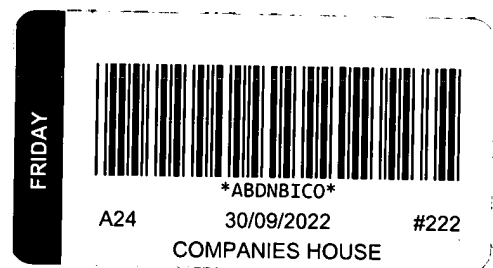


Registered No. 03603234

Phoenix Medical Supplies Limited

Report and Financial Statements

31 January 2022



Company information

Directors

S W Anderson
H K Fisher (resigned 30 April 2022)
S Herfeld
N Swift (appointed 9 August 2021)
S J Lucas
J D Meader
S Seidel
M Freitag
M M Wachter
R R R Schutz
C Saurland (appointed 1 May 2022)

Secretary

S Marks

Auditors

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3EY

Registered Office

Rivington Road
Whitehouse Industrial Estate
Runcorn
Cheshire
WA7 3DJ
United Kingdom

Strategic report

The Directors present their strategic report for the year ended 31 January 2022.

Business review

The principal activity of the Company is to act as a holding Company of other companies, which supply pharmaceutical products, surgical and medical equipment to retail pharmacies, doctors, health centres and hospitals, operate retail pharmacies, provide purchasing solutions for community pharmacies or provide support and marketing activities for customers.

The Company employs a number of staff, including executive directors, who support the group companies. Group companies pay a management fee for the benefit of these services, disclosed within other income.

In addition the Company is responsible for providing financing to the companies in the group, for which it charges interest.

The operating loss for the year ended 31 January 2022 decreased by 13.1% to £10,578,000 (2021: £12,178,000), principally due to lower personnel costs in the year. The operating loss is offset by net interest receivable of £6,965,000 (2021: £8,019,000) and dividend income £20,000,000 (2021: nil) resulting in a profit after tax of £15,852,000 (2021: loss of £3,555,000).

Key performance indicators

Management uses a range of key performance indicators to monitor and manage the business, the most relevant are discussed below.

	2022 £000	2021 £000	Change %
Personnel costs	15,678	18,077	(13.3)
Operating loss	(10,578)	(12,178)	(13.1)
Profit/(Loss) on ordinary activities after taxation	15,852	(3,555)	545.9
Average number of employees (FTE)	286	291	(1.72)

The decrease in net interest receivable compare to the prior year of £1,054,000, is due to a reduction in the interest rates. This was offset by dividend income of £20,000,000 from a subsidiary company, which has resulted in a profit before tax of £16,387,000 compared to a loss before tax in the prior year of £4,159,000.

Strategic report (continued)

Key risks and uncertainties

The Company's subsidiaries operate in highly regulated markets, and significant changes to those regulations, whether directly impacting the businesses or the customers, may have a significant impact on those businesses, adverse or otherwise. Examples to changes in regulations which may have a significant impact on subsidiary businesses are changes to the Control of Entry Regulations or changes to the NHS Pharmacy Contract.

Management constantly review pending or potential changes to regulations and take appropriate action to minimise any adverse impact to the business. Any changes necessary, in respect of the UK leaving the European Union no longer being subject to EU rules on 31 December 2021 have not affected the Company's ability to act as a holding Company.

The ability of the Company to act as a holding Company has not been affected by the COVID-19 outbreak.

The War in Ukraine is currently having an effect on worldwide trade. The company has carried out a review and determined that the War in Ukraine has no material impact on its business activities. However, management will continue to monitor the situation.

Financial risk management policies

The Directors have reviewed the financial risk management objectives and policies of the Company. The Company does not as a regular policy enter into hedging instruments, as such there is not believed to be any material exposure. It also does not enter into any speculative financial instruments. Appropriate trade terms are negotiated with suppliers and customers and management review these terms and the relationships with suppliers and customers and manage any exposure on normal trade terms.

