Company registration number: 03118885

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OTC Direct Limited
Annual report and financial statements
for the period ended 30 September 2022

Contents

OTC Direct Limited

Strategic Report

for the period ended 30 September 2022

The Directors present their strategic report for the period ended 30 September 2022.

Principal activities
OTC Direct Limited's (the "Company") principal activities during the period were pharmaceutical wholesaling and distribution.

Business review and key performance indicators (KPI's)

Key Performance Indicators	2022 £million	Change	2021 £million	Change
Revenue	608.7	28 %	477.3	22 %
Operating profit	28.4	(1)%	28.6	(8)%
Profit for the period	23.3	2 %	22.8	(9)%
Shareholders' equity	62.7	1 %	62.4	(3)%

Revenue for the 13-month period to 30 September 2022 increased to £608.7 million (12-month period in 2021: £477.3 million) whilst operating profit remained at a similar level to prior year at £28.4 million (2021: £28.6 million). This reflects a change in product mix partly attributable to Brexit and increasing cost pressures. The Company's profit after tax for the financial period was £23.3 million (2021: £22.8 million).

The Company has maintained its strong financial position during and at the end of the financial period. The Company had net assets of £62.7 million (2021: £62.4 million) at the end of the financial period.

Section 172(1) statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the long-term success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to,

a. *the likely consequences of any decision in the long term;*
b. *the interests of the company's employees;*
c. *the need to foster the company's business relationships with suppliers, customers and others;*
d. *the impact of the company's operations on the community and the environment;*
e. *the reputation for a high standard of business conduct; and*
f. *the need to act fairly as between members of the company.*

As a part of their induction, the Directors of the company are briefed on their duties including those under Section 172 (1) and they can access professional advice on these either from the Company Secretary or, if they judge necessary, from independent advisors for effective discharge of their duties.

The Company continues to be true to its purpose of creating healthier futures, while playing a fundamental role in the provision of medicines and healthcare services across the UK. When making any decisions, during the period ended 30 September 2022, the Directors considered, both individually and together, the matters set out in section 172(1)(a-f) and have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole, over the long term. Below are some of the ways in which the Directors have engaged with various stakeholders and fulfilled their duty under this section.

Employees: All staff and Directors were employed and paid on behalf of the Company by a fellow Group undertaking and the Company is recharged for their services. The Directors consider employee engagement a critical factor in the long-term sustainable success of the Company. The Company has a number of different employee forums with the aim of assessing employee engagement levels and identifying key concerns that have representation of all areas and locations of our business. A number of actions have been implemented during the period including various employee welfare related improvements at its facilities. Development programmes have taken place throughout all sites for first line managers and the Company also has an e-learning platform with a suite of learning modules.

Creating healthier futures starts with the health of team members, and as a purpose-driven company, the health and well-being of team members is fundamental to the Company. Alongside other companies in the Company's group, the Company has 70 trained Mental Health First Aiders who have completed their training with MHFA England and has launched a toolkit to help line managers identify and support when colleagues may experience mental ill health. These team members are equipped with the knowledge, tools and confidence to approach and support other team members when facing a mental health issue.

The Company is committed to fostering an inclusive and diverse workplace and treat the people behind the organisation with dignity and respect so that they feel supported, appreciated and valued both inside and outside of work. We recognise important events throughout the year such as Pride month, Diwali and International Women's Day so that colleagues feel lifted, supported and proud to be their true, authentic selves in and outside of the workplace.

Customers: The Directors strongly believe in treating customers fairly and providing them with safe and quality products and an excellent service and product availability. The Company supports and keeps close to customers through its telesales-based employees. The Directors regularly use feedback to understand the views of the customers and consider the impact of their decisions on customers' interests. The Company continues to support customers with improvements to customer services including digital functionalities which help provide easy accesses to information, ordering and various other services.

Suppliers: The Directors aim to ensure that the Company operates fairly, transparently and with integrity with its suppliers and values this relationship of strategic importance. The Company engages with its suppliers through multiple channels, both formally and informally. These engagements provide the Directors with a broad and diverse understanding of supplier priorities and allows them to take into account the interest of suppliers while making decisions.

The Company provides an essential role in the supply of medicines in the UK and has contingency plans in place to maintain continuity of operations and ensure provision of service to our customers.

OTC Direct Limited

Strategic Report (continued)
for the period ended 30 September 2022

Community: The Directors value an open dialogue with the communities in which the business operates. This allows the Directors to understand how these communities view the business and the emerging needs of these communities in our united responsibility to create healthier futures. It also enables the Directors to take into account the impact of their decisions on these communities. The Company, either directly or through its associated companies, engages with the wider community through multiple means which could include social media, charity events, its membership of the Healthcare Distributors Association and its engagement with the associations representing community pharmacy, such as Pharmaceutical Services Negotiating Committee (PSNC), Association of Independent Multiple Pharmacies (AIM), The Company Chemists' Association (CCA) and The National Pharmacy Association (NPA) .

