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Aurelius Elephant Limited
Registered number 13017370

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



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COMPANY INFORMATION

Directors	M Cryer D Mueser
Registered number	13017370
Registered office	6th Floor 33 Glasshouse Street London W1B 5DG

Strategic report

The directors present their Strategic Report for the year ended 31 March 2023.

Principal activities

Aurelius Elephant Limited's (the "Company" and together with the subsidiaries, the "Group") principal activities in the year ended 31 March 2023 included wholesaling primarily through AAH Pharmaceuticals Limited, ("AAH"), provision of pharmaceutical products and services primarily through Lloyds Pharmacy Limited, ("Lloyds Pharmacy"), patient homecare through Lloyds Pharmacy Clinical Homecare Limited, ("LPCH"), and digital solutions primarily through Metabolic Healthcare Limited ("LloydsDirect") and Expert Health Limited ("Lloyds Online Doctor").

Review of business and future developments

Aurelius Elephant Limited, an entity owned by Aurelius asset management group ("Aurelius"), purchased Admenta UK Limited ("AUL") and its subsidiaries from McKesson Corporation on 6 April 2022. More details about the acquisition are provided in note 3.

These financial statements present the results for the year ended 31 March 2023 and therefore commentary referring to 'this year' relates to the year ended 31 March 2023.

The Group's revenue for the year, as shown in the Consolidated Income Statement amounted to £5.8 billion (31 March 2022: £nil). The Group's operating loss was £161.0 million (31 March 2022: loss of £0.6 million). The Group's "Adjusted EBITDA" as reconciled on page 6 was breakeven (31 March 2022: loss of £0.6 million).

The Group shows an operating loss of £4.9 million from continuing operations and an operating loss of £156.1 million from discontinued operations for the year. The operating loss of £4.9 million from continuing operations is after the restructuring and exit charges amounting to £12.2 million.

The Consolidated Income Statement, as set out on page 19 shows a profit of £76.4 million for the year (31 March 2022: loss of £0.6 million). This is primarily due to the gain on bargain purchase on acquisition of Admenta UK Limited and its subsidiaries, amounting to £253.4 million.

The shareholder's equity has increased year-on-year as a result of the profit for the year, as discussed under "Key performance indicators (KPIs)" below.

During the year to 31 March 2023, being the first year under Aurelius ownership, the Group rebranded as Hallo Healthcare Group and made the decision to divest the retail pharmacies (as per the retail store optimisation programme), restructure and concentrate on profitable business units for the financial wellbeing of the Group.

In January 2023, it was announced that Lloyds Pharmacy services would be withdrawn from its 237 branches in Sainsbury's stores.

As a result of the retail store optimisation programme approved in March 2023, the Group has disposed of all of its 1,054 high street and community pharmacies that operated under the Lloyds Pharmacy brand. The divestment saw 99% of branches staying open in over 1,000 communities, with pharmacies bought individually or in regional packages by independent pharmacy owners and local entrepreneurs. 6,500 branch workers had secured employment with new owners. The approval of the retail store optimisation programme resulted in the Group's retail business being classified as discontinued operations in these financial statements.

In July 2023, Hallo Healthcare Group completed the sale of John Bell & Croyden Limited.

Hallo Healthcare Group has retained ownership of the Healthcare Services business through a carve-out from Lloyds Pharmacy Limited to LP HCS Limited, which serves patients in NHS hospitals, prisons, community health trusts and the private sector.

Subsequent to the fiscal year-end, the Group made a decision to approach the market in search for potential customers for its Digital businesses. In October 2023, the Group completed the sale of Metabolic Healthcare Limited (trading as Lloyds Direct) to Pharmacy2U.

Strategic report *(continued)*

Review of business and future developments *(continued)*

In August 2023, Diamond DCO One Limited (formerly Admenta Holdings Limited), along with its subsidiaries Diamond DCO Two Limited (formerly Lloyds Pharmacy Limited), Diamond DCO Three Limited (formerly G J Maley Limited), Stephen Smith Limited and Savory and Moore (Jersey) Limited were sold out of the Group. Aurelius plans for Hallo Healthcare Group are to strengthen the standalone activities of the individual business units over the next twelve months, these business units being.

- Wholesale – AAH and subsidiaries;
- Homecare – LPCH;
- Lloyds Online Doctor;
- Lloyds Healthcare Services.

The Wholesale business unit continues to remain competitive and occupies a solid market position, which is growing modestly. The gross profit is improving because of a pricing project and the focus on high-margin businesses.

The Homecare business unit is likewise experiencing continued growth.

The Lloyds Online Doctor business unit is growing, but behind expectations and requires a clear strategic roadmap for the next financial year.

The Lloyds Healthcare Services business unit has been successful following trade transfer to LP HCS Limited and is showing marginal volume growth from existing contract base.

All these business units have defined, as part of the annual budgeting process, further efficiency enhancement programmes for the next financial year.

Hallo Healthcare Group expects to return a positive Adjusted EBITDA in the year ended 31 March 2024 following the divestment of the retail stores, the sale of Lloyds Direct in October 2023 and continued overhead optimisation. However, cost and market dynamics will continue to be a challenge and need to be closely monitored by the Group.

In August-December 2023, a group simplification project was implemented, targeted at reducing the number of non-operational entities within the Group, resulting in a much leaner and efficient group structure reflecting the steering approach of 4 independent business units. At the same time the Group completed all relevant carve-out projects to be truly operationally standalone from McKesson Europe. In addition, a new Asset Backed Loan was agreed in September 2023 to ensure the future financial stability of the Group for the next 3 years.

Key performance indicators (KPIs)

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:

	31 March 2023 £m	31 March 2022 £m
Turnover	5,805	-
Profit / (loss) for the year	76	(1)
Adjusted EBITDA	-	(1)
Shareholder's equity	74	(1)

Strategic report (*continued*)

Key performance indicators (KPIs) (*continued*)

Turnover

The Group's revenue for the year, as shown in the consolidated income statement amounted to £5.8 billion (31 March 2022: £nil).

Profit for the year

The Group generated a profit of £76.4 million for the year (31 March 2022: loss of £0.6 million). This is primarily due to the one-off gains on bargain purchase on acquisition of Admenta UK Limited and its subsidiaries, of £253.4 million and on sales of stores of £56.2 million, partially offset by the ongoing operating losses of the discontinued retail businesses.

Adjusted EBITDA

Adjusted earnings before interest, income tax, depreciation, and amortisation ("Adjusted EBITDA") is defined as profit before interest, income tax, depreciation, amortisation and certain one-off items as explained below. Adjusted EBITDA is the measure used for evaluating performance and allocating resources. It has been reconciled to the operating loss below:

	31 March 2023 £m	31 March 2022 £m
Operating loss	(161)	(1)
Depreciation of property, plant and equipment	63	-
Amortisation of intangible assets	21	-
Impairment of property, plant and equipment	36	-
Restructuring and exit charges	32	-
Impairment loss on stock and receivables	65	-
Gain on sale of discontinued operations	(56)	-
Adjusted EBITDA	-	(1)

Shareholder's equity

Shareholder's equity at 31 March 2023 increased to £73.8 million compared to a net liability of £0.5 million at 31 March 2022.

Principal risks and uncertainties

The Group is subject to a number of key risks. Risks are formally reviewed by the boards of these entities and appropriate processes are put in place to monitor and mitigate them. The principal risks and uncertainties include:

Regulation and government

The Group operates in highly regulated markets; any changes to those requirements or noncompliance could have a negative impact on business performance. For example, we are subject to a range of regulations around pricing margin traceability and storage conditions, inflation (including minimum wage requirements), data, privacy regulations, workforce tax frameworks (including those applicable to healthcare providers and the workforce), health, safety and environmental standards. This includes regular inspections by the Care Quality Commission ("CQC"), the Scottish Care Inspectorate, NHS Improvement, the General Pharmaceutical Council, the Information Commissioner's Office, the MHRA and the Home Office in respect of our clinical homecare activities and our licensing to buy, sell and distribute medicines within the UK.

The Group is implementing mitigating actions including policies, ways of working and training across a range of areas (including data protection and monitoring) and continues seeking clarification from the government regarding ongoing negotiations to enhance the trading agreement.

Strategic report (*continued*)

Principal risks and uncertainties (*continued*)

Competition

The Group operates in a market which is highly competitive, particularly around price, service levels, product availability, enhancing services, pricing to customers and vendors and ease of doing business. There is also competition around recruiting and retaining talent and also downward pressure on margins with the additional risk that the Group will not meet customer expectations. To mitigate these risks, the Group monitors the market to understand customer and supplier expectations, identify whether their needs are being met and to evolve and enhance its value proposition and service offering to remain competitive.

Cost management

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

As part of Lloyds Pharmacy divestment programme by our shareholder, the business had to be mindful of the need to flex the cost base in response to a reduction in overall volumes through its distribution network as well as the impact of lower activity levels across the wider cost base. In addition, the year has been marked by high levels of inflationary cost pressures. Consequently, a number of initiatives have been successfully implemented to address these challenges and maintain a cost effective and competitive cost base.

IT and cyber security

The Group is aware of its IT and cyber risks and their potential to disrupt the business and that of its customers. An IT outage or cyber security incident could affect the Group's operational performance or reputation through an inability to process customer orders, operate its warehouses, dispatch goods, and subsequently invoice customers for goods delivered. The Group continues to invest in its IT infrastructure as part of its plan to manage and reduce these risks to acceptable levels.

Financial risk management

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

The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board, although use is made of a central treasury function which arranges the overall funding requirements of the Group. This central function operates within a framework of clearly defined policies and procedures which have been approved by the directors and reports to the board on a monthly basis. The policies approved by the board cover funding and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions.

Liquidity risk

Cash flow requirements are monitored through projections which are compiled on a periodic basis across the Group. The Group participates in the banking arrangements, which are arranged with the assistance of the central treasury function. The Group funds its operations through a mix of retained earnings, borrowings and leasing that is designed to ensure that each company within the Group has sufficient funds for its day-to-day operations and other activities. The Asset Backed Loan agreement is the key source of financing the cash requirements of the Group.

Credit risk

The Group 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.

Strategic report *(continued)*

Financial risk management *(continued)*

Foreign currency and interest rate risks

The Group is affected by foreign currency risk and uses instruments to manage this risk. The Group also has both interest-bearing assets and liabilities, these being managed within the Group.

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 Group 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 for the long-term. The Group'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 and innovation and expanding 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 play a crucial role in implementing our strategy, with many of them dedicated to serving our customers and suppliers all while embodying our shared ICARE principles.

There are many ways we engage with and listen to our people including employee surveys, conferences, and forums including huddles and Town Halls where colleagues can interact with our Chief Executive Officer, receive updates on strategic initiatives, and acknowledge and celebrate outstanding performance.