The Company participates in the group's centralised treasury arrangements and so shares financing arrangements with its parent and fellow subsidiaries, which mitigates any liquidity risk in the Company.

s172 Statement - The duty to promote the success of the Company (CA 2006, s 172)

The Directors understand their duty to promote the success of the Company for the benefit of its members as a whole while considering the Company's long-term decisions and the impacts on, and views of, the wider stakeholder groups. For the Company 'success' means the long-term increase in the value of the Company. In the following statement we will consider each of the sub-sections of s.172 and how the Directors have acted, during the year, in accordance with them.

a) the likely consequences of any decision in the long term	All decisions that the Directors make on behalf of the Company are following a thorough review of the likely consequences and potential impact on the business in the long term.
b) the interests of the Company's employees	The Company uses regular employee engagement surveys and colleague engagement groups as a means to communicate with its colleagues to assess, define and deliver future goals and strategy. The Directors firmly believe that in listening to our colleagues and actively engaging with them, they can gain a much better understanding of their interests and concerns which, in turn, is helping to shape our People Plan. In October 2021, the company invited all colleagues to participate anonymously in a PHOENIX LISTEN Online Survey. This gave colleagues the opportunity to provide feedback on a variety of topics, helping to shape our company and the direction. Following the survey, analysis of the results are shared with colleagues, whilst Colleague Engagement Groups are used to further

Strategic report (continued)

	<p>analyse the feedback and help determine future actions. During the COVID pandemic the Company has continued with its COVID safety protocols and training in all workplaces whilst supporting colleagues and following national government advice and guidance, along with other best practice advice relevant to our sector.</p>
<p>c) the need to foster the Company's business relationships with suppliers, customers and others</p>	<p>The Directors actively promote the use of a variety of channels in order to foster positive relationships with each of the main stakeholder groups. For our customers, patients and the public we have a digital presence across multiple social media sites such as Facebook, Twitter, LinkedIn and via the recent introduction of Hey Pharmacist app. We also hold annual conferences for our Numark members and manufacturers in order to foster exchanges with those stakeholders. With colleagues, we have extensive multi-channel two-way engagement through our intranet, email briefings, town hall meetings, huddle briefings as well as our internal social media platform called Speakap. Within the pharmaceutical industry we maintain regular contact with a range of government and political stakeholders, both directly and via sector representatives. We have representation on a number of sector representative bodies: Community Pharmacy Wales (CPW); Community Pharmacy Scotland (CPS); Pharmaceutical Services Negotiating Committee (PSNC); Company Chemists Association (CCA) and Healthcare Distribution Association UK (HDA) amongst others. We seek to proactively respond to government and regulatory consultation exercises. Our communications team ensures that we maintain strong proactive relationships with the media, especially within the pharmaceutical sector and contribute to industry publications as well as fostering business partnerships with not-for-profit organisations who share similar values.</p>
<p>d) the impact of the Company's operations on the community and the environment</p>	<p>The Directors fully support the wider Phoenix Group's comprehensive and scientifically targeted sustainability agenda, which focuses on four core areas: achieving net zero by 2030, waste reduction, ethical supply chain and corporate governance. Workstream committees are in place to help support the delivery of our sustainability goals led by a Board Director. The Directors also actively support the annual completion of our corporate social responsibility online assessment, covering areas such as waste, energy consumption, health & safety, social engagement and human rights, helping to monitor the impact of the Company's operations on the community and environment. Our annual Sustainability report is made available on our company website at:</p> <p>https://www.phoenixmedical.co.uk/en/our-group/compliance-and-responsibility</p>

Strategic report (continued)

s172 Statement - The duty to promote the success of the Company (CA 2006, s 172) – (continued)

e) the desirability of the Company maintaining a reputation for high standards of business conduct	The Directors fully support the Group compliance and governance framework which consists of six main policies: Compliance Principles, Code of Conduct, Anti-Corruption, Anti-Money Laundering, Competition Compliance and Sanctions Compliance. The Directors actively promote the policies through supporting e-learner and presence training, at both induction as part of the employee onboarding and at regular cycles, for all employees to ensure they understand their responsibilities. The Directors expect all employees to demonstrate high standards of business conduct and actively encourage the reporting of concerns of unethical or illegal business practices via a central whistleblowing reporting tool at https://phoenixgroup.integrityplatform.org/ . We also ensure there is continuous training with frequent updates regarding new elearner modules.
f) the need to act fairly as between members of the Company	Phoenix UK is wholly owned by a German parent company and regular reporting is undertaken with regards to company performance and contribution to the wider group. Decisions are made collectively by the Directors at regular board meetings and formally minuted. Other high level decision-making forums include Management Review Team, a sub-committee of the Board, which oversees policy approvals, risk, quality and regulatory matters. Moreover, UK Directors also attend regular meetings with the German parent company board.