Alongside other Group companies in the UK, the Company has raised funds for the European Organisation for Research and Treatment of Cancer ("EORTC") to support its efforts in the fight against cancer though a wide variety of activities involving many team members. The Company has raised and donated over £90,000 for the charity in the last year.

Alongside other Group companies in the UK, the Company has raised funds for Vitamin Angels UK to help its work to end child malnutrition in the UK and across the world. The Group companies celebrated its £100,000 fundraising milestone this year, and over the last four years of the partnership, the Group companies and Vitamin Angels have reached the lives of over 468,600 children.

Environment: The Company takes its environmental social governance (ESG) seriously and recognises that the business has a significant impact on the environment due to the nature and scale of the operation. Alongside other Group companies in the UK, the Company has pledged to be the sustainable wholesaler partner of choice for the healthcare industry and has committed to become net carbon zero by 2030 (scope 1 and 2).

Principal risks and uncertainties
The Company's Directors monitor the overall risk profile of the Company. In addition, the Directors are responsible for determining clear policies as to what the Company considers to be acceptable levels of risk. These policies seek to enable people throughout the Company to use their expertise to identify risks that could undermine performance and to devise ways of bringing them to within acceptable levels. Where the Directors identify risks that are not acceptable, they develop action plans to mitigate them with clear allocation of responsibilities and timescales for completion and ensure that progress towards implementing these plans is monitored and reported upon.

All risks and uncertainties that could have an impact on the financial statements are disclosed in the following notes.

Macroeconomic and political environment
Risk
The Company could be affected adversely by the impact of the current macroeconomic and political environment on logistics, key suppliers and customer groups.

Mitigation
The Company continually monitors and assesses the impact of macroeconomic and political developments on critical suppliers and key customer groups and has appropriate contingency plans.
In relation to Brexit, the United Kingdom left the European Union ("EU") on 31 January 2020. As the United Kingdom and EU continue to negotiate on a new trading relationship for goods and services, the Company is committed to minimising risks across the supply chain and to protect and maintain the supply of essential products, monitoring the situation closely. Key areas of focus include imports/exports of medicines and related products to and from the EU, implementing the Northern Ireland Protocol as it develops.

Increased costs
Risk
Operating costs may increase due to factors outside the control of the Company, including certain costs subject to high inflationary increases. In particular, the volatility of energy and fuel prices could adversely impact the Company.

Mitigation
The Company uses group procurement professionals and procurement techniques to purchase goods and services on a national basis. The Company carefully controls operating costs and closely monitors energy market information.

Impact of regulation
Risk
The Company operates in regulated markets and could be adversely affected by changes to existing regulation, new regulation and/or failure to comply with regulation. The Company is subject to a range of regulations relating to such things as pricing, product traceability and the conditions under which products must be stored.

Mitigation
The Company seeks to mitigate this type of risk through active involvement in policy-making processes, understanding and contributing to government thinking on regulatory matters and building relationships with regulatory bodies directly and through representation in relevant professional and trade associations.

Competition
Risk
Changes in market dynamics or actions of competitors or manufacturers could adversely impact the Company. The Company faces competition from direct competitors and alternative supply sources.

Mitigation
The Company continues to build strong relationships with customers in order to ensure a high quality of service is delivered.

OTC Direct Limited

Strategic Report (continued)
for the period ended 30 September 2022

Health, safety and environmental risks
Risk
The Company could suffer reputational damage caused by a major health and safety or environmental incident. Employees of the Group or members of the public could be injured by failure to comply with appropriate policies.

Mitigation
The Company applies standards throughout the Group which are closely monitored and regularly audited. Health, safety and environmental incidents are logged and analysed in order to learn the necessary lessons. Additional COVID-19 protocols have been introduced across the business to ensure colleagues are kept safe. Any major incident is promptly reported to and investigated by the executive management.

Product/services risk
Risk
The Company could be adversely impacted by the supply of defective products or provision of inadequate services. In particular, this could come from allowing the infiltration of counterfeit products into the supply chain, errors in re-labelling of products and contamination or product mishandling issues.

Mitigation
The Company has robust purchasing, well developed controls in relation to suppliers and a cohesive product control framework. This includes specific controls for the identification of counterfeit product.

Major operational business failures
Risk
The Company could be adversely impacted by a major failure of its distribution centres and logistics infrastructure, IT systems or operational systems of key third party suppliers.

Mitigation
The Company operates business continuity plans and continually seeks to improve control of core business processes, through self-assessment and through specific programmes.