We are committed to creating a culture where everyone feels heard, valued, and empowered to contribute their ideas. We promote a diverse and inclusive workforce through thorough hiring procedures, training for managers, support networks to encourage a sense of belonging and understanding, as well as opportunities for employees to provide feedback on policies and processes.

The health and wellness of our colleagues is of great importance, and we provide support in all aspects of life, including physical, mental, and financial health. This includes offering employees' access to an extensive range of health and wellbeing resources, such as The Health Assured website and app which is a dedicated online health and wellbeing portal, providing 24/7 access to wellbeing support.

Employees are actively encouraged to voice any concerns they might have. We have established a Whistleblowing Policy and a confidential reporting line, which allows employees to raise their concerns confidentially and without the fear of facing negative consequences or retaliation.

Our commitment to safety and inclusivity extends to collaborating with trade unions to ensure that we create a secure and welcoming workplace for all.

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

Strategic report *(continued)*

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

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. 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.

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, the National Clinical Homecare Association and the Pharmaceutical Services Negotiating Committee. 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.

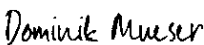
Key areas of engagement include educating relevant stakeholders around the impact of changes in laws and regulations on the supply chain. The board is updated on developments through regular board and management meeting reporting on developments and takes these into account when making decisions.

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.

This report was approved by the board of directors on 26 March 2024 and signed on behalf of the board by:

DocuSigned by:

391481C5A27547D
D Mueser
Director

Registered office:
6th Floor
33 Glasshouse Street
London
W1B 5DG
United Kingdom

Directors' report

The directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2023.

After the year end, directors approved dividend distributions to the shareholders and paid dividends in the amount of £405.0 million. No dividends were approved or paid during the years ended 31 March 2023 and 2022.

Financial instruments

Financial instruments of the business are detailed in the Strategic Report and note 23 of the financial statements.

Directors

The directors who served the Company during the year and up to the date of the financial statements were as follows:

M Cryer (appointed 12 May 2022)
D Mueser (appointed 12 May 2022)
T Nagler (appointed 13 November 2020, resigned 12 May 2022)

Future developments

Future developments of the business are detailed in the Strategic Report.

Statement of Corporate Governance Arrangements

The Board of Directors (the "Board") is responsible for driving the strategy of all subsidiaries of Aurelius Elephant Limited, also collectively referred to as Hallo Healthcare Group (the "Group"). Within a framework of effective governance, accountability and transparency, the Board must have regard to the interests of its shareholders, colleagues, patients and customers, suppliers and the wider community, in the way in which decisions are considered, made and executed.

During fiscal 2023 the Group has seen a significant amount of change both organisationally and operationally. During this period of change the Board has ensured that there remains in place a robust governance framework to support appropriate and transparent management and decision-making processes both at the Group level, and across all of the business units and subsidiaries within the Group. This framework enables the Board to be assured of the quality of its services, and of the effectiveness with which the Board is alerted to risks to the achievement of its overall purpose and priorities. This understanding is underpinned by our policy framework which ensures that the way in which we operate is fully aligned with the expectations of our shareholders.

During fiscal 2023 the Wates Corporate Governance Principles for Large Private Companies were applied by the Group to provide the basis for review of the existing corporate governance framework. The principles were applied to the existing framework with a view to understanding what changes may need to be made in response to the organisational and operational changes both at the Group and the business unit level.

The oversight function of corporate governance is performed by the Board and the individual statutory boards of each subsidiary within the Group. During fiscal 2023 the Group had in place a Group committee structure as part of its governance framework, listed below. Each committee has clear authorities delegated to it by the Board. Those delegations and authorities are set out in their respective committee terms of reference. Advice and oversight are provided through well structured, planned, and authorised board committees, that provide a platform to deal with specific issues requiring specialised areas of expertise. Committees also provide the benefit of strong accountability. Committee members have specific assigned tasks and are directly accountable to the Board for completing them. Each committee has a regular, structured reporting cadence directly into the Board. The following committees supported the Board during fiscal 2023:

1. Investment Committee
2. Compliance, Governance & Risk Committee
3. Quality & Clinical Risk Committee

Directors' report *(continued)*

Statement of Corporate Governance Arrangements *(continued)*

Alongside the Group committees, the statutory boards of the relevant subsidiaries have begun to develop business unit specific governance frameworks, which include for example regular statutory board meetings covering key governance, compliance, and clinical governance topics, individual delegations of authority and business unit specific policy frameworks.

Underpinning this structure, the corporate governance framework is supported by other internal and external sources of assurance. These include our internal local policy framework, clear delegations of authority, risk management and compliance programs, standard operating procedures, and internal assurance functions.

The success of our business is dependent on the support of all our stakeholders. Building positive relationships with stakeholders that share our values is important to us. Working together towards shared goals assists us in delivering long term sustainable success supporting the UK health care system. Further detail on how the Board has considered and has regard to the interests of its stakeholders, including shareholders, colleagues, customers, suppliers, communities and government and regulators is set out in the Section 172 statement in the strategic report.

Shareholders

The ultimate parent undertaking and controlling party of the Group is Aurelius Gp Holdco Limited.

Going concern

This going concern assessment is considering the new asset-backed loan ("ABL") to Aurelius Elephant Limited (the "Company"), its subsidiary Admenta UK Limited ("AUL"), and their subsidiaries signed in September 2023 for a minimum period of 3 years. The debt financing is sufficient to enable the Company and its subsidiaries to continue as a going concern at least 12 months after issuance of these financial statements.

In August 2023, cash generated from the divestment of Lloyds Pharmacy stores enabled the previous facility to be repaid. The new ABL has a principal of £275.0 million and interest at the Bank of England rate + 2%.

The ABL financial covenants require the Group to maintain cash headroom of not less than £25.0 million at the close of each business day. The leverage/adjusted EBITDA ratio must not exceed 3.0 until June 2024, and 2.5 thereafter.

The management's cash flow forecast shows that the cash headroom covenant will not be breached at any point, as the Group's cash headroom steadily grows and does not fall below £38.0 million over the next 12 months.

The leverage/adjusted EBITDA ratio covenant is most sensitive in December 2024 with 1.3 (limit is 2.5), driven by an increase in the forecasted net working capital as a result of the unwind of a major distribution contract expected in July 2024. There is no impact on EBITDA from the loss of this contract as it was breakeven after accounting for variable costs. This ratio then reduces in the following months as cash flows improve.

Therefore, directors concluded that they have a reasonable basis to support the going concern assertion for the 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.

Qualifying third party indemnity provisions

Liability insurance, a qualifying third-party indemnity provision for the purposes of the Companies Act 2006 was provided for the UK directors by AUL. On the date of approval of the financial statements, liability insurance was also in force.

Directors' report (*continued*)

Events after the end of the reporting period

After the year end, the Company received intercompany income (including dividend income of £415.0 million) resulting mainly from the gains on sale of the Group's discontinued operations and approved the distribution of dividend in the amount of £405.0 million to the shareholders. The Directors, in making and recommending the dividend, assessed the financial position of the Company and determined that the Company has sufficient distributable reserves and solvency in order to pay the dividend.

The Company reduced the aggregate nominal value of its share capital from £950,001 to £95 by reducing the nominal value per share from £1 to £0.0001 on 11 August 2023

Other post balance sheet events have been disclosed on pages 4-5 in the Strategic Report.

Disclosure of information in the Strategic Report

The Company has chosen in accordance with section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the Company's Strategic Report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The Strategic Report on pages 4-8 refers to the following: principal activities and business review, principal risks and uncertainties, financial risk management, key performance indicators (KPIs) and future developments.

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 7-8 in the Strategic Report.

Energy and Carbon Reporting

	31 March 2023	31 March 2022
Emissions resulting from activities including combustion of gas or consumption of fuel for transport (tCO ₂ e)	25,738	-
Emissions resulting from the purchase of electricity, including for transport (tCO ₂ e)	7,626	-
Energy consumed from activities involving the combustion of gas or the consumption of fuel for transport and the purchase of electricity for its own use, including for transport (kWh)	145,613,842	-
Intensity ratio (kWh/revenue £m)	25,086	-

Methodology used to calculate the information disclosed above:
Calculation method: activity data x emission factor = greenhouse gas emission
Emissions factor source: DEFRA, 2022 for all emissions factors-
<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>
Intensity ratio is based on revenue (in £m) for the year ended 31 March 2023

Energy efficiency measures taken

Energy efficiency actions taken during the year ended 31 March 2023 included operational improvements across the portfolio to improve energy management and increase how much we recycle.

Directors' report (*continued*)

Disclosure of information to auditor

Each of the persons who are directors at the time when the Directors' Report is approved has confirmed that:

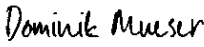
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the board of directors on 26 March 2024 and signed on behalf of the board by:

DocuSigned by:

391481C5A27547D
D Mueser
Director

Registered office:
6th Floor
33 Glasshouse Street
London
W1B 5DG
United Kingdom

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 Group financial statements in accordance with United Kingdom adopted international accounting standards. The directors have chosen to prepare the parent Company 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 the parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.


In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

Approved by the board of directors on 26 March 2024 and signed on behalf of the board by:

DocuSigned by:

391481C5A27547D
D Mueser
Director

Registered office:
6th Floor
33 Glasshouse Street
London
W1B 5DG
United Kingdom

Independent auditor's report to the members of Aurelius Elephant Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Aurelius Elephant limited (the 'parent company' or the 'company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the parent company income statement and statement of comprehensive income
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 46.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 group and the parent 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:

- our assessment of the group's financing facilities including their nature, repayment terms and covenants;
- linkage to the group's business model and medium-term risks;
- assumptions used in the forecasts;
- amount of headroom in the forecasts;
- sensitivity analysis 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.

Independent auditor's report to the members of Aurelius Elephant Limited *(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 group's and 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. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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.

Independent auditor's report to the members of Aurelius Elephant 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 group's industry and its control environment and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group 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 and tax legislation; 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.

We discussed among the audit engagement team regarding 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:

- Significant risk of incorrect wholesale revenue recognition due to fraud as a result of posting of inappropriate manual adjustments. We performed substantive testing on a sample of these transactions and agreed our samples through to underlying relevant supporting documentation in order to conclude that each transaction was in compliance with the accounting standards, approved before posting, 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;
- enquiring of management, internal audit, in-house and external legal counsels 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, reviewing internal audit reports and reviewing correspondence with the relevant regulatory authorities.