By order of the Board



M M Wachter
Director
16 June 2022

Directors' report

Registered No. 03603234

The Directors present their report for the year ended 31 January 2022.

Directors

The Directors who held office during the year were as follows:

S W Anderson
H K Fisher (resigned 30 April 2022)
S Herfeld
K R Hudson (resigned 31 July 2021)
S Seidel
M Freitag
M T E Bather (resigned 12 August 2021)
S J Lucas
J D Meader
M M Wachter
R R R Schutz
N Swift (appointed 9 August 2021)
C Saurland (appointed 1 May 2022)

Dividends

A dividend of £5,460,000 was paid in the current year (2021: nil).

Future developments

The Company intends to continue to act as a holding Company of other companies, which supply pharmaceutical products, surgical and medical equipment to retail pharmacies, doctors, health centres and hospitals, operate retail pharmacies, or provide support and marketing activities for customers. The Company also carries out the development and maintenance of computer software on behalf of subsidiary companies.

Financial risk management policies

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 to set out information related to Financial Risk Management Policies in its Strategic Report.

Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Group's digital platform PHOENIX Speakap. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' report (continued)

Political and charitable donations

The Company did not make any political or charitable donations in the year (2021: nil).

Going concern

The Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The directors have received confirmation from the intermediate parent company, Phoenix Pharmahandel GmbH & Co KG that it will make available until 30 June 2023, the necessary funds required in order to enable the Company to meet its liabilities. Refer to note 2 for details.

Directors' indemnities

Certain Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Statement on Stakeholder Engagement

Employee Engagement

As a Company we consider our employees as one of our most important stakeholders with whom we are engaged on a day to day basis. We use regular employee engagement surveys as a means to communicate with our colleagues, which helps to assess and define and deliver future goals and strategy. The Company, has created Colleague Engagement Groups involving colleagues from across the business as part of its ongoing employee commitment and initiatives around its 'people plan'. Regular dialogue within the business is actively encouraged from attendance at Town Hall meetings, led by the UK Executive Board, to monthly team huddles where key business information can be disseminated by managers to their teams. The increased use of technology has enabled the business to cascade key messages via more media platforms, including the intranet, dedicated social media platform for business (Speakap) and a group controlled screensaver. This helps re-enforce our strengths and achievements as a business to our employees.

Engagement with suppliers, customers and the wider community

The Company has a strong digital presence across multiple social media sites such as Facebook, Twitter and LinkedIn, which allows us to interact, create dialogue and build relationships directly with a range of stakeholders including customers, patients and the public. Within the Pharmaceutical industry, we maintain regular contact with a range of government and political stakeholders, both directly and via sector representatives. We have representation on a number of sector representative bodies and proactively respond to government and regulatory consultation exercises. The group compliance and governance framework ensures that that, as a company, we act in a responsible manner in all business activities with our customers, partners and suppliers and that certain minimum terms are adopted when entering in to new business relationships. The Company is committed to sustainability and each year we complete a comprehensive online assessment that tracks the Company's progress and highlights any areas of focus.

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report (continued)

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Energy Consumption

The Company presents its greenhouse gases ("GHG") emissions and energy use data under Streamlined Energy and Carbon Reporting ("SECR") for the year ended 31 January 2022:

	2022 tCO ₂ (e)	2021 tCO ₂ (e)
Energy consumption used to calculate emissions:		
Scope 1	147	331
Scope 2 – Location based	56	78
Scope 3	67	3
Total gross emissions	270	412
Energy intensity (per £1,000 of Revenue)	0.028	0.38

The Company's total energy consumption for the year ended 31 January 2022 was 1,166,810 (kWh) (2021: 1,082,294 (kWh)).