Future pandemics
Risk
The Company could be adversely impacted by future pandemics such as COVID-19 which may create significant volatility, uncertainty and economic or operational disruption.

Mitigation
The Company has robust processes in place to support its colleagues, serve its customers and maintain its services in the event of operational constraints. During COVID-19 the Company continued to deliver a normal service and in future pandemics the Company would continue to actively manage its response in collaboration with customers, suppliers, government and our team members.

Human Resource
Risk
The Company faces disruption in operations due to shortages in the labour market and risk of not attracting and retaining a skilled workforce.

Mitigation
The Group has a labour stabilisation programme in place to attract, develop, compensate and retain the best resource.

Change management
Risk
The Company could be affected adversely by the failure to achieve the anticipated commercial, operational and financial benefits from the various change programmes in the course of implementation throughout the Company.

Mitigation
The Company has in place robust governance processes to control all key change programmes, including regular programme board and steering group meetings at which progress to achieve the required benefits is monitored rigorously.

Data protection
Risk
The Company processes a significant volume of confidential, personal and business data and could be adversely affected if any of this data is accidentally or maliciously lost.

Mitigation
The Company applies rigorous information security policies and procedures such as strong perimeter controls, access controls and employee training. The Company ensures that all internal processing complies with data protection legislation inclusive of General Data Protection Regulation.

Approved by the Board and signed on its behalf by:

Lucie Massart
Lucie Massart (Jun 16, 2023 09:39 GMT+1)

L Massart
Company Secretary
16 June 2023

OTC Direct Limited

Directors' Report

for the period ended 30 September 2022

The Directors present their annual report and the audited financial statements for the period ended 30 September 2022. Current period financial statements are prepared for the 13 months period ended 30 September 2022 as oppose to year ended 31 August 2021 in the previous year. This is to align with the financial reporting year-end of AmerisourceBergen Corporation, our ultimate parent company.

Going concern
The Company has net current assets and continuing cash generation and therefore the Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3 to the financial statements.

Financial risks
The Company is exposed to a variety of financial risks, which includes the effects of changes in market prices (interest rates and foreign exchange rates), credit risk, and liquidity risk.

Being part of the larger AmerisourceBergen Group ("Group"), the Directors of the Company monitor these risks, in conjunction with, the Group Treasury function, and necessary action is taken either at the Company level or at a Group level to manage these risks, in line with the Group Treasury policy. Below is a summary of the various risk management policies that have been adopted by the Group and its subsidiaries.

Credit Risk
Credit risk is the risk that a counter party may default on its contractual obligations, resulting in financial loss. In the Company, credit risk arises from multiple sources including cash balances and deposits held with financial institutions, derivative financial instruments and credit exposures to customers including outstanding receivables or committed transactions. The Company mitigates credit risk by assessing the creditworthiness of potential customers prior to extending their credit terms, deals only with Group approved Financial Institutions and restricts the balances held with each financial institution at an agreed limit.

Liquidity risk
The Company needs to maintain adequate liquidity to carry out its business. The Group's approach to managing liquidity in the short term is to minimise risk and maintain liquidity and in the long term is to maintain a strong balance sheet and financial flexibility. In order to meet these objectives, the Company participates in a Group cash pooling arrangement and liquidity is monitored both at the Company level and at a Group level. Based on the review of cash generated via operations, cash flow forecast and long term cash requirements, the Company, may take on both long-term and short-term debt to meet its short-term and long-term liquidity objectives either from approved financial institutions or from other Group subsidiaries.

Interest rate risk
The Company may face interest rate volatility, with regard to existing variable-rate debt instruments and future incurrences of fixed or variable-rate debt, which exposure primarily relates to movements in various interest rates, such as SONIA and commercial paper rates. In order to mitigate the risk of adverse interest rate movements, the Company or other Group subsidiaries, may, either individually or collectively, enter into interest rate swaps or forward-starting interest rate swaps to hedge these exposures.

Foreign currency exchange rate risk
The Company may be exposed to fluctuations in foreign currency exchange rates. These primarily arise from cash flows related to foreign denominated transactions, investment in foreign subsidiaries, translation of foreign currency earnings to functional currency and debt extended or incurred in a non-functional currency. To manage these, the Company or other Group subsidiaries, on its behalf, may enter into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on non-functional currency cash flows. In addition, the Company or other Group subsidiaries, on its behalf, may also enter into foreign currency forward contracts that are not designated in hedging relationships to offset, in part, the impacts of certain intercompany activities (primarily associated with intercompany financing transactions).

Dividends
An interim dividend of £23.0 million (2021: £25.0 million) was declared and paid in the period. The Directors do not recommend the payment of a final dividend (2021: £nil).

Future developments
The Company intends to continue operating in pharmaceutical wholesaling and distribution.

