World Equity Index Fund	12,990	15,379
Debt Instruments (Quoted)		
L&G AAA – AA –A Corporate Bond over 15 Year Fund	8,046	6,209
L&G 5 year Index Linked Gilt Fund	4,389	3,164
L&G Managed Property Fund (Quoted)	1,983	1,674
Cash and Cash Equivalents	445	(24)
Total Plan Assets	27,853	26,402

	2022 £'000	2021 £'000
Total benefit liability		
Fair value of scheme assets	27,853	26,402
Present value of funded defined benefit obligation	(24,507)	(26,283)
Net defined benefit asset	3,346	119

The amounts charged to the income statement can be analysed as follows:

	2022 £'000	2021 £'000
Current service cost	160	106
Past service costs & curtailments	-	11
Interest on scheme assets	(556)	(500)
Interest on scheme liabilities	547	537
Net defined benefit expense	151	154

The amounts charged to the statement of comprehensive income can be analysed as follows:

	2022 £'000	2021 £'000
Experience adjustments of defined benefit obligation	61	322
Actuarial (loss)/ gain arising from changes in demographic assumptions	38	(75)
Experience adjustments of plan assets	735	4,425
Effects from changes in financial assumptions	1,718	(2,911)
Net actuarial gain	2,552	1,761

AAH Pharmaceuticals Limited

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

24 Pension obligations (continued)

The Sangers (Northern Ireland) Limited Pension Fund (continued)

Movements in the present value of the defined benefit obligation are as follows:

	2022 £'000	2021 £'000
Defined benefit obligation at 1 April	26,283	23,702
Movement in year:		
Past service cost	-	11
Current service cost	160	106
Contributions by employees	36	42
Interest cost	547	537
Benefits paid	(702)	(779)
Actuarial gain arising from changes in demographic assumptions	(38)	75
Actuarial (gain) / loss arising from changes in financial assumptions	(1,718)	2,911
Experience (gain) / loss	(61)	(322)
Defined benefit obligation at 31 March	24,507	26,283

Movements in the fair value of plan assets are as follows:

	2022 £'000	2021 £'000
Fair value of plan assets at 1 April	26,402	21,972
Movement in year:		
Interest on scheme assets	556	500
Return on plan assets in (less than) / excess of interest on scheme assets	735	4,425
Contributions by employer	825	242
Contributions by employee	36	42
Benefits paid	(702)	(779)
Fair value of plan assets at 31 March	27,853	26,402

The actual return on scheme assets in the year was a credit of £1,291,000 (2021: £4,925,000).

Included in other creditors at the balance sheet date were amounts of £nil accrued in respect of the Sangers (Northern Ireland) Limited Pension Fund contributions (2021: £nil).

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for its employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to profit or loss of £2,738,000 (2021: £2,967,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

AAH Pharmaceuticals Limited

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

25 Issued share capital

	2022 £'000	2021 £'000
Authorised, allotted, called and fully paid 50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

26 Reserves

Capital contribution reserve relates to contributions made by an intermediate parent company.

Share capital, share premium and capital reserves are not distributable.

Revenue reserves relate to the accumulated profits of the Company less dividends paid and are distributable.

27 Capital commitments

The Company had capital commitments at 31 March 2022 of £nil (2021: £nil).

28 Contingent liabilities

	2022 £'000	2021 £'000
Guarantee of loans for pharmacy customers	<u>571</u>	<u>1,358</u>
	<u>571</u>	<u>1,358</u>

The Company has guaranteed bank loans to independent retail pharmacist customers. The guarantees are conditional upon the retail pharmacists remaining customers of the Company. In the opinion of the directors no material unprovided loss will arise in connection with these arrangements. The Company has also guaranteed a part of the trade debt of pharmacy customers.

29 Intangible assets

	Goodwill £'000
Cost	
At 1 April 2021	20,345
Transfer from Investments	-
At 31 March 2022	<u>20,345</u>
Impairment	
At 1 April 2021	16,000
Transfer from Investments	-
Impairment	-
At 31 March 2022	<u>16,000</u>
Net book value	
At 31 March 2022	<u>4,345</u>
At 31 March 2021	<u>4,345</u>

AAH Pharmaceuticals Limited

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

30 Ultimate parent undertaking and ultimate controlling party

During the financial year

The immediate parent undertaking is Admenta Holdings Limited a company registered in England and Wales.

The ultimate parent undertaking and controlling party of the Company is McKesson Corporation, a company registered in the United States of America.

Consolidated financial statements for the largest group of undertakings are prepared by McKesson Corporation and may be obtained from its registered address McKesson Corporation, 6555 State Hwy 161, Irving, TX 75039, USA.

Consolidated financial statements for the smallest group of companies are prepared by Admenta UK Limited and may be obtained from Companies House.

After the sale of Admenta UK Limited to Aurelius Elephant Limited

Effective with the closing of the sale by McKesson Corporation of Admenta UK Limited (of which this Company is a subsidiary) to Aurelius on April 6, 2022, the ultimate parent undertaking and controlling party of the Company is AURELIUS European Opportunities IV, S.C.A. SICAV RAIF, a company registered in Luxembourg. The Global Ultimate Parent (GUP) is an entity with a greater than 50% shareholding in the client that is not itself controlled by another entity.

31 Events after the reporting period

McKesson Corporation closed the sale of Admenta UK Limited (of which this company is a subsidiary) to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

The Company became a party to an asset-backed loan on April 6, 2022 as set out in note 2. The banking arrangements of the Company operate on a pooled basis with certain affiliates. Under these arrangements participating companies guarantee each other's borrowings. Borrowings are permitted against the Company's qualifying accounts receivable. The ability to borrow against the Company's qualifying inventory voluntarily terminated in December 2022. The Company is also contingently liable in the event the Company, or an affiliate, defaults under the asset-backed loan, principally for failure to repay borrowings.