Global GHG emissions and energy use data

The total energy consumption and the associated Greenhouse Gas emissions have been calculated using actual data and estimations. Fuel consumption and/or mileage were provided for the fleet and the grey fleet. No estimations were made regarding the electricity data. As gas data was available but unable to be verified, a spent method was used to provide a reasonable estimate. The gas consumption was obtained from the energy cost figures divided by the unit price of £/kWh. The gas rates used are based on actual gas consumption and amount spent data providing a reasonable estimation.

Energy Efficiency Actions

Introduction of Hybrid Vehicles: the Company has been working with Leaseplan and vehicle manufacturers throughout the financial year to get more hybrid vehicles into their internal vehicle choice list for employees. This energy efficiency action is being implemented throughout all of their subsidiaries. Proposals have been made to change the approach from rental values to cost of total ownership or whole life costing. This is considered a better approach to enable the actual value of hybrid and EV, which typically have higher monthly rental values. Changes to the policy will include a more comprehensive manufacturer for EV and hybrid cars available.

Directors' report (continued)

Energy Efficiency Actions (continued)

Review of Transition of Fleet to Electric Vehicles (EV): the Company conducted a review throughout the financial year of all company car mileages across each role to identify suitability for an EV transition of the fleet. This changeover can commence piloting with selected positions suitable to transition.

Review of Salary Sacrifice Schemes: the Company conducted a review throughout the financial year in each subsidiary of opportunities to introduce salary sacrifice schemes on offer for suitable roles. This will potentially encourage take-up of EV options through individual benefits.

Subsequent Events

Management have considered whether there have been any events since the 31 January 2022 which may impact the future going concern assumption of the Group.

No issues have been identified, to date, that suggest that the Going Concern basis is not appropriate.



By order of the Board

M M Wachter

Director

16 June 2022

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of Phoenix Medical Supplies Limited

Opinion

We have audited the financial statements of Phoenix Medical Supplies Limited for the year ended 31 January 2022 which comprise the Income statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice) In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2022 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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 to 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditor's report (continued)

to the members of Phoenix Medical Supplies Limited

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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Independent auditor's report (continued)

to the members of Phoenix Medical Supplies Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including furlough scheme rules, health and safety, anti-bribery and corruption regulations and GDPR.
- We understood how Phoenix Medical Supplies Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures, including the Company Secretary. We corroborated our enquiries through reading the minutes of board meetings and those of the senior leadership team.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management in various parts of the business to understand where they considered there was susceptibility to fraud. We considered the risk of management override and assumed revenue to be a fraud risk specifically manual journals posted at the year end.

Independent auditor's report (continued)

to the members of Phoenix Medical Supplies Limited

- We performed audit procedures to address each identified fraud risk or other risk of material misstatement and incorporated data analytics into our testing of manual journals including segregation of duties, and into our testing of revenue recognition.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
21 June 2022

Income statement

for the year ended 31 January 2022

	Notes	2022 £000	2021 £000
Turnover	3a	1,170	1,088
Administrative expenses		(26,855)	(28,003)
Other operating income	3b	15,107	14,737
Operating loss	4	(10,578)	(12,178)
Interest receivable and similar income	5	10,946	12,734
Interest payable and similar charges	6	(3,981)	(4,715)
Dividend received from subsidiary company/ Investment income		20,000	-
Profit/(loss) on ordinary activities before taxation		16,387	(4,159)
Tax (charge)/credit	10	(535)	604
Profit/(loss) for the financial year	21	15,852	(3,555)

All activities are derived from continuing operations.