Post balance sheet events
There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Directors
The following served as Directors during the period and to the date of this report:

P Rivas	
M Evans	
D Tooby	
G Tassone	(resigned 31 January 2023)
R Gorsuch	(appointed 1 February 2023)
C Perez Frances	(appointed 1 February 2022)

Directors benefited from qualifying third party indemnity provisions provided by a Group company in place during the financial period and at the date of this report.

Engagement with suppliers, customers and others
The Company aims to operate fairly, transparently and with integrity in the marketplace. The Company understands the importance of developing business relationships and, in order to do this, engages with its customers, suppliers and other key stakeholders through multiple channels. These may include face to face interactions, conferences, corporate/business websites and surveys. This provides a broad and diverse understanding of evolving priorities of various stakeholders and helps the Company and its Directors to consider these views in their decision making. Further details of how Directors have engaged with key stakeholders can be found in the Section 172(1) statement on page 1.

Energy and Carbon reporting
The Company is determined to protect the environment and reduce our carbon footprint. As per changes introduced by the 2018 Regulations of the Companies Act 2006, the Directors of the Company are required to report on the energy and carbon information relating to the Company:

a. The energy usage of the Company for the period was 9,712 mWh (2021: 8,934 mWh).
b. Total CO_2 emissions for the period were 2,149 tonnes (2021: 1,962 tonnes).
c. To put this in a more meaningful context, the Company had a CO_2 emission of 3.53 tonnes per £million of revenue (2021: 4.11 tonnes per £million of revenue).
d. During the period, the Company has seen a slight increase in energy consumption due to increasing operational activity. The business is continuously working to improve efficiency across the business by actively engaging with employees to identify opportunities across our operations.

The carbon footprint, measured in CO_2e tonnes, is calculated from the energy usage data submitted for gas and electricity, outbound product delivery, and business travel activity, and relates to scope 1 and 2 emissions. Data is converted using the UK Department for Environment, Food & Rural Affairs ("DEFRA") CO_2e factors. Conversion factors are updated annually to reflect the factors published by DEFRA that are in effect as of September 30 of the reporting period.

Disclosure of information to auditors
Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director 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 of 2006.

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

Approved by the Board and signed on its behalf by:

Lucie Massart
Lucie Massart (Jun 16, 2023 09:39 GMT+1)

L Massart
Company Secretary
16 June 2023

Registered office:
43 Cox Lane
Chessington, Surrey
KT9 1SN

Registered in England and Wales No. 03118885

OTC Direct Limited

Directors' responsibilities statement

for the period ended 30 September 2022

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 period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- 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.

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.

OTC Direct Limited

Independent auditor's report

to the members of OTC Direct Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of OTC Direct Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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.

Independent auditor's report (continued)

to the members of OTC Direct Limited

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 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 areas, and our specific procedures performed to address it are described below:

- We identified a significant risk due to fraud in relation the existence of accrued income. In order to address this risk, we performed procedures to assess the design and implementation of related internal controls, and performed detailed audit testing of the balance ensuring it was in line with relevant supporting documents.

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 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.

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 period 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.

JHeywood

Jason Heywood FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
16 June 2023

OTC Direct Limited

Income statement
for the period ended 30 September 2022

	Notes	13 month period ended 30 September 2022 £million	For the year ended 31 August 2021 £million
Revenue	5	**608.7**	477.3
Cost of sales		**(553.5)**	(428.3)
Gross profit		**55.2**	49.0
Distribution costs		**(20.5)**	(13.9)
Administrative expenses		**(6.3)**	(6.5)
Operating profit		**28.4**	28.6
Finance income	9	**0.1**	—
Finance costs	10	**(0.1)**	(0.2)
Profit before taxation		**28.4**	28.4
Tax	11	**(5.1)**	(5.6)
Profit for the period	6	**23.3**	22.8

Revenue and operating profit are all derived from continuing operations.

The accompanying notes to the financial statements are an integral part of the Company's financial statements.

The Company has no comprehensive income and has, therefore, not included a statement of comprehensive income.

OTC Direct Limited

Statement of financial position

As at 30 September 2022

	Notes	2022 £million	2021 £million
Assets			
Non-current assets			
Property, plant and equipment	14	2.6	3.0
Right-of-use assets	22	4.0	4.5
		6.6	7.5
Current assets			
Inventories	16	30.0	33.3
Trade and other receivables	17	106.5	99.8
Cash and bank balances		3.1	0.9
		139.6	134.0
Total assets		146.2	141.5
Liabilities			
Current liabilities			
Trade and other payables	18	(78.7)	(73.3)
Lease liabilities - current	22	(0.6)	(0.6)
Provisions	19	(0.4)	(0.3)
Total liabilities		(79.7)	(74.2)
Net current assets		59.9	59.8
Total assets less current liabilities		66.5	67.3
Non-current liabilities			
Lease liabilities - non-current	22	(3.8)	(4.3)
Deferred tax liabilities	15	—	(0.6)
		(3.8)	(4.9)
Net assets		62.7	62.4
Equity			
Share capital	20	0.5	0.5
Retained earnings	21	62.2	61.9
Total Equity		62.7	62.4

The accompanying notes to the financial statements are an integral part of the Company's financial statements.