Independent auditor's report to the members of Aurelius Elephant Limited *(continued)*

Report on other legal and regulatory requirements

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 years 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

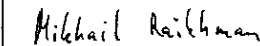
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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:

41E845A01A8B477

Mikhail Raikhman, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

26 March 2024

Consolidated Income Statement

For the year ended 31 March 2023

	Note	Continuing operations 31 March 2023 £000	Discontinued operations 31 March 2023 £000	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Revenue	4	4,627,120	1,177,436	5,804,556	-
Cost of sales		(4,196,432)	(848,640)	(5,045,072)	-
Gross profit		430,688	328,796	759,484	-
Other operating income	5	10,731	42,748	53,479	-
Distribution expenses		(249,002)	(431,459)	(680,461)	-
Administrative expenses		(113,959)	(18,585)	(132,544)	(583)
Gain on sale of discontinued operations		-	56,197	56,197	-
Impairment loss on stock and receivables		(22,628)	(42,451)	(65,079)	-
Restructuring and exit charges	6	(12,162)	(19,816)	(31,978)	-
Depreciation of property, plant and equipment		(27,709)	(35,189)	(62,898)	-
Amortisation of intangible assets		(20,812)	-	(20,812)	-
Impairment of property, plant and equipment		(36)	(36,364)	(36,400)	-
Operating loss		(4,889)	(156,123)	(161,012)	(583)
Gain on bargain purchase on acquisition of subsidiaries	3	-	253,405	253,405	-
Finance income	9	3,091	9,589	12,680	-
Finance expenses	9	(15,830)	(4,894)	(20,724)	-
Profit/(loss) before tax		(17,628)	101,977	84,349	(583)
Taxation	10	24,166	(32,132)	(7,966)	-
Profit/(loss) for the period		6,538	69,845	76,383	(583)

The notes on pages 24 to 65 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	<i>Note</i>	Continuing operations 31 March 2023 £000	Discontinued operations 31 March 2023 £000	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Profit/(loss) for the period		6,538	69,845	76,383	(583)
<i>Items that will not be reclassified to profit or loss:</i>					
Actuarial losses on defined benefit pension schemes	20	(3,214)	(726)	(3,940)	-
Tax on actuarial losses on defined benefit pension schemes	10	803	182	985	-
Other comprehensive loss for the period, net of income tax		(2,411)	(544)	(2,955)	-
Total comprehensive income/(loss) for the period		4,127	69,301	73,428	(583)

The notes on pages 24 to 65 form part of these financial statements.

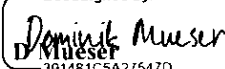
Consolidated Balance Sheet

at 31 March 2023

	<i>Note</i>	31 March 2023 £000	31 March 2022 £000
Non-current assets			
Intangible assets	11	82,065	-
Property, plant and equipment	12	99,943	-
Defined benefit pension scheme assets	20	1,837	-
		183,845	-
Current assets			
Assets classified as held for sale	2	187,730	-
Inventories	15	302,431	-
Trade and other receivables	16	830,777	84
Cash	17	103,258	8
		1,424,196	92
Total assets		1,608,041	92
Current liabilities			
Liabilities directly associated with assets held for sale	2	(132,601)	-
Trade and other payables	18	(1,068,790)	(610)
Other interest-bearing loans and borrowings	19	(175,124)	-
Lease liabilities	19	(22,256)	-
		(1,398,771)	(610)
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(53,975)	-
Lease liabilities	19	(56,027)	-
Deferred income		(96)	-
Deferred tax liabilities	14	(6,306)	-
Provisions	21	(19,106)	-
		(135,510)	-
Total liabilities		(1,534,281)	(610)
Net assets/(liabilities)		73,760	(518)
Equity			
Share capital	22	950	65
Retained earnings/(losses)	22	72,810	(583)
Equity attributable to equity holders of the parent		73,760	(518)

The notes on pages 24 to 65 form part of these financial statements.

These consolidated financial statements of Aurelius Elephant Limited were approved by the board of directors on 26 March 2024 and were signed on behalf of the board by:

DocuSigned by:

 391461C5A27547D
 Director

Company registered number: 13017370

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital	Retained earnings/ (losses)	Total equity
	£000	£000	£000
Issued on incorporation on 13 November 2020	65	-	65
Total comprehensive loss for the period			
Loss for the period	-	(583)	(583)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	-	(583)	(583)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	65	(583)	(518)
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2022	65	(583)	(518)
Total comprehensive income for the year			
Profit for the year	-	76,383	76,383
Other comprehensive loss	-	(2,955)	(2,955)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	73,428	73,428
	<hr/>	<hr/>	<hr/>
Issue of shares	885	-	885
Foreign exchange reserve	-	(35)	(35)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2023	950	72,810	73,760
	<hr/>	<hr/>	<hr/>

The notes on pages 24 to 65 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2023

	Note	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Cash flows from operating activities			
Profit/(loss) for the year		76,383	(583)
Adjustments for:			
Depreciation and amortisation	11, 12	83,709	-
Gain on bargain purchase on acquisition of subsidiaries	3	(253,405)	-
Impairment of property, plant and equipment	12	36,400	-
Foreign exchange movements	6	64	-
Finance income	9	(12,680)	-
Finance expense	9	20,724	-
Gain on sale of discontinued operations		(56,197)	-
Release of lease liabilities of discontinued operations		(36,007)	-
Taxation	10	7,966	-
		(133,043)	(583)
Increase in trade and other receivables		(75,499)	(84)
Increase in assets held for sale		(53,813)	-
Decrease in inventories		128,184	-
(Decrease)/increase in trade and other payables		(57,483)	610
Increase in liabilities directly associated with assets held for sale		16,691	-
Decrease in provisions and employee benefits		(26,607)	-
		(68,527)	526
Tax refund received		1,250	-
Net cash used in operating activities		(200,320)	(57)
Cash flows from investing activities			
Interest received		11,657	-
Proceeds from sale of property, plant and equipment		59,179	-
Acquisition of subsidiaries, net of cash acquired	3	433,995	-
Acquisitions of property, plant and equipment	12	(13,156)	-
Acquisitions of intangible assets	11	(1,693)	-
Employer contributions to the defined benefit pension schemes	20	(1,556)	-
Net cash from investing activities		488,426	-
Cash flows from financing activities			
Interest paid		(20,669)	-
Proceeds from issue of share capital	22	885	65
Repayment of borrowings	19	(352,494)	-
Proceeds from new loans and borrowings		229,099	-
Payments of lease liabilities	19	(41,642)	-
Net cash (used in)/from financing activities		(184,821)	65
Net increase in cash		103,285	8
Cash at start of the period		8	-
Effect of exchange rate fluctuations on cash held		(35)	-
Cash at end of the period	17	103,258	8

The notes on pages 24 to 67 form part of these financial statements.

Notes

28 Accounting policies

Aurelius Elephant Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 13017370 and the registered address is 6th Floor 33 Glasshouse Street, London, W1B 5DG, United Kingdom.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”). These statements are the Group’s first consolidated accounts.

These Group financial statements have been prepared and approved by the directors in accordance with UK-adopted international financial reporting standards (“UK-adopted IFRS”).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The principal activities of the Company and its subsidiaries and the nature of the Group’s operations are set out in the strategic report.

These financial statements are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Group operates.

28.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

28.2 Going concern

This going concern assessment is considering the new asset-backed loan (“ABL”) to Aurelius Elephant Limited (the “Company”), its subsidiary Admenta UK Limited (“AUL”), and their subsidiaries signed in September 2023 for a minimum period of 3 years. The debt financing is sufficient to enable the Company and its subsidiaries to continue as a going concern at least 12 months after issuance of these financial statements.

In August 2023, cash generated from the divestment of Lloyds Pharmacy stores enabled the previous facility to be repaid. The new ABL has a principal of £275.0 million and interest at the Bank of England rate + 2%.

The ABL financial covenants require the Group to maintain cash headroom of not less than £25.0 million at the close of each business day. The leverage/adjusted EBITDA ratio must not exceed 3.0 until June 2024, and 2.5 thereafter.

The management’s cash flow forecast shows that the cash headroom covenant will not be breached at any point, as the Group’s cash headroom steadily grows and does not fall below £38.0 million over the next 12 months.

The leverage/adjusted EBITDA ratio covenant is most sensitive in December 2024 with 1.3 (limit is 2.5), driven by an increase in the forecasted net working capital as a result of the unwind of a major distribution contract expected in July 2024. There is no impact on EBITDA from the loss of this contract as it was breakeven after accounting for variable costs. This ratio then reduces in the following months as cash flows improve.

Therefore, directors concluded that they have a reasonable basis to support the going concern assertion for the financial statements.

Notes *(continued)***1 Accounting policies** *(continued)***28.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company made up to 31 March 2023.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transactions gains or losses), arising from intra-group transactions, are eliminated.

28.4 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

28.5 Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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 other receivables.

(ii) Subsequent measurement

The subsequent measurement of financial assets is at amortised cost using the effective interest rate method (EIR), less impairment. Financial assets are derecognised when the rights to receive cash flows from the assets have expired.

The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. 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 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.

Financial liabilities*(vi) Initial recognition and measurement*

The Company's financial liabilities include trade and other payables. All financial liabilities are recognised initially at fair value.

(vii) Subsequent measurement

Subsequent to initial recognition financial liabilities 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.

Notes (continued)**1 Accounting policies (continued)****Financial instruments (continued)****Offsetting**

Financial assets and 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.

28.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

- buildings 2% per annum
- long leasehold property 2% or over the period of the lease if less than 50 years
- short leasehold property 10% - 30% per annum or over the period of the lease
- fixtures and fittings 10% - 30% per annum

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the 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 Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

28.7 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes *(continued)***1 Accounting policies** *(continued)***28.8 Intangible assets**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised from the date they are available for use. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets as follows:

- Trademarks 3 years
- Software 3 to 10 years
- Customer relationships 10 years
- Licenses 3 years

28.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based either on the first-in first-out (Homecare business unit) or on the weighted average (wholesale and other business units) principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

28.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1 Accounting policies (continued)

28.11 Employee benefits

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

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. The Group then calculates the current service cost for the remainder of the reporting period, post the amendment or curtailment, using the same actuarial assumptions as those used to remeasure the net defined benefit liability/(asset).

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

28.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Notes (continued)

1 Accounting policies (continued)

28.13 Revenue

Revenue comprises sales of goods and services at invoice or reimbursement value less discounts and excluding value added tax.

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. Any deductions from sales such as returned goods, rebates, discounts allowed, and bonuses are deducted from gross revenue.

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.

The revenue generated is recorded at the time when the customer acquires control of the goods. We generally do not offer significant financing component for contracts with an original expected length of one year or less. Additionally, we do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less and for contracts for which we recognise revenue at the amount to which we have the right to invoice for services performed.

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.

If the Group collects amounts in the interest of third parties, these do not represent revenue as they do not represent an inflow of economic benefits for the Group. Only the remuneration for arranging the transaction and not the total proceeds are recognised as revenue. The Group is considered to be the principal, if the Group has the ability to direct the use of the goods or services prior to transfer to a customer, is responsible for fulfilling the promise to the customer, and also bears the significant opportunities and risks associated with the sale of goods or the provision of services. Only in those cases is revenue recorded gross.

28.14 Financing expenses and income

Financing expenses include interest payable and finance charges on lease liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions and net foreign exchange losses.