Statement of comprehensive income

for the year ended 31 January 2022

	Notes	2022 £000	2021 £000
Profit/(loss) for the financial year		15,852	(3,555)
Other comprehensive income/(expense):			
Actuarial gain/(loss) recognised in the pension scheme	22	5,034	(3,594)
Movement on deferred tax relating to pension liability	10/22	396	1,163
Total other comprehensive income/(expense):		5,430	(2,431)
Total comprehensive profit/(loss) for the year		21,282	(5,986)

Balance sheet

at 31 January 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Intangible assets	12	1,844	1,869
Tangible assets	13	13,218	12,864
Right-of-use assets	19	1,394	1,482
Deferred tax asset	10	5,639	5,242
Investments	14	139,339	139,339
		<u>161,434</u>	<u>160,796</u>
Current assets			
Trade and other debtors	15	340,102	319,343
		<u>340,102</u>	<u>319,343</u>
Creditors: amounts falling due within one year	16	(314,582)	(263,076)
Net current assets		<u>25,520</u>	<u>56,267</u>
Total assets less current liabilities		<u>186,954</u>	<u>217,063</u>
Creditors: amounts falling due after more than one year			
Non-current lease liabilities	17	(85,000)	(125,000)
Pensions and similar obligations	19	(1,069)	(1,163)
Provisions for liabilities	22	(7,642)	(15,210)
	18	<u>(4,780)</u>	<u>(3,049)</u>
Net assets		<u>88,463</u>	<u>72,641</u>
Capital and reserves			
Called up share capital	20	25,861	25,861
Revaluation of employee benefits		(16,916)	(22,346)
Retained earnings	21	<u>79,518</u>	<u>69,126</u>
Total equity		<u>88,463</u>	<u>72,641</u>

The financial statements were approved by the board of directors and authorised for issue on 16 June 2022


M M Wachter

Director

Registered no: 03603234

Statement of changes in equity

at 31 January 2022

	Note	Share capital £000	Revaluation of employee benefits £000	Retained earnings £000	Total equity £000
As at 1 February 2021		25,861	(22,346)	69,126	72,641
Profit for the year		-	-	15,852	15,852
Other comprehensive income		-	5,430	-	5,430
Total comprehensive income for the year		-	5,430	15,852	21,282
Dividends paid	11	-	-	(5,460)	(5,460)
At 31 January 2022		25,861	(16,916)	79,518	88,463

Notes to the financial statements

for the year ended 31 January 2022

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Phoenix Medical Supplies Limited for the year ended 31 January 2022 were authorised for issue by the board of directors on 16 June 2022. Phoenix Medical Supplies Limited is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company has used a true and fair view override in respect of the non-amortisation of goodwill (see note 2.6).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of PHOENIX Pharma SE. Accordingly, these financial statements are individual entity financial statements.

The results of Phoenix Medical Supplies Limited are included in the consolidated financial statements of PHOENIX Pharma SE which are available from Pfingstweidstrasse 10-12, 68199 Mannheim, Germany.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2022.

The Company has taken advantage of the following disclosure exemptions:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of IFRS 15 Revenue from Contracts with Customers: Disclosures;
- (c) the requirements of IFRS 16 Leases: Disclosures;
- (d) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (g) 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 ; and
- (h) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- (i) 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*; and
- (j) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- k) the requirements to disclose the anticipated effect of upcoming accounting standards on next year's results.

Notes to the financial statements (continued)

at 31 January 2022

2. Accounting policies (continued)

2.2 Change in accounting policy and disclosures

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 January 2022 and have had a material impact on the Company, this includes IFRIC changes to IAS 38 for the treatment of SAAS - Software as a Service (Intangibles).

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.4 Going concern

The Company's business activities, together with the factors likely to affect their future development, financial performance, and position are set out in the Strategic Report. The Strategic Report also considers the principal risks and uncertainties facing the Company, the policies and processes for managing these risks.

The Company meets its day to day working capital requirements through cash generated from operations. The Company is part of a group wide cash pooling arrangement and all cash transactions are managed using this cash pooling facility. The Directors have received written confirmation from the intermediate parent Phoenix Pharmahandel GmbH & Co KG that it will continue to provide financial support to the company until 30 June 2023.