The financial statements of OTC Direct Limited (registered number: 03118885) were approved by the Board of directors and authorised for issue on 16 June 2023. They were signed on its behalf by:

Director
C Perez Frances

Statement of changes in equity
for the period ended 30 September 2022

	Share capital	Retained Earnings	Total
	£million	£million	£million
At 1 September 2020	0.5	64.1	64.6
Profit for the year	—	22.8	22.8
Dividends paid (note 12)	—	(25.0)	(25.0)
At 31 August 2021	0.5	61.9	62.4
Profit for the period	—	23.3	23.3
Dividends paid (note 12)	—	(23.0)	(23.0)
At 30 September 2022	**0.5**	**62.2**	**62.7**

The accompanying notes to the financial statements are an integral part of the Company's financial statements.

OTC Direct Limited

Notes to the financial statements
for the period ended 30 September 2022

1. General Information
OTC Direct Limited (the "Company") is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 5.

The nature of the Company's operations and its principal activities are set out in the Strategic report on page 1.

The reason for the year end change is disclosed in the Directors' report on page 4.

2. Adoption of new and revised standards
In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7	The Company has adopted the amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures for the first time in the current year. The amendments provide practical reliefs for hedging relationships to continue where the underlying interest rate has been updated by the interest rate benchmark reform.

3. Significant accounting policies
Basis of accounting
These financial statements are presented in pound sterling because that is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

These financial statements are individual accounts. The Company is exempt from the preparation of consolidated financial statements under s401 of the Companies Act, because it is included in the group accounts of AmerisourceBergen Corporation. The group accounts of AmerisourceBergen are available to the public and can be obtained as set out in note 26.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment*, because the share based payment arrangement concerns the instruments of another group entity;

(b) the requirements of paragraph 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations;*

(c) the requirements of IFRS 7 *Financial Instruments: Disclosures*;

(d) the requirements of paragraphs 91-99 of IFRS *13 Fair Value Measurement;*

(e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
- (i) paragraph 79(a)(iv) of IAS 1;
- (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- (iii) paragraph 118(e) of IAS 38 *Intangible Assets;*

(f) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;

(g) the requirements of IAS 7 *Statement of Cash Flows*;

(h) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(i) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and

(j) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(k) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers.*

3. Significant accounting policies (continued)
Basis of accounting (continued)
Where relevant, equivalent disclosures have been given in the group financial statements of AmerisourceBergen Corporation.

The principal accounting policies adopted are set out below.

Going concern
The Company's business activities, together with the factors likely to affect its future development and position, are set out in its strategic report.

The Company has net current assets and generates positive cash flows and expects this to continue in future periods.

The Company had £3.1 million (2021: £0.9 million) of cash and cash equivalents as at 30 September 2022. In addition, the Company has access to funds via a Group Treasury function, where cash can be made available on demand. The Company's Directors have assessed the willingness and ability of the Group to continue to provide the cash pool facility.

The Directors are aware that there will always be an element of economic uncertainty around making a going concern assessment.

The Directors have undertaken an assessment to consider the going concern of the Company. In making their assessment the Directors have considered:

- the Company's financial position as at the date of this report;
- the expected future performance of the business; and
- risks and uncertainties.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 12 months after the approval of the financial statements. Therefore, the Directors continue to adopt the going concern basis of account in preparing the financial statements.

Revenue recognition
Revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to the customer, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, customer rebates and other similar allowances.

Sale of goods
Revenue from the sale of goods is recognised when the control is transferred to the customer.

Rendering of services
Where the Company acts in the capacity of an agent, or a logistic service provider, revenue represents the service fees charged and is recognised upon performance of the services concerned.

Interest revenue
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Cost of sales
Cost of goods sold is recognised at the same time as the sale of goods. Cost is recognised net of any discount or rebates received from manufacturers.

Foreign currencies
Currency transactions
Transactions denominated in currencies other than the Company's functional currency are translated into the Company's functional currency at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in currencies other than an entity's functional currency at the period-end are translated at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured at historical cost and are denominated in currencies other than an entity's functional currency are translated using the exchange rates at the date of the transaction. Non-monetary items that are measured at fair value and are denominated in currencies other than the entity's functional currency are translated using the exchange rates at the date when the fair value was determined. Exchange gains and losses are recognised in the income statement.