Financing income comprise interest receivable on funds invested, dividend income, interest income on lease receivables and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

28.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

28.16 Non-current assets held for sale

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is allocated to assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

Notes (continued)**1 Accounting policies (continued)****28.17 Leases**

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group 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 Group 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 Group uses its incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise,
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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 Group 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 case 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.

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 Group 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.

Notes *(continued)***1** **Accounting policies** *(continued)***28.17** **Leases** *(continued)***As a lessee** *(continued)*

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 Group 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 Group 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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets (such as tablets and personal computers, small items of office furniture and telephones) and short-term leases (defined as leases with a lease term of 12 months or less). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Leases where the Group transfers substantially all the risks and benefits of ownership of the assets are classified as finance leases. The present value of the lease payments are recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

28.18 **Adoption of new and revised standards**

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The UK-adopted IFRSs issued but not applied by the Group are not expected to have a material effect on the consolidated financial statements.

Notes (continued)

29 Discontinued operations and disposal group held for sale

Discontinued operations

In March 2023, the Group committed to a plan to divest its retail operations as stated in the paragraph below. Accordingly, the retail business has been reported as a discontinued operations and classified as a disposal group held for sale.

Cash flows from / (used in) discontinued operations

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Net cash used in operating activities	(156,031)	-
Net cash from investing activities	383,416	-
Net cash used in financing activities	(226,607)	-
	<u>778</u>	<u>-</u>

Assets and liabilities of discontinued operations

In March 2023, the Group approved a restructuring programme to divest its retail operations. This decision was taken to mitigate continuing losses from the retail business that were due to increasing costs to operate pharmacies and low reimbursement levels from the NHS. As a result, all Lloyds Pharmacy branded stores were classified as held for sale at 31 March 2023. In addition to this, the decision was made to sell 100% of the equity held in John Bell & Croyden Limited, MASTA Limited, G J Maley Limited, Savory & Moore (Jersey) Limited and Stephen Smith Limited.

Under this programme, the Group disposed all of its 1,054 high street and community pharmacies that operated under the Lloyds Pharmacy brand in a series of individual transactions during the year and post year-end. In separate transactions post year-end, the Group also disposed of all of its shares in the above-listed subsidiaries.

Therefore, the following assets and liabilities of the operations described above have been classified as held for sale in the Financial Statements.

	31 March 2023 £000
<i>Assets classified as held for sale</i>	
Property, plant and equipment	140,009
Inventories	45,922
Trade and other receivables	1,021
Cash	778
Total assets	<u>187,730</u>
<i>Liabilities directly associated with assets held for sale</i>	
Trade and other payables	(2,853)
Lease liabilities	(115,910)
Provisions	(13,838)
Total liabilities	<u>(132,601)</u>

Notes (continued)**3 Acquisitions of subsidiaries**

On 6 April 2022, the Company acquired 100% of the share capital of Admenta UK Limited and its subsidiaries (collectively - the 'Admenta UK Group'). The Admenta UK Group's principal activities included wholesaling, provision of pharmaceutical products and services, patient homecare and digital solutions.

The consideration to acquire the Admenta UK Group comprised £110 million, satisfied in cash, and an additional payment in the range from £nil to £61.0 million based on achievement by the acquired group of certain EBITDA thresholds for the period up to 31 March 2023. The fair value of the contingent consideration was assessed at £nil. No contingent consideration payments were made by the Group, as these thresholds have not been achieved.

The Group incurred acquisition-related costs of £7.2 million. These costs have been included in the administrative expenses in the Group's consolidated income statement.

In the period from acquisition to 31 March 2023, the Admenta UK Group contributed revenue of £5.8 billion and loss of £171.1 million to the Group's results.

Assets acquired and liabilities assumed

The acquisition had the following effect on the Group's assets and liabilities.

	Book value	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	107,400	-	107,400
Right-of-use assets	195,920	-	195,920
Intangible assets	12,853	88,394	101,247
Goodwill	29,122	(29,122)	-
Pension assets	3,358	-	3,358
Inventories	430,615	-	430,615
Trade and other receivables	755,506	-	755,506
Deferred tax asset	23,708	-	23,708
Cash	543,993	-	543,993
Bank loans and overdrafts	(352,494)	-	(352,494)
Trade and other payables	(1,125,917)	-	(1,125,917)
Lease liabilities	(250,344)	-	(250,344)
Deferred tax liabilities	-	(22,098)	(22,098)
Provisions	(47,492)	-	(47,492)
Net identifiable assets and liabilities	326,229	37,174	363,403
Total consideration paid:			
Cash price paid			109,998
Contingent consideration at fair value			-
Total consideration			109,998
Gain on bargain purchase on acquisition			(253,405)

The gain on bargain purchase on acquisition of the Admenta UK Group amounting to £253.4 million has been recorded in the profit and loss account. The gain was mainly attributable to the opportunity to acquire the business from an outgoing player in the UK market and a limited buyer universe (resulting from restrictions due to competition laws and complexities of the Group's carveout from the seller's European operations).

Notes (continued)**4 Revenue from contracts with customers***Disaggregation of revenue*

	Continuing operations 31 March 2023 £000	Discontinued operations 31 March 2023 £000	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Sale of goods	4,451,314	595,678	5,046,992	-
Rendering of services	175,806	581,758	757,564	-
	<u>4,627,120</u>	<u>1,177,436</u>	<u>5,804,556</u>	<u>-</u>
Primary geographical markets				
United Kingdom	4,626,501	1,159,463	5,785,964	-
Rest of Europe	619	61	680	-
Rest of World	-	17,912	17,912	-
	<u>4,627,120</u>	<u>1,177,436</u>	<u>5,804,556</u>	<u>-</u>

Revenue is recognised at the point in time when customer acquires control of the goods, or when the services are provided to the customer.

5 Other operating income

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Release of lease liabilities of discontinued operations	36,007	-
Rental income	1,782	-
Promotional income	5,430	-
Other operating income	10,260	-
	<u>53,479</u>	<u>-</u>

Released lease liabilities related to the Group's discontinued retail units in Sainsbury's stores.

Notes *(continued)***6 Expenses and auditor's remuneration***Included in profit/loss are the following:*

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Net foreign exchange losses	62	-
Depreciation of property, plant and equipment (excluding right-of-use assets) (note 12)	25,887	-
Impairment of property, plant and equipment (note 12)	25,696	-
Depreciation of right-of-use assets (note 12)	37,010	-
Impairment of right-of-use assets (note 12)	10,704	-
Amortisation of intangible assets (note 11)	20,812	-
Cost of inventories recognised within cost of sales	5,045,072	-
Write-downs (net of reversals) of inventories recognised in the year	56,649	-
Staff costs (note 7)	422,742	-
Changes in expected credit losses on receivables (note 16)	(194)	-
	<hr/> <hr/>	<hr/> <hr/>

In the fiscal year, £32.0 million in restructuring and exit charges were incurred. This balance pertains to losses associated with settling the Admenta UK Limited defined benefit plan, severance payments, and legal expenses.

Auditor's remuneration:

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Audit of these financial statements	790	20
Amounts receivable by the Company's auditor and its associates in respect of:		
Audits of financial statements of subsidiaries of the Company	845	-
	<hr/> <hr/>	<hr/> <hr/>

There were no fees for non-audit services in either the current or previous year.

Notes (continued)

7 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended	Incorporation to
	31 March 2023	31 March 2022
Distribution staff	15,312	-
Administrative staff	996	-
	16,308	-

The aggregate payroll costs of these persons were as follows:

	Year ended	Incorporation to
	31 March 2023	31 March 2022
	£000	£000
Wages and salaries	381,602	-
Social security costs	30,891	-
Contributions to defined contribution plans	10,249	-
	422,742	-

8 Directors' remuneration

	Year ended	Incorporation to
	31 March 2023	31 March 2022
	£000	£000
Emoluments	9,901	-
Group contributions to defined contribution pension scheme	186	-
	10,087	-

The number of directors who:

	Year ended	Incorporation to
	31 March 2023	31 March 2022
Are members of a defined contribution scheme	6	-

The directors' emoluments disclosed above include the remuneration of all directors of the Group subsidiaries except the two directors, whose salaries were paid by Aurelius companies outside the Group and not recharged to the Group. These two directors hold various roles in Aurelius and it is impossible to make an accurate apportionment of their emoluments in respect of each of these roles, including their positions as directors of the Group entities.

Notes (continued)

8 Directors' remuneration (continued)

Remuneration of the highest paid director:

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Emoluments	4,598	-
Group contributions to defined contribution pension scheme	7	-
	<hr/>	<hr/>
	4,605	-
	<hr/>	<hr/>

9 Finance income and expense

Recognised in the income statement

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Finance income		
Pension net interest income	1,022	-
Gain from change in discount rate	11,498	-
Other finance income	160	-
	<hr/>	<hr/>
	12,680	-
 Finance expense		
Interest payable on bank overdrafts and loans	14,209	-
Interest on lease liabilities	5,946	-
Interest payable other	569	-
	<hr/>	<hr/>
	20,724	-
	<hr/>	<hr/>

Notes *(continued)***10 Taxation***Recognised in the income statement*

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Current tax		
Current year	(935)	-
Current tax credit	(935)	-
Deferred tax		
Origination and reversal of temporary differences	8,901	-
Deferred tax expense	8,901	-
Total tax expense	7,966	-
Tax credit from continuing operations	(27,352)	-
Tax from discontinued operations (excluding gain on sale)	28,802	-
Tax on sale of discontinued operations	6,516	-
Total tax expense	7,966	-

Income tax recognised in other comprehensive income

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Tax on actuarial losses from defined benefit pension schemes	(985)	-
Total tax recognised in other comprehensive income	(985)	-

Notes (continued)

10 Taxation (continued)

Reconciliation of effective tax rate

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Profit/(loss) before tax	84,349	(583)
Tax using the UK corporation tax rate of 19 %	16,026	(111)
Effect of tax rates in foreign jurisdictions	249	-
Profit on sale of assets	(9,768)	-
Impact of tax rate changes on deferred tax balances	9,026	-
Non-deductible expenses	3,232	111
Gain on bargain purchase on acquisition	(53,450)	-
Change in unrecognised deferred tax assets	30,808	-
Adjustments relating to prior years	11,843	-
Total tax expense	7,966	-

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 25%.