The Directors have prepared cashflow forecasts for the period to 30 June 2023 on a consolidated basis for all the UK subsidiaries under the common control of Phoenix Pharmahandel GmbH & Co KG as cash is managed on a consolidated basis. The forecasts consider a base case scenario based upon the Directors' best estimate of future trading performance and a plausible downside scenario assuming a significant reduction in EBITDA. All the companies included in the consolidated forecast have similar timing of cashflows and profile of risk. Under both scenarios the Companies have sufficient cash from the group cash pool facility to meet their liabilities as they fall due.

On the basis of their assessment of the Company's financial position the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements (continued)

at 31 January 2022

2. Accounting policies (continued)

2.5 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budget data extrapolated at an assumed growth rate and may not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the assets performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Leases

(i) Lease term

IFRS 16 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. Management have considered all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term.

(ii) Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 10.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

Notes to the financial statements (continued)

at 31 January 2022

2. Accounting policies (continued)

2.6 Significant accounting policies

Intangible assets – goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the Directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

Intangible assets - software

Software includes IT software that is not integral to hardware purchased together with website development costs. Software is amortised on a straight line basis over 3 years.

Tangible fixed assets

Tangible fixed assets are stated at cost (investment properties at deemed cost following a valuation in January 2016), net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold property	2% per annum
Leasehold improvements	term of lease
Fixtures, fittings and equipment	10%-33% per annum
Investment property	2% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Investment properties

Investments properties are freehold land or buildings held by the company to earn rentals or capital appreciation or both. These are not held for sale or used in the ordinary course of business. They are initially measured at cost and subsequently measured using a fair value model, with changes in the fair value under the fair value model being recognised in profit or loss.

Investments

Investments in subsidiaries and associates are shown at historic cost less provision for impairment.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets or group of assets. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Notes to the financial statements (continued)

at 31 January 2022

2. Accounting policies (continued)

2.6 Significant accounting policies (continued)

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A single recognition and measurement approach is applied for all leases, except for short term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the life of the lease.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in Interest-bearing loans and borrowings. The Company's lease liabilities are included in Leases (see Note 19).

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the financial statements (continued)

at 31 January 2022

2. Accounting policies (continued)

2.6 Significant accounting policies (continued)

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables

When measuring impairment provision for billing receivables the Company uses the default ratio from previous periods including information on recoverability through the process of sales of outstanding invoices.

For other trade receivables the Company performs an assessment for each individual debtor taking into account the probability of default or delinquency in payments and the probability that a debtor will enter into financial difficulties or bankruptcy. When determining whether the recognition of lifetime expected credit loss is required under IFRS 9, the Company uses all reasonable and supportable information regarding debtors available at the assessment date, including the information about securities, e.g. guarantees, deposits and insurance.

Cash at bank and in hand

Cash comprises cash at banks and in hand and short term deposits with an original maturity of three months or less.

Bank overdrafts

Bank overdrafts are classified within creditors: amounts falling due within one year.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Notes to the financial statements (continued)

at 31 January 2022

2. Accounting policies (continued)

2.6 Significant accounting policies (continued)

Income taxes

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The Company is part of a UK group and accordingly may utilise the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other group companies in the UK. The group has a policy that payment is made or received for tax losses received from, or surrendered to, other group companies.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences, carried forward tax credits or tax losses can be utilised. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Pension costs and other post-retirement benefits

The Company participates in a defined benefit scheme and a defined contribution scheme.

For the defined contribution scheme, the amount charged to the income statement, in respect of pension costs and other post-retirement benefits, is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The defined benefit scheme is a multi-employer scheme, and it is funded, with the assets of the scheme being held separately from those of the Company, in separate trustee administered funds. The Company's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current period and prior periods. The fair value of plan assets is deducted. The required disclosures for the entire defined benefit scheme are shown in note 22.

Revenue

Revenue is measured at the fair value of the consideration receivable, and represents amounts receivable for services supplied, net of returns and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the Company this is for the provision of IT support services over time on behalf of Group subsidiary companies. A contract asset is recognised where performance obligations are completed but not billed. The Company considers that there are no significant accounting judgements involved in the calculation of revenue.

Notes to the financial statements (continued)

at 31 January 2022

3 Turnover

3a Turnover and other operating income

The Company's turnover was derived wholly from the provision of IT software support services over time to the Company's subsidiaries based solely in the United Kingdom.