Taxation
The tax expense represents the sum of the current tax and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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.

3. Significant accounting policies (continued)
Taxation (continued)
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 balance sheet 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.

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 tax and deferred tax for the period
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.

Cash and bank balances
Cash and bank balances comprises cash in hand and short-term deposits with maturities of three months or less from the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Property, plant and equipment
All property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, in equal instalments over their expected useful economic lives which are:

Land and buildings
- Freehold land and assets in the course of construction - not depreciated;
- Freehold and long leasehold buildings - depreciated to their estimated residual values over their useful economic lives of not more than 50 years;
- Plant and machinery - 10 years; and
- Fixtures, fittings, tools and equipment - 5 to 10 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Leases
The Company determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognised at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the asset. The Company utilises its incremental borrowing rate to discount the lease payments. The incremental borrowing rate is based on the Company's estimated rate of interest for a collateralised borrowing over a similar term as the lease term. Short-term leases with an initial term of 12 months or less and leases of low value assets are not recorded on the balance sheet. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

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

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

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

The right-of-use assets are presented as a separate line in the balance sheet.

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

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company, therefore accounts for lease components and non-lease components as a single lease component.

The Company has property leases which require reimbursement for common area maintenance and insurance, which are expensed as incurred as variable lease costs and hence are not included in the lease payments used to calculate the lease liability. Other property leases contain one fixed lease payment that includes common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use assets and lease liabilities. Initial terms for leased premises are typically 5 to 15 years and may include renewal options, rent escalation clauses or cancellation clauses. The lease term of property leases include renewal options that are reasonably certain of being exercised. Options to extend are considered reasonably certain of being exercised based on evaluation of multiple factors including if there are significant investments within the leased property which have useful lives greater than the non-cancellable lease term and the Company's economic and strategic initiatives. The Company does not separately account for the land portion of the leases involving land and building.

Impairment of property, plant and equipment and intangible assets
At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in, first out method. The cost of finished goods comprises the purchase cost of goods and those overheads related to distribution based on normal activity levels. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

3. Significant accounting policies (continued)
Financial instruments (continued)
Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Significant accounting policies (continued)
Financial instruments (continued)
Financial liabilities
Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 balance sheet 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.

4. Critical accounting judgements and key sources of estimation uncertainty
In the application of the Company's accounting policies, which are described in note 3, 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.

Critical judgements in applying the Company's accounting policies
During the period, the Directors have concluded that there were no critical accounting judgements.

Key sources of estimation uncertainty
During the period, there were no key sources of estimation uncertainty.

5. Revenue
All revenues are generated from the UK.

An analysis of the Company's revenue is as follows:

	13 month period ended 30 September 2022	For the year ended 31 August 2021
	£million	£million
Continuing operations		
Sales of goods	**608.7**	477.3
	608.7	477.3

Included within the sales of goods for the period is £191.3 million (2021: £125.4 million) in respect of sales to another Group company.

6. Profit for the period
Profit for the period has been arrived at after charging:

	13 month period ended 30 September 2022	For the year ended 31 August 2021
	£million	£million
Depreciation of property, plant and equipment (note 14)	**0.5**	0.5
IFRS 16 lease expenses (note 22):		
- Property	**0.9**	0.8

Notes to the financial statements (continued)
for the period ended 30 September 2022

7. Auditor's remuneration
The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company.

	13 month period ended 30 September 2022	For the year ended 31 August 2021
	£'000	£'000
Audit of the financial statements	94	101
Total audit fees	94	101

No non-audit services were provided to the Company by its auditor in the current or preceding period.

8. Staff numbers and costs
All staff and Directors were employed and paid on behalf of the Company by another Group company, Alliance Healthcare Management Services Limited. OTC Direct Limited is recharged for their services which amounted to £11.8 million (2021: £10.6 million).

Directors' remuneration

	13 month period ended 30 September 2022	For the year ended 31 August 2021
	£million	£million
Aggregate remuneration	0.3	0.6
	0.3	0.6

	2022	2021
	Number	Number
The number of directors who:		
Are members of a defined contribution scheme	—	1

	13 month period ended 30 September 2022	For the year ended 31 August 2021
	£million	£million
Remuneration of the highest paid director:		
Aggregate remuneration	0.3	0.4
	0.3	0.4

9. Finance income

	13 month period ended 30 September 2022	For the year ended 31 August 2021
	£million	£million
Interest receivable from Group undertakings	0.1	—
	0.1	—

Where applicable, amounts receivable from Group undertakings accrue interest at a rate of SONIA plus margin (2021: LIBOR plus margin)..