11 Intangible assets

	Trademarks £000	Software £000	Customer relationships £000	Licenses £000	Total £000
Cost					
At incorporation and 1 April 2022	-	-	-	-	-
Acquisitions through business combinations	2,814	12,302	68,117	18,014	101,247
Other acquisitions	-	1,693	-	-	1,693
Other	-	-	(63)	-	(63)
At 31 March 2023	2,814	13,995	68,054	18,014	102,877
Amortisation and impairment					
At incorporation and 1 April 2022	-	-	-	-	-
Amortisation charge for the period	1,271	4,494	9,042	6,005	20,812
At 31 March 2023	1,271	4,494	9,042	6,005	20,812
Net book value					
At 31 March 2023	1,543	9,501	59,012	12,009	82,065
At 31 March 2022	-	-	-	-	-

Notes *(continued)***12 Property, plant and equipment**

					Right-of-use assets			
	Freehold	Long leasehold	Short leasehold	F, F & E	Property	Vehicles	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At incorporation and 1 April 2022	-	-	-	-	-	-	-	-
Acquisitions through business combinations	8,463	2,999	28,346	67,592	186,801	9,086	33	303,320
Other acquisitions	18	185	474	12,479	17,467	12,431	150	43,204
Reclassified as held for sale	(2,952)	(475)	(8,497)	(21,504)	(104,120)	-	-	(137,548)
Disposals	-	-	(199)	(931)	(8,036)	(569)	-	(9,735)
At 31 March 2023	5,529	2,709	20,124	57,636	92,112	20,948	183	199,241
Depreciation and impairment								
At incorporation and 1 April 2022	-	-	-	-	-	-	-	-
Depreciation charge	162	763	3,567	21,395	28,987	7,971	52	62,897
Impairment losses	480	262	12,821	12,133	10,704	-	-	36,400
At 31 March 2023	642	1,025	16,388	33,529	39,691	7,971	52	99,298
Net book value								
At 31 March 2023	4,887	1,684	3,736	24,107	52,421	12,977	131	99,943
At 31 March 2022	-	-	-	-	-	-	-	-

Impairment loss

There was an impairment charge in the year of £36.4 million in respect of the net book value of the fixed assets relating to the discontinued operations that were to remain within the Group post disposal of the discontinued operations.

Security

There are no restriction of title or assets pledged as security.

Notes (continued)

12 Property, plant and equipment (continued)

Right-of-use assets

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Depreciation expense on right-of-use assets	37,010	-
Impairment loss on right-of-use assets	10,704	-

13 Investments in subsidiaries and associates

The Group and Company have the following investments in subsidiaries and associates as at 31 March 2023:

Group associate

	Principal place of business	Nature of business	Class of shares held	Ownership
Company Chemists Association Limited	United Kingdom	Retail pharmacy	£1 Ordinary shares	27%

The registered address of the associate is 4 Kingston Hall, Kingston On Soar, Nottingham, NG 11 0DJ.

Group subsidiaries

	Principal place of business	Nature of business	Class of shares held	Ownership
A. Suthrell (Haulage) Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
AAH Builders Suppliers Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
AAH Lloyds Insurance (IOM) Limited	Isle of Man	Insurance company	£1 Ordinary shares	100%
AAH Pharmaceuticals Limited	United Kingdom	Wholesale distribution	£1 Ordinary shares	100%
Admenta Pension Trustees Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Admenta UK Limited (*)	United Kingdom	Holding company	£1 Ordinary shares	100%
Algorithmic Health Ireland Limited	Ireland	Online Health	£1 Ordinary shares	100%
Barelay Pharmaceuticals Limited	United Kingdom	Wholesale distribution	£1 Ordinary shares	100%
Bridport Medical Centre Services Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Cross & Herbert (Holdings) Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Stephen Smith Limited	Guernsey	Retail pharmacies	£1 Ordinary shares	100%
Savory & Moore (Jersey) Limited	Jersey	Retail pharmacies	£1 Ordinary shares	100%
Diamond DCO One Limited	United Kingdom	Holding company	£1 Ordinary shares	100%
Diamond DCO Three Limited	Isle of Man	Retail pharmacies	£1 Ordinary shares	100%
Diamond DCO Two Limited	United Kingdom	Retail pharmacies	£1 Ordinary shares	100%
Expert Health Limited	United Kingdom	Online Health	£1 Ordinary shares	100%
Greens Pharmaceutical (Holdings) Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Hallo Healthcare Business Services UAB	Lithuania	Business service centre	EUR 1 Par value	100%
John Bell & Croyden Limited	United Kingdom	Retail pharmacy	£0.25 Ordinary shares	100%
Lloyds Group Properties Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Lloyds Pharmacy Clinical Homecare Limited	United Kingdom	Healthcare services	£1 Ordinary shares	100%
LP HCS Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP North Five Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP North Four Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP North Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP North One Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP North Seven Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP North Six Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP North Three Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP North Two Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Eight Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%

Notes *(continued)***13 Investments in subsidiaries and associates** *(continued)*

	Principal place of business	Nature of business	Class of shares held	Ownership
LP SD Eighteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Eleven Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Fifteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Five Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Four Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Fourteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Nine Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Nineteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD One Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Seven Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Seventeen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Six Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Sixteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Ten Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Thirteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Three Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twelve Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twenty Five Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twenty Four Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twenty Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twenty One Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twenty Seven Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twenty Six Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twenty Three Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Twenty Two Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
LP SD Two Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
MASTA Limited	United Kingdom	Traveller services	£1 Ordinary shares	100%
Metabolic Healthcare Limited	United Kingdom	Retail pharmacy	£1 Ordinary shares	100%
Pharma Services (N.I.) Limited	Northern Ireland	Other information service	£1 Ordinary shares	50%
Pharmagen Limited	United Kingdom	Wholesale services	£1 Ordinary shares	100%
Prima Brands Limited	Northern Ireland	Wholesale services	£1 Ordinary shares	100%
Ruby DCO Eight Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Eighteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Eleven Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Fifteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Five Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Four Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Fourteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Nine Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Nineteen Limited	United Kingdom	Retail pharmacy	£0.0001 Ordinary shares	100%
Ruby DCO One Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%

Notes *(continued)***13 Investments in subsidiaries and associates** *(continued)*

	Principal place of business	Nature of business	Class of shares held	Ownership
Ruby DCO Seven Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Seventeen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Six Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Sixteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Ten Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Thirteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Three Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Twelve Limited	United Kingdom	Dormant company	£0.01 Ordinary shares	100%
Ruby DCO Twenty Five Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Twenty Four Limited	United Kingdom	Dormant company	£0.05 Ordinary shares	100%
Ruby DCO Twenty Limited	United Kingdom	Retail pharmacies	£1 Ordinary shares	100%
Ruby DCO Twenty One Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Twenty Seven Limited	United Kingdom	Holding company	£1 Ordinary shares	100%
Ruby DCO Twenty Six Limited	United Kingdom	Traveller services	£0.1 Ordinary shares	100%
Ruby DCO Twenty Three Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Twenty Two Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby DCO Two Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Ruby SCO Twenty Eight Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sangers (Northern Ireland) Limited	United Kingdom	Wholesale distribution	£1 Ordinary shares	100%
Sapphire 222 Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Eight Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Eighteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Eleven Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Fifteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Five Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Four Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Fourteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Nine Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Nineteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO One Limited	United Kingdom	Property services	£1 Ordinary shares	100%
Sapphire DCO Seven Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Seventeen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Six Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Sixteen Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Ten Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Thirteen Limited	United Kingdom	Dormant company	£0.05 Ordinary shares	100%
Sapphire DCO Three Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Twelve Limited	United Kingdom	Holding company	£1 Ordinary shares £0.25 Ordinary shares	100%
Sapphire DCO Twenty Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Twenty One Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Twenty Two Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%
Sapphire DCO Two Limited	United Kingdom	Dormant company	£1 Ordinary shares	100%

Notes *(continued)***13 Investments in subsidiaries and associates** *(continued)*

(*) denotes a direct investment held by the Company. All other listed investments are indirect investments of the Company.

The following subsidiary undertakings are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this Company has issued guarantees to the subsidiary companies under Section 479C of the Act:

Name of the subsidiary	Registered number	Country of registration
Admenta UK Limited	03011757	United Kingdom
Barclay Pharmaceuticals Limited	02770716	United Kingdom

All the Group's subsidiaries except to those listed in the table below are registered in England and Wales and have the registered address at Sapphire Court, Walsgrave Triangle, Coventry, CV2 2TX, United Kingdom:

Name	Registered office
Ruby DCO Two Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Five Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Six Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Seven Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Eleven Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Twelve Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Thirteen Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Twenty Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Twenty One Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Twenty Two Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Ruby DCO Twenty Five Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Sapphire DCO Twenty Two Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, F42 0PH
Pharma Services (N.I.) Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
Prima Brands Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
Sangers (Northern Ireland) Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
AAH Lloyds Insurance (IOM) Limited	Third Floor, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EF
Diamond DCO Three Limited	22 Woodbourne Road, Douglas, Isle of Man, IM1 3AL
Savory & Moore (Jersey) Limited	11 Bath Street, St Helier, Jersey, JE4 8UT
Stephen Smith Limited	Les Echelons Court, Les Echelons, St Peter Port, Guernsey, GY1 1AR
Algorithmic Health Ireland Limited	Block A, 5 th Floor, the Atrium Blackthorn Road, Dublin, D18 F5X2, Republic of Ireland
Hallo Healthcare Business Services UAB	Rinkins g.5, Vilnius, 09234, Lithuania

Notes (continued)**14 Deferred tax assets and liabilities***Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	31 March 2023			31 March 2022		
	Assets £000	Liabilities £000	Net £000	Assets £000	Liabilities £000	Net £000
Property, plant and equipment	(9,741)	-	(9,741)	-	-	-
Intangible assets	-	18,034	18,034	-	-	-
Provisions	(2,447)	-	(2,447)	-	-	-
Pensions	-	460	460	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets) / liabilities	(12,188)	18,494	6,306	-	-	-
Offset	12,188	(12,188)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax liabilities	-	6,306	6,306	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

At the reporting date, the Group had unused tax losses of £84,132,000 (31 March 2022: £nil) available for offset against future profits. Deferred tax asset of £21,033,000 (31 March 2022: £nil) has not been recognised as it is not considered probable that there will be sufficient future taxable profit available.

Movement in deferred tax during the year

	1 April 2022 £000	Acquired in business combination £000	Recognised in income statement £000	Recognised in OCI £000	31 March 2023 £000
Property, plant and equipment	-	(15,136)	5,395	-	(9,741)
Intangible assets	-	23,787	(5,753)	-	18,034
Pensions	-	832	613	(985)	460
Provisions	-	(11,093)	8,646	-	(2,447)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	(1,610)	8,901	(985)	6,306
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

There were no movements in deferred taxes in the period from incorporation to 31 March 2022.

Notes (continued)

15 Inventories

	31 March 2023 £000	31 March 2022 £000
Finished goods and goods for resale	302,431	-

Finished goods recognised as cost of sales in the year amounted to £5.1 billion (31 March 2022: £nil). Stock provision of £75.0 million was included in the finished goods and goods for resale at year end (31 March 2022: £nil).

The write-downs of inventories to net realisable value subsequent to the acquisition of AUL and subsidiaries amounted to £59.5 million (31 March 2022: £nil). The reversal of write-downs amounted to £2.9 million (31 March 2022: £nil).