At as 31 January 2022 there are no material contract assets or liabilities.

3b Other operating income

	2022 £000	2021 £000
Management fees from group companies	<u>15,107</u>	<u>14,737</u>

4. Operating loss

This is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets: owned	663	558
Amortisation of intangible assets	221	239
Depreciation of right of use assets	435	418
Operating lease rentals - minimum lease payments	<u>115</u>	<u>137</u>

5. Interest receivable and similar income

	2022 £000	2021 £000
Other interest income	-	9
Interest receivable from group undertakings	<u>10,946</u>	<u>12,725</u>
	<u>10,946</u>	<u>12,734</u>

Notes to the financial statements (continued)

at 31 January 2022

6. Interest payable and similar charges

	2022 £000	2021 £000
Bank loans and overdrafts	243	557
Interest on finance lease liabilities (note 19)	40	47
Interest payable to group undertakings	3,482	3,975
Net interest cost less expected return on defined benefit pension plan (note 22)	220	227
Exchange (gains)	(4)	(91)
	<u>3,981</u>	<u>4,715</u>

7. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements.

	2022 £000	2021 £000
Audit of the financial statements	<u>77</u>	<u>68</u>

There were no non-audit fees paid to the auditors in either year.

Notes to the financial statements (continued)

at 31 January 2022

8. Directors' remuneration

	2022 £000	2021 £000
Emoluments, excluding compensation for loss of office	2,156	2,565
Company contributions to defined contribution pension schemes	31	21
	<u>2,187</u>	<u>2,586</u>
	2022 £000	2021 £000
Compensation for loss of office	<u>-</u>	<u>-</u>

1 Director had retirement benefits accruing under the Company's defined benefit scheme at the period end (2021: 1 Director).

1 Director had retirement benefits accruing under the Company's money purchase scheme during the year (2021: Nil).

The above amounts include the following in respect of the highest paid Director:

	2022 £000	2021 £000
Emoluments	447	840
Compensation for loss of office	<u>-</u>	<u>-</u>

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid Director at 31 January 2022 was £97,558.65 (2021: £Nil).

Notes to the financial statements (continued)

at 31 January 2022

9. Staff costs

Staff costs, including Directors' remuneration, were as follows:

	2022 £000	2021 £000
Wages and salaries	13,892	15,658
Social security costs	1,384	1,937
Pension fund service costs (note 22)	(100)	132
Other pension costs – defined contribution schemes (note 22)	506	405
Coronavirus Job Retention Scheme funding	(4)	(55)
	<u>15,678</u>	<u>18,077</u>

The average monthly number of employees (excluding executive directors) during the year was made up as follows:

	2022 No.	2021 No.
Administration	<u>286</u>	<u>291</u>

10. Taxation

(a) Tax charged/(credited) in the income statement

	2022 £000	2021 £000
Current income tax:		
UK corporation tax	(1,154)	(1,194)
Adjustments in respect of previous years	(42)	(167)
Total current income tax (credit)/charge	<u>(1,196)</u>	<u>(1,361)</u>
Deferred tax:		
Origination and reversal of temporary differences	108	17
Impact of change in rate of UK deferred tax	969	269
Adjustments in respect of prior years	20	(4)
Defined benefit pension scheme (note 22)	634	475
Total deferred tax	<u>1,731</u>	<u>757</u>
Tax charge/(credit) in the Income statement	<u>535</u>	<u>(604)</u>

(b) Tax relating to items charged or credited to other comprehensive income

	2022 £000	2021 £000
Deferred tax:		
Actuarial gains and losses on defined benefit plans	(1,259)	683
Impact of change in rate of UK deferred tax	<u>1,655</u>	<u>480</u>
Total deferred tax	<u>396</u>	<u>1,163</u>

Notes to the financial statements (continued)

at 31 January 2022

10 Taxation (continued)

(c) Reconciliation of the total tax charge/(credit)

The tax (credit)/expense in the income statement for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit/(loss) on ordinary activities before tax	16,387	(4,159)
Tax calculated at UK standard rate of corporation tax of 19.00% (2021: 19.00%)	3,114	(790)
Effects of:		
Non-taxable dividend income	(3,800)	-
Expenses not deductible for tax purposes	96	88
Depreciation in excess of capital allowances	26	-
IAS 19 pension adjustments	152	-
Adjustments in respect of previous years	(22)	(171)
Change in the rate of deferred tax	969	269
Total tax Charge(credit) reported in the income statement	535	(604)

(d) Change in Corporation Tax rate

The Company's losses for this accounting period are taxed at an effective rate of 19% (2021: 19%). Future profits will be taxed at the appropriate rate.