10. Finance costs

	13 month period ended 30 September 2022	For the year ended 31 August 2021
	£million	£million
Financing costs	—	0.1
Finance charges payable in respect of leases	0.1	0.1
	0.1	0.2

Notes to the financial statements (continued)
for the period ended 30 September 2022

11. Tax
An analysis of the tax charge for the period is presented as follows:

	13 month period ended 30 September 2022 £million	For the year ended 31 August 2021 £million
Corporation tax:		
UK corporation tax	5.3	5.0
Adjustments in respect of prior periods	0.4	0.4
	5.7	5.4
Deferred tax (note 15):		
Current period charge	0.1	0.6
Adjustments in respect of prior periods	(0.7)	(0.4)
	(0.6)	0.2
	5.1	5.6

Corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated taxable profit for the period.

The tax charge for the period can be reconciled to the profit in the income statement as follows:

	13 month period ended 30 September 2022 £million	For the year ended 31 August 2021 £million
Profit before tax	28.4	28.4
Tax at the UK corporation rate of 19.0% (2021: 19.0%)	5.4	5.4
Effects of:		
Adjustments in respect of prior periods	(0.3)	—
Remeasurement of deferred tax balances due to change in UK substantively enacted rate	—	0.2
Tax charge for the period	5.1	5.6

Factors that may affect future current and total tax charges
On May 24, 2021, the UK Finance Act 2021 was substantively enacted increasing the UK tax rate from 19% to 25% effective April 1, 2023. The impact of the tax rate, primarily revaluation of deferred tax liabilities, has been reflected in these financial statements.

12. Dividends
The Company's paid and proposed dividends are presented as follows:

	13 month period ended 30 September 2022 £million	For the year ended 31 August 2021 £million
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the period (equivalent to 4,600p per share, 2021: 5,000p per share)	23.0	25.0
	23.0	25.0

The Directors do not recommend the payment of a final dividend (2021: £nil).

13. Intangible assets

	Software £million
Cost	
At 1 September 2021	0.2
At 30 September 2022	**0.2**
Amortisation	
At 1 September 2021	0.2
At 30 September 2022	**0.2**
Carrying amount	
At 31 August 2021	—
At 30 September 2022	—

Intangible assets are amortised on a straight line basis over their useful economic life of 5 years.

14. Property, plant and equipment

	Short Leasehold Buildings £million	Fixtures, fittings, tools and equipment £million	Total £million
Cost			
At 1 September 2021	3.3	1.7	5.0
Additions	—	0.1	0.1
At 30 September 2022	**3.3**	**1.8**	**5.1**
Accumulated depreciation			
At 1 September 2021	1.0	1.0	2.0
Charge for the period	0.3	0.2	0.5
At 30 September 2022	**1.3**	**1.2**	**2.5**
Carrying amount			
At 31 August 2021	2.3	0.7	3.0
At 30 September 2022	**2.0**	**0.6**	**2.6**

15. Deferred Tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior periods.

	Decelerated/ (accelerated) tax depreciation £million
At 1 September 2020	(0.4)
Charge to profit or loss	(0.2)
At 31 August 2021	(0.6)
Credit to profit or loss	0.6
At 30 September 2022	—

16. Inventories

	2022 £million	2021 £million
Work-in-progress	**16.3**	21.5
Finished goods	**13.7**	11.8
	30.0	33.3

The amount of inventory recognised as an expense in the period was £553.5 million (2021: £428.3 million).

Notes to the financial statements (continued)

for the period ended 30 September 2022

17. Trade and other receivables

	2022 £million	2021 £million
Amounts falling due within one year:		
Amount receivable for the sale of goods	**71.9**	70.5
Amounts owed by group undertakings	**27.5**	22.4
Other receivables	**0.9**	2.0
Prepayments	**0.4**	0.3
Accrued Income	**5.8**	4.6
Included in current assets	**106.5**	99.8
Total trade and other receivables	**106.5**	99.8

Amounts owed by Group undertakings are unsecured and repayable on demand, and include £15.9 million relating to cash held by a Group Treasury function as part of a cash pooling arrangement, which is subject to interest charged at SONIA plus margin (2021: £12.0 million, with interest charged at LIBOR plus margin). Interest is not incurred on other amounts owed by Group undertakings.

18. Trade and other payables

	2022 £million	2021 £million
Amounts falling due within one year:		
Trade payables	**54.3**	44.1
Amounts owed to Group undertakings	**19.0**	17.4
Other creditors	**—**	4.7
Accruals	**1.2**	3.4
Deferred income	**3.2**	3.2
Corporation tax payable	**1.0**	0.5
Included in current liabilities	**78.7**	73.3
Total trade and other payables	**78.7**	73.3

Amounts owed to Group undertakings are trade related and are repayable under normal payment terms. No interest is incurred on these amounts.