16 Trade and other receivables

	31 March 2023 £000	31 March 2022 £000
Trade receivables	614,871	-
Prepayments and accrued income	49,291	-
Corporation tax receivable	470	-
Other receivables	166,145	84
	830,777	84
Non-current	-	-
Current	830,777	84
	830,777	84

Of other receivables, £140.4 million relates to vendor rebates and other vendor receivables.

The table below presents the movement in expected credit losses (ECL) for trade receivables in the year.

	31 March 2023 £000	31 March 2022 £000
ECL brought forward	-	-
Acquired in business combination	4,705	-
Additions of the current year	1,369	-
Utilisations	(2,178)	-
Adjustments	615	-
Allowances carried forward	4,511	-

Notes (continued)

17 Cash

	31 March 2023 £000	31 March 2022 £000
Cash per balance sheet	103,258	8
Cash per cash flow statement	103,258	8

18 Trade and other payables

	31 March 2023 £000	31 March 2022 £000
Current		
Trade payables	831,473	-
Other tax and social security	11,507	-
Accruals	202,748	610
Other payables	23,062	-
	1,068,790	610

19 Interest-bearing loans and borrowings

This note provides information about the terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

	31 March 2023 £000	31 March 2022 £000
Non-current liabilities		
Lease liabilities	56,027	-
Loans from parent undertaking	53,975	-
	110,002	-
Current liabilities		
Current portion of bank loans and overdrafts	175,109	-
Current portion of lease liabilities	22,256	-
Current portion of loans from parent undertaking	15	-
	197,380	-
Total interest-bearing loans and borrowings	307,382	-
Amount due for settlement		
On demand or within one year	197,380	-
Between one and five years	90,736	-
After five years	19,266	-
	307,382	-

Notes (continued)

19 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	31 March 2023	
				Face value £000	Carrying amount £000
Bank loans and overdrafts	GBP	7.4%	2024	175,109	175,109
Loans from parent undertaking	GBP	0%	2024	53,990	53,990
Lease liabilities	GBP	various	2028	78,283	78,283
				307,382	307,382

Both the lender of the ABL and the intermediate parent of the Group, Aurelius Crocodile Limited, have various registered charges on the shares and assets of the Group entities. The full list of these charges is available on the Companies House website.

Changes in liabilities from financing activities

	Bank loans and overdrafts £000	Loan from parent undertaking £000	Lease liabilities £000	Total £000
At incorporation and 1 April 2022	-	-	-	-
Acquired in business combination	352,494	-	250,344	602,838
Changes from financing cash flows				
Proceeds from new loans	175,109	53,990	-	229,099
Repayments of borrowings	(352,494)	-	-	(352,494)
Payments of lease liabilities	-	-	(41,642)	(41,642)
Transferred to liabilities held for sale	-	-	(115,910)	(115,910)
Interest paid	(14,778)	-	(5,891)	(20,669)
Total changes from financing cash flows	160,331	53,990	86,901	301,222
Non-cash changes				
Interest accrued	14,778	-	5,946	20,724
Released	-	-	(36,007)	(36,007)
Disposals	-	-	(8,605)	(8,605)
New leases	-	-	30,048	30,048
Total non-cash changes	14,778	-	(8,618)	6,160
At 31 March 2023	175,109	53,990	78,283	307,382

Release and disposals primarily relate to lease liabilities released and leased assets impaired during the year from the discontinued operations mainly Sainsbury pharmacies.

Notes *(continued)***20 Retirement benefit plans****Defined contribution schemes**

The Group operates defined contribution retirement benefit schemes for its employees. The assets of the schemes are held separately from those of the Group 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 Group are reduced by the amounts of forfeited contributions.

The total cost charged to profit or loss of £10.3 million (31 March 2022: £nil) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2023, contributions of £0.8 million (31 March 2022: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in other payables.

Defined benefit schemes***Admenta UK Limited Pension Fund***

The Group participates in a group defined benefit scheme for qualifying employees operated by AUL. The scheme is funded and constituted as an independently administered fund with assets being held separately from those of the Group. The fund is valued every three years by a professionally qualified, independent actuary, with the rates of contribution payable being determined by the actuary.

On 26 October 2021, the Trustees entered into an agreement with AUL and McKesson Corporation to seek to buyout the Scheme with an annuity provider. Under the terms of this agreement, McKesson's parental guarantee has been released and additional funds totalling £12 million were paid into the Scheme in October 2021. A letter of credit securing a further £35 million was agreed between the Trustees, AUL and McKesson Corporation. The letter of credit was agreed to cover the costs of buyout and windup and any other associated fees. The Scheme commenced wind up with effect from 1 April 2022 to conclude after all benefits are secured.

With effect from 6 April 2022, the ownership of AUL changed from being part of the McKesson Corporation to being part of the Aurelius Group. The Trustees monitored this transaction with their advisers and are satisfied that due to the arrangements put in place to support the buy-out of the Scheme, this does not have an adverse impact.

As part of the buy-out process, the Trustees entered into a bulk purchase annuity agreement with Just Retirement Limited ('Just') on 14 December 2022. The contract with Just is an initial stage of a buy-out process in order to prospectively secure annuity policies for all members. Once the process is complete, members benefits will be bought out in full with Just.

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. As a result of the agreement to sell AUL 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 14 December 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).

Notes *(continued)***20 Retirement benefit plans** *(continued)***Admenta UK Limited Pension Fund** *(continued)*

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 Group. The operating costs are borne by the Scheme.

The last full valuation was carried out as at 5 April 2020. The Scheme commenced wind-up on 1 April 2022; as such, there is no further requirement for full funding valuations, instead an annual estimate of solvency is required each year. The Scheme's solvency funding estimate is calculated by the Scheme Actuary as a roll forward from the 5 April 2020 funding valuation. The valuation is updated to each accounting year end by a qualified independent actuary.

Statement of financial position

	31 March 2023 £000	31 March 2022 £000
Present value of defined benefit obligations	(234,900)	-
Fair value of plan assets	234,900	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Changes in the present value of the defined benefit obligation

	31 March 2023 £000	31 March 2022 £000
At the start of the period	-	-
Acquired through business combination	238,363	-
Interest expense	7,056	-
Benefits paid	(13,747)	-
Actuarial loss	3,228	-
	<hr/>	<hr/>
	234,900	-
	<hr/>	<hr/>

Changes in fair value of the plan assets

	31 March 2023 £000	31 March 2022 £000
At the start of the period	-	-
Acquired through business combination	238,363	-
Interest income	7,967	-
Benefits paid	(13,747)	-
Return on plan assets in excess of interest on scheme assets	2,317	-
	<hr/>	<hr/>
	234,900	-
	<hr/>	<hr/>

Notes *(continued)***20 Retirement benefit plans** *(continued)***Admenta UK Limited Pension Fund** *(continued)**Total costs for the year in relation to defined benefit plans*

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Recognised in income statement		
Net interest credit	(911)	-
	(911)	-
Recognised in other comprehensive income		
Actuarial losses	911	-
	911	-

Fair value of major categories of plan assets

	31 March 2023 £000	31 March 2022 £000
Insurance contracts quoted	222,540	-
Cash and cash equivalents	8,820	-
Contingent asset	3,540	-
	234,900	-

None of the Scheme assets are invested in the Group's financial instruments or in property occupied by, or other assets used by, the Group. The return on plan assets for the year ended 31 March 2023 was a credit of £10.3 million (31 March 2022: £nil).

Principal actuarial assumptions

The principal actuarial assumptions as at the statement of financial position date were:

	31 March 2023
Discount rate (%)	3.9
Expected rate of salary increase (%)	N/A
Expected rate of increase in pensions (%)	3.3
Inflation assumptions (%)	3.6
Assumed life expectancies on retirement	
For a male aged 65 now	87.0
At 65 for a male aged 45 now	88.4
For a female aged 65 now	89.1
At 65 for a female aged 45 now	90.6

Sensitivity

The following 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. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the following table. The total value of the defined benefit obligation, due to increases/(decreases) in the weighted principal assumptions, is as follows.

Notes *(continued)***20 Retirement benefit plans** *(continued)***Admenta UK Limited Pension Fund** *(continued)***Sensitivity** *(continued)*

	31 March 2023
	£'000
Increase in discount rate of 0.5%	223,346
Decrease in discount rate of 0.5%	247,779
Increase in rate of pension progression of 0.5%	240,860
Decrease in rate of pension progression of 0.5%	229,607
Increase in rate of increase in salaries of 0.5%	234,900
Decrease in rate of increase in salaries of 0.5%	234,900
Increase in mortality of retiree of 10%	228,587
Decrease in mortality of retiree of 10%	242,024

Funding

The contributions, including administration expenses relating to expenses and levies to the Scheme, paid by the Group in the year amounted to £nil (31 March 2022: £nil), which includes £nil (31 March 2022: £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.

As the Scheme is closed to ongoing accrual there were no contributions in respect of additional accrued benefits during the year. 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 11 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 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.

Notes *(continued)***20 Retirement benefit plans** *(continued)****The Sangers (Northern Ireland) Limited Pension Fund (continued)****Life expectancy*

The majority of the Scheme's obligations are to provide benefits for the life of the members, 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; the last full valuation was carried out as at 31st March 2023. The next full valuation will be as of 31 March 2026. The valuation is updated to each accounting year end by a qualified independent actuary.

Statement of financial position

	31 March 2023	31 March 2022
	£000	£000
Present value of defined benefit obligations	(20,724)	-
Fair value of plan assets	22,561	-
	1,837	-

Changes in the present value of the defined benefit obligation

	31 March 2023	31 March 2022
	£000	£000
At the start of the period	-	-
Acquired through business combination	24,507	-
Current service costs	147	-
Contributions by employees	31	-
Interest expense	683	-
Benefits paid	(1,028)	-
Actuarial loss arising from changes in demographic assumptions	2,615	-
Actuarial gain arising from changes in financial assumptions	(7,587)	-
Experience loss	1,356	-
	20,724	-

Changes in fair value of the plan assets

	31 March 2023	31 March 2022
	£000	£000
At the start of the period	-	-
Acquired through business combination	27,853	-
Interest income	794	-
Benefits paid	(1,028)	-
Contributions by employer	1,556	-
Contributions by employees	31	-
Return on plan assets less than interest on scheme assets	(6,645)	-
	22,561	-

None of the Scheme assets are invested in the Group's financial instruments or in property occupied by, or other assets used by, the Group.

The actual return on scheme assets in the year was a credit of £5.9 million (31 March 2022: £nil).