19. Provisions

	Dilapidations £million
At 1 September 2021	0.3
Provisions created during the period	0.1
At 30 September 2022	**0.4**

The provision relates to dilapidations at vacated properties and is measured at fair value, being the expected outflow of the Company.

20. Share capital

	2022 £million	2021 £million
Authorised		
500,000 ordinary shares of £1 each (2021: 500,000 ordinary shares)	**0.5**	0.5
Issued and fully paid		
500,000 ordinary shares of £1 each (2021: 500,000 ordinary shares)	**0.5**	0.5

The Company has one class of ordinary shares which carry no right to fixed income.

OTC Direct Limited

Notes to the financial statements (continued)
for the period ended 30 September 2022

21. Retained earnings

	£million
At 1 September 2020	64.1
Dividends paid	(25.0)
Profit for the year	22.8
At 31 August 2021	61.9
Dividends paid	(23.0)
Profit for the period	23.3
At 30 September 2022	**62.2**

22. Leases
The Company leases warehouses and certain equipment. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the property. All leases are classified as finance lease except for short term leases less than twelve months and low value asset leases.

The Company as lessee
Amounts recognised in the balance sheet

	2022	2021
	Land and buildings	Land and buildings
	£million	£million
Right-of-use assets	4.0	4.5
Lease liabilities - current	0.6	0.6
Lease liabilities - non-current	3.8	4.3
Total lease liabilities	4.4	4.9

Amounts recognised in the income statement

	13 month period ended 30 September 2022	For the year ended 31 August 2021
	Land and buildings	Land and buildings
	£million	£million
Depreciation expense on right-of-use assets	0.6	0.5
Interest expense on lease liabilities	0.1	0.1
Expense related to short-term leases	0.2	0.2

Other supplemental disclosures are as follows:

	2022	2021
	£million	£million
Total cash flow for leases	0.8	0.6
Weighted average remaining lease term in years	8	8
Weighted average discount rate	2.9 %	2.9 %

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under leases, which fall due as follows:

	2022	2021
	Land and buildings	Land and buildings
	£million	£million
Less than one year	0.8	0.7
Between one and five years inclusive	3.3	3.0
More than five years	1.3	1.8
Future minimum lease payments	5.4	5.5
Interest portion	(1.0)	(0.6)
Lease liability	4.4	4.9

Notes to the financial statements (continued)
for the period ended 30 September 2022

23. Contingent liabilities
The Company has no material contingent liabilities other than those arising in the normal course of the business.

24. Events after the balance sheet date
There were no post balance sheet events.

25. Related parties
During the period the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 30 September 2022 with other related parties, are as follows:

	Sale of goods		Purchase of goods	
	13 month period ended 30 September 2022	For the year ended 31 August 2021	**13 month period ended 30 September 2022**	For the year ended 31 August 2021
	£million	£million	**£million**	£million
Related party				
Boots UK Limited	**23.3**	5.9	**8.1**	1.6
GEHE Pharma Handel GmbH	**—**	—	**—**	0.2
Alliance Healthcare Deutschland GmbH	**—**	—	**11.0**	1.9
Alliance Healthcare Italia Distribuzione S.p.A.	**—**	—	**—**	2.0

	Amounts owed by related parties		Amounts owed to related parties	
	2022	2021	**2022**	2021
	£million	£million	**£million**	£million
Related party				
Boots UK Limited	**1.9**	2.3	**0.9**	1.1

Boots UK Limited, GEHE Pharma Handel GmbH and Alliance Healthcare Deutschland GmbH are companies in the Walgreen Boots Alliance, Inc. Group, and are disclosed as related parties from 1 June 2021 due to WBA's shareholding in AmerisourceBergen Corporation, the Company's ultimate parent company from 1 June 2021. The sales and purchases in 2021 represent 3 months, and are therefore not comparable to those in 2022.

Alliance Healthcare Italia Distribuzione S.p.A. is a company where a director of Walgreens Boots Alliance Inc. holds a qualifying interest. Alliance Healthcare Italia Distribuzione S.p.A. ceased to be a related party on 1 June 2021 when the ultimate parent company of the Company changed.

The amounts outstanding are unsecured and will be settled in cash. No interest is payable in relation to these amounts. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

26. Ultimate parent undertaking
At 30 September 2022, the Company's immediate parent company was AH UK Holdco 1 Limited and its ultimate parent company and controlling party was AmerisourceBergen Corporation. AmerisourceBergen Corporation is also the parent undertaking of the largest and smallest group in which the Company is consolidated. The consolidated financial statements of this group are available from the AmerisourceBergen website at www.amerisourcebergen.com.

AmerisourceBergen Corporation is incorporated in the United States of America, and its principal office address is 1 West First Avenue, Conshohocken, PA, 19428.