Notes (continued)

20 Retirement benefit plans (continued)

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

Total costs for the year in relation to defined benefit plans

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Recognised in income statement		
Current service cost	147	-
Net interest credit	(111)	-
	36	-
Recognised in other comprehensive income		
Actuarial losses	3,029	-

Fair value of major categories of plan assets

	31 March 2023 £000	31 March 2022 £000
Equity instruments (quoted)		
- L&G All World Equity Index Fund	4,738	-
Debt instruments (quoted)		
- L&G AAA-AA-A Corporate Bond over 15 Year Fund	6,265	-
- L&G 5-year Index Linked Gilt Fund	9,534	-
Property Fund (quoted)		
- L&G Managed Property Fund	1,702	-
Cash and cash equivalents	322	-
	22,561	-

Principal actuarial assumptions

The principal actuarial assumptions as at the statement of financial position date (expressed as weighted averages) were:

	31 March 2023
Discount rate (%)	4.7
Expected rate of salary increase (%)	2.6
Expected rate of increase in pensions (%)	3.0
Inflation assumptions (%)	2.3
Assumed life expectancies on retirement	
For a male aged 65 now	86.7
At 65 for a male aged 45 now	88.0
For a female aged 65 now	89.4
At 65 for a female aged 45 now	90.8

Notes *(continued)***20 Retirement benefit plans** *(continued)****The Sangers (Northern Ireland) Limited Pension Fund (continued)******Sensitivity***

The below 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 credit unit 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 sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the table below. The total value of the defined benefit obligation, due to increases/(decreases) in the weighted principal assumptions, is as follows.

	31 March 2023
	£'000
Increase in discount rate of 0.5%	19,428
Decrease in discount rate of 0.5%	22,138
Increase in rate of pension progression of 0.5%	21,647
Decrease in rate of pension progression of 0.5%	19,856
Increase in rate of increase in salaries of 0.5%	20,725
Decrease in rate of increase in salaries of 0.5%	20,725
Increase in mortality of retirees of 10%	20,243
Decrease in mortality of retirees of 10%	21,228

Funding

The contributions, including administration expenses relating to expenses and levies to the Scheme, paid by the Group in the year amounted to £1.6 million (31 March 2022: £nil), which includes £1.5 million (31 March 2022: £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 Group contributed £0.8m in April 2023 and expects to contribute £0.8 million to the Scheme over the 12 months to December 2024.

The Scheme 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 £1.5 million in respect of the current deficit recovery plan.

The Scheme 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 12 years. The level of benefits provided by the Scheme depends on a member's length of service and their career average salary adjusted for inflation to the date of leaving the Scheme.

Notes *(continued)***21 Provisions**

	Property provision £000	Restructuring provision £000	Insurance provision £000	Other £000	Total £000
At 1 April 2022	-	-	-	-	-
Amounts arising from acquisition	32,807	4,809	9,577	300	47,493
Provisions accrued during the year	722	12,241	5,003	-	17,966
Provisions used during the year	(6,487)	(6,445)	(3,820)	-	(16,752)
Change in discount rate	(11,179)	-	-	-	(11,179)
Release of provision	(936)	(2,830)	-	-	(3,766)
Liabilities held for sale	(8,571)	(6,085)	-	-	(14,656)
At 31 March 2023	6,356	1,690	10,760	300	19,106
Non-current	6,356	1,690	10,760	300	19,106
Current	-	-	-	-	-
	6,356	1,690	10,760	300	19,106

The property provisions represent an assessment of the costs to cover (a) rent increases accrued following rent reviews, (b) dilapidations. The assessment, which is undertaken at the end of each accounting period, is made on a property-by-property basis in conjunction with AUL's property services department.

It is expected that the property provision will be used during the remainder of the dilapidations and repair programme or until the assignment or disposal of the premises, with the majority of lease obligations expiring within the next 3 years and a maximum remaining period of up to 100 years.

The restructuring provision represents an assessment of the costs associated with the head office restructuring.

Insurance provision relates to general business insurance provisions for AAH Lloyds Insurance (IOM) Limited, which consist of:

	31 March 2023 £000
Unearned premium	930
Specific claims reserves	4,576
Incurred but not reported	3,701
Unexpired risks reserves	1,553
	10,760

Notes (continued)

22 Capital and reserves

Share capital

	Ordinary shares	
	31 March 2023	
<i>In thousands of shares</i>		
On issue at 1 April 2022		65
Issued for cash		885
		<hr/>
On issue at 31 March 2023		950
		<hr/>
	31 March 2023	31 March 2022
	£000	£000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	950	65
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year, the Company issued 885,000 £1 ordinary shares for a consideration of £0.9 million, settled in cash.

Dividends

After the balance sheet date dividends of £426,315.78 (31 March 2022: £nil) per ordinary share were approved by the directors and paid.

Retained earnings/(losses)

This reserve records retained earnings and accumulated losses.

Notes (continued)

23 Financial instruments

The Group has exposure to the following risks arising from financial instruments: credit risk, liquidity risk, market risk, including currency risk and interest rate risk.

Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group.

Capital management

The Group's definition and management of capital focuses on capital employed. The Group's capital employed is reported in the consolidated balance sheet.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to optimise returns to its shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future growth. The directors regularly monitor the level of capital in the Group to ensure that this can be achieved. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	31 March 2023 £000	31 March 2022 £000
Total borrowings	(307,382)	-
Less: cash	103,258	8
Net (debt) / cash	(204,124)	(8)
Total equity – net assets/(liability)	73,760	(518)

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes (continued)

23 Financial instruments (continued)

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk:

	31 March 2023 £000	31 March 2022 £000
Trade and other receivables	781,016	84
Cash	103,258	8
	<u>884,274</u>	<u>92</u>

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 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 rolling projections which are compiled across the Group.

Maturity analysis for financial liabilities

The following table sets out the remaining contractual maturities of the Group's financial liabilities by type. The following are contractual undiscounted cash flows.

31 March 2023

	Carrying amount £000	Less than 1 year £000	2-5 years £000	More than 5 years £000	Total £000
Bank loans and overdraft	175,709	175,709	-	-	175,709
Amounts owed to Group undertakings	53,990	-	53,990	-	53,990
Lease liabilities	78,283	22,256	41,085	24,151	87,492
Trade payables	831,473	831,473	-	-	831,473
Other payables	23,062	23,062	-	-	23,062
Accruals	202,748	202,748	-	-	202,748
At 31 March 2023	1,364,665	1,255,248	95,075	24,151	1,373,874

31 March 2022

	Carrying amount £000	Less than 1 year £000	2-5 years £000	More than 5 years £000	Total £000
Accruals	610	610	-	-	610
At 31 March 2022	610	610	-	-	610

Notes *(continued)***23 Financial instruments** *(continued)***Foreign currency and interest rate risk**

The Group's interest rate risk arises from its variable and fixed rate instruments being loans with Group undertakings and finance lease liabilities. Borrowings issued at variable rates exposes the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group monitors the levels of fixed to floating debt held to manage these risks and aims to ensure that it had appropriate cash facilities as discussed in Liquidity risk section above, to meet liabilities as they fall through.

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

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments were as follows:

	31 March 2023	31 March 2022
	£000	£000
Fixed rate instruments		
Financial liabilities	132,273	-
Variable rate instruments		
Financial liabilities	175,109	-

Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a possible change in interest rates for the financial liabilities with variable rates. A 100 basis points increase/decrease in interest rates would have decreased/increased profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The Group's profit before tax is affected through the impact on variable rate borrowings as follows:

	31 March 2023	31 March 2022
	£000	£000
Effect on profit before tax (increase in interest rates)	(1,751)	-
Effect on profit before tax (decrease in interest rates)	1,751	-

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

Fair value of financial instruments

IFRS 7 'Financial Instruments: Disclosure' requires fair value measurements to be undertaken using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes *(continued)***24 Financial instruments** *(continued)*

The carrying value of all financial assets measured at amortised cost is considered to be an appropriate approximation of fair value. The fair value of all financial liabilities reflects market interest rates being applied.

	Carrying value 31 March 2023 £000	Fair value 31 March 2023 £000	Carrying value 31 March 2022 £000	Fair value 31 March 2022 £000
<i>Financial assets</i>				
Cash	103,258	103,258	8	8
Trade and other receivables	781,016	781,016	84	84
	<u>884,274</u>	<u>884,274</u>	<u>92</u>	<u>92</u>
<i>Financial liabilities</i>				
Trade and other payables	1,057,283	1,057,283	610	610
Borrowings	307,382	299,391	-	-
	<u>1,364,665</u>	<u>1,356,674</u>	<u>610</u>	<u>610</u>

Notes *(continued)***25 Leases***Amounts recognised in profit or loss*

The following amounts have been recognised in profit or loss:

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Depreciation expense on right-of-use assets	37,010	-
Impairment charges on right-of-use assets	10,704	-
Interest expense on lease liabilities	5,946	-
Expenses relating to short-term leases	5,857	-
Income from sub-leasing right-of-use assets	(1,788)	-
	57,729	-

Amounts recognised in statement of cash flows

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Total cash outflows for leases	41,642	-

Leases as a lessee

The Group leases property and vehicles. Rental contracts for property and vehicles are typically made for a period ranging from 3 to 50 years.

The Group presents right-of-use assets as part of property, plant and equipment (see note 12).

The following table sets out a maturity analysis of lease payments to be paid after the reporting date:

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Less than one year	22,256	-
Between one and five years	36,761	-
After five years	19,266	-
	78,283	-

Notes (continued)

26 Contingencies

No contingent liabilities as of the balance sheet date.

27 Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel

The Group consider key management personnel to be the directors of the Group; their compensation is shown in note 8.

Other related party transactions

During the year, the Group entities did not enter into any transactions with related parties that are not subsidiaries of Aurelius. In relation to transactions with Aurelius subsidiaries outside of the Group:

	Year ended 31 March 2023 £000	Incorporation to 31 March 2022 £000
Intercompany loan	53,990	-
	<u>53,990</u>	<u>-</u>

28 Ultimate parent company and immediate parent

The immediate parent undertaking is Aurelius Fox Limited, a company registered in England and Wales. The registered office address is 6th Floor, 33 Glasshouse Street, London W1B 5DG.

The ultimate parent undertaking and controlling party of the Company is Aur Gp Holdco (UK) Limited, a company registered in the United Kingdom. The registered office address is 6th Floor, 33 Glasshouse Street, London W1B 5DG.

29 Subsequent events

As a result of the retail store optimisation programme approved in March 2023, the Group has disposed of all of its 1,054 high street and community pharmacies that operated under the Lloyds Pharmacy brand. The divestment saw 99% of branches staying open in over 1,000 communities, with pharmacies bought individually or in regional packages by independent pharmacy owners and local entrepreneurs. 6,500 branch workers had secured employment with new owners.

In July 2023, the Group completed the sale of John Bell & Croyden Limited. In October 2023, the Group completed the sale of Metabolic Healthcare Limited (trading as Lloyds Direct) to Pharmacy2U. In August 2023, Diamond DCO One Limited (formerly Admenta Holdings Limited), along with its subsidiaries Diamond DCO Two Limited (formerly Lloyds Pharmacy Limited), Diamond DCO Three Limited (formerly G J Maley Limited), Stephen Smith Limited and Savory and Moore (Jersey) Limited were sold out of the Group.

In August-December 2023, a group simplification project was implemented, targeted at reducing the number of non-operational entities within the Group, resulting in a much leaner and efficient group structure reflecting the steering approach of 4 independent business units. At the same time the Group completed all relevant carve-out projects to be truly operationally standalone from McKesson Europe. In addition, a new Asset Backed Loan was agreed in September 2023 to ensure the future financial stability of the Group for the next 3 years.

Notes (continued)

29 Subsequent events (continued)

In August 2023, the Company reduced the aggregate nominal value of its share capital from £950,001 to £95 by reducing the nominal value per share from £1 to £0.0001.

After the year end, the Company received intercompany income (including dividend income of £415.0 million) resulting mainly from the gains on sale of the Group's discontinued operations and approved the distribution of dividend in the amount of £405.0 million to the shareholders. The directors, in making and recommending the dividend, assessed the financial position of the Company and determined that the Company has sufficient distributable reserves and solvency in order to pay the dividend.

30 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make judgements, 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.

Management do not consider there to be any material critical judgements in applying the Group's accounting policies.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation 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.

Defined benefit pensions – key source of estimation uncertainty

The cost of defined benefit post-employment plans and the carrying 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. The mortality rate is based on publicly available mortality tables for the UK. Future salary and pension increases are based on expected future inflation rates for the UK.

As part of the buy-out process, the Scheme Trustees entered into a bulk purchase annuity agreement. The agreement is an initial stage of a buy-out process in order to prospectively secure annuity policies for all members. The timing of the buy-out and future costs associated with it can vary. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in note 20.

Company Income Statement and Statement of Comprehensive Income

For the year ended 31 March 2023

	<i>Note</i>	31 March 2023 £000	31 March 2022 £000
Revenue		8,887	-
Administrative expenses		(5,284)	(583)
Operating profit/(loss)		3,603	(583)
Finance expenses	36	(4,839)	-
Loss before tax		(1,236)	(583)
Taxation	37	-	-
Loss and total comprehensive loss for the period		(1,236)	(583)

The notes on pages 69 to 76 form part of these financial statements.

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

Company Balance Sheet

at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Non-current assets			
Investments	38	109,526	-
Trade and other receivables	39	25,000	-
		<u>134,526</u>	<u>-</u>
Current assets			
Trade and other receivables	39	19,909	84
Cash		3,837	8
		<u>23,746</u>	<u>92</u>
Total assets		<u>158,272</u>	<u>92</u>
Current liabilities			
Trade and other payables	40	(8,597)	(610)
		<u>(8,597)</u>	<u>(610)</u>
Non-current liabilities			
Other payables	40	(150,544)	-
		<u>(150,544)</u>	<u>-</u>
Total liabilities		<u>(159,141)</u>	<u>(610)</u>
Net liabilities		<u>(869)</u>	<u>(518)</u>
Equity			
Share capital	41	950	65
Retained deficit		(1,819)	(583)
Equity attributable to equity holders of the parent		<u>(869)</u>	<u>(518)</u>

The notes on pages 69 to 76 form part of these financial statements.

These financial statements of Aurelius Elephant Limited were authorised and approved by the board of directors on 26 March 2024 and were signed on behalf of the board by:

DocuSigned by:

Dominik Mueser

391481C5A27547D

D Mueser

Director

Company registered number: 13017370

Company Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital £000	Retained earnings £000	Total equity £000
Issued on incorporation on 13 November 2020	65	-	65
Total comprehensive loss for the period			
Loss for the period	-	(583)	(583)
Total comprehensive loss for the period	-	(583)	(583)
Balance at 31 March 2022	65	(583)	(518)
Total comprehensive loss for the year			
Loss for the year	-	(1,236)	(1,236)
Total comprehensive loss for the year	-	(1,236)	(1,236)
Contributions by owners			
Issue of shares	885	-	885
Total contributions to owners	885	-	885
Balance at 31 March 2023	950	(1,819)	(869)

The notes on pages 69 to 76 form part of these financial statements.

Notes

31 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applied the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRSs") but made amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 46.

Measurement convention

The financial statements are prepared on the historical cost basis unless otherwise specified within these accounting policies and in accordance with FRS 101 and the Companies Act 2006.

Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes (continued)

Going concern

Going concern assessment of the Company is detailed in the notes to the Consolidated financial statements on page 24 and forms part of this accounting policy by reference.

Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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 other receivables.

(ii) Subsequent measurement

The subsequent measurement of financial assets is at amortised cost using the effective interest rate method (EIR), less impairment. Financial assets are derecognised when the rights to receive cash flows from the assets have expired.

The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. 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 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.

Financial liabilities

(viii) Initial recognition and measurement

The Company's financial liabilities include trade and other payables. All financial liabilities are recognised initially at fair value.

(ix) Subsequent measurement

Subsequent to initial recognition financial liabilities 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.

Offsetting

Financial assets and 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.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Revenue

Revenue comprises sales of services at invoice value excluding value added tax. Revenues are recognised when services are provided to the customer.

Finance expenses

Interest income and interest payable are recognised in profit or loss as it accrues, using the effective interest method.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes *(continued)****Taxation***

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Adoption of new and revised standards

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Notes (continued)

32 Other operating profit/(loss)

	31 March 2023 £000	31 March 2022 £000
Legal and professional fees	(5,284)	(500)
Accrued revenue	8,887	-
	<u> </u>	<u> </u>

33 Auditors' remuneration

	31 March 2023 £000	31 March 2022 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	280	20
	<u> </u>	<u> </u>

The Company did not acquire any non-audit services from its auditor or its associates for the current or prior year.

34 Employees

The Company has no employees other than the directors.

35 Remuneration of directors

The emoluments of the directors were paid by fellow subsidiary companies, which made no recharge to the Company. All other directors of this Company are also directors of a number of fellow subsidiary companies, and it is impossible to make an accurate apportionment of their emoluments in respect of each of these companies. Accordingly, no emoluments in respect of the directors are disclosed.

36 Finance expenses

	31 March 2023 £000	31 March 2022 £000
Interest payable - group undertakings	4,801	-
Interest payable - other	19	-
Foreign exchange loss	19	-
	<u> </u>	<u> </u>
	4,839	-
	<u> </u>	<u> </u>

Notes (continued)**37 Taxation**

No current or deferred tax charges/(benefits) were recognised in the year (31 March 2022: £nil).

The tax assessed for the year/period is lower than (31 March 2022: higher than) the standard rate of corporation tax in the UK of 19% (31 March 2022: 19%). The differences are explained below:

	31 March 2023 £000	31 March 2022 £000
Loss for the year	(1,236)	(583)
Tax using the UK corporation tax rate of 19 % (2022: 19%)	(235)	(111)
Expenses not deductible for tax purposes	1,117	111
Group relief claimed for nil payment	(882)	-
Total tax	-	-

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.

38 Investments

	Investments in subsidiary companies £000
Cost	
At 1 April 2022	-
Additions	109,526
At 31 March 2023	109,526
Net book value	
At 31 March 2022	-
At 31 March 2023	109,526

The Company completed the acquisition of Admenta UK Limited and its subsidiaries on 6 April 2022 and the investment cost amounted to £110.0 million.

The directors consider that the aggregate value of the Company's shares in its group undertakings as at the year-end is not less than the aggregate of the amounts at which the shares are included in the Company's balance sheet.

Details of the subsidiaries as at 31 March 2023 are listed in the notes to the Consolidated financial statements on pages 42-45 and form part of these financial statements by reference.

Notes *(continued)***39 Trade and other receivables**

	31 March 2023 £000	31 March 2022 £000
Current		
Prepayments and accrued revenue	19,410	-
Other receivables	499	84
	<hr/>	<hr/>
	19,909	84
Non-current		
Amounts owed by group undertakings	25,000	-
	<hr/>	<hr/>
	44,909	84
	<hr/>	<hr/>

The amounts owed by group undertakings are due in more than one year and are interest-free.

40 Trade and other payables

	31 March 2023 £000	31 March 2022 £000
Current		
Amounts owed to group undertakings	7,870	-
Accruals	281	610
Other payables	446	-
	<hr/>	<hr/>
	8,597	610
Non-current		
Amounts owed to group undertakings	150,544	-
	<hr/>	<hr/>
	159,141	610
	<hr/>	<hr/>

Current amounts owed to group undertakings are due on demand and represent interest-free loans.

Non-current amounts owed to group undertakings represent loans of £63.7 million and £28.1 million from AAH Pharmaceuticals Limited and Lloyds Pharmacy Clinical Homecare Limited, respectively. Interest is charged at 3% above the Bank of England rate; the loan from the intermediate parent of £54.0 million is interest free. In August 2023 the loans from AAH Pharmaceuticals Limited and Lloyds Pharmacy Clinical Homecare Limited were repaid, and new loans from Admenta UK Limited were put in place.

Notes (continued)

41 Capital and reserves

Share capital

In thousands of shares

At 1 April 2022

Issued for cash

At 31 March 2023

Ordinary shares 31 March 2023

65

885

950

31 March 2023
£000

31 March 2022
£000

Allotted, called up and fully paid

Ordinary shares of £1 each

950

65

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year, the Company issued 885,000 £1 ordinary shares for a consideration of £0.9 million, settled in cash.

Notes *(continued)***42 Financial instruments**

	31 March 2023 £000	31 March 2022 £000
Financial assets		
Cash	3,837	8
Debt instruments measured at amortised cost	25,499	84
	<hr/>	<hr/>
	29,336	92
	<hr/>	<hr/>
Financial liabilities		
Financial liabilities measured at amortised cost	159,141	610
	<hr/>	<hr/>
	159,141	610
	<hr/>	<hr/>

43 Related parties

The Company has chosen to apply the exemption under FRS 101.8(k) and not disclose related party transactions with the wholly-owned group companies.

44 Ultimate parent company and immediate parent company

The immediate parent undertaking is Aurelius Fox Limited a company registered in England and Wales. The registered office address is 6th Floor, 33 Glasshouse Street, London W1B 5DG.

The ultimate parent undertaking and controlling party of the Company is Aur Gp Holdco (UK) Limited, a company registered in the United Kingdom. The registered office address is 6th Floor, 33 Glasshouse Street, London W1B 5DG.

45 Post balance sheet events

The Company reduced the aggregate nominal value of its share capital from £950,001 to £95 by reducing the nominal value per share from £1 to £0.0001 on 11 August 2023.

Post year end, the Company received dividends totalling £415.0 million from its subsidiary and paid £405.0 million in dividends to the parent company.

46 Accounting estimates and judgements

In applying the Company's accounting policies, which are described in note 30, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management do not consider there to be any material critical judgements in applying the Company's accounting policies. In the process of applying the Company's accounting policies the directors have concluded that there are no key sources of estimation uncertainty on the amounts recognised in the financial statements.