The Finance Act 2021 was passed into law on 10 June 2021 which set a rate of corporation tax of 25% effective from April 2023. Any deferred tax expected to reverse in future years has been measured using this rate, i.e. 25% (2021: 19%).

Notes to the financial statements (continued)

at 31 January 2022

10. Taxation (continued)

(e) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2022 £000	2021 £000
Deferred tax asset		
Deferred tax on pension liabilities (note 22)	5,639	5,242
Deferred tax liability		
Accelerated capital allowances	(1,061)	(710)
Other timing differences	9	13
Deferred tax on pension assets (note 22)	(3,728)	(2,352)
	<u>(4,780)</u>	<u>(3,049)</u>

The deferred tax in the income statement is as follows:

	2022 £000	2021 £000
Deferred tax in the income statement		
Origination and reversal of temporary differences	107	17
Impact of change in rate of UK deferred tax	969	269
Adjustments in respect of prior years	20	(4)
Deferred tax on Defined Benefit Pension Scheme	634	475
Deferred tax expense	<u>1,730</u>	<u>757</u>

11. Dividends

	2022 £000	2021 £000
Ordinary dividend of £0.21 (2021: £0.00) paid per share	<u>5,460</u>	<u>-</u>

Notes to the financial statements (continued)

at 31 January 2022

12. Intangible fixed assets

Goodwill acquired through business combinations has been allocated to the Company's cash-generating unit, being the companies in which it holds investments. These represent the lowest level within the Company at which goodwill is monitored for internal management purposes.

The recoverable amount is determined based on a value in use using cash flow projections based on financial budgets approved by the board covering a 5 year period, together with a growth assumption thereafter in perpetuity.

Goodwill and intangible assets are tested annually for impairment purposes. The key assumptions used are as follows; the discount rate used is 7.87% pre-tax (2021: 6.92%) and the growth rate is 0.5% (2021: 0.5%). These are applied consistently across all cash generating units.

	<i>Goodwill</i> <i>£000</i>	<i>Software</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost or valuation:			
At 1 February 2021	1,519	801	2,320
Additions	-	196	196
At 31 January 2022	<u>1,519</u>	<u>997</u>	<u>2,516</u>
Depreciation:			
At 1 February 2021	-	451	451
Charge for the year	-	221	221
At 31 January 2022	<u>-</u>	<u>672</u>	<u>672</u>
Net book value:			
At 31 January 2022	<u>1,519</u>	<u>325</u>	<u>1,844</u>
At 31 January 2021	<u>1,519</u>	<u>350</u>	<u>1,869</u>

Sensitivity Analysis

The implications of the key assumptions for the recoverable amount are as follows:

- A increase in the discount rate by 1.0% (with no change in other assumptions) would not result in an impairment of goodwill.
- A reduction in the growth rate by 0.5% (with no change in other assumptions) would not result in an impairment of goodwill.

Notes to the financial statements (continued)

at 31 January 2022

13. Tangible fixed assets

	<i>Freehold land and property £000</i>	<i>Leasehold improve- ments £000</i>	<i>Investment properties £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 February 2021	6,200	286	9,987	2,419	18,892
Additions	315	-	-	702	1,017
At 31 January 2022	<u>6,515</u>	<u>286</u>	<u>9,987</u>	<u>3,121</u>	<u>19,909</u>
Depreciation:					
At 1 February 2021	740	136	3,642	1,510	6,028
Charge for the year	61	20	202	380	663
At 31 January 2022	<u>801</u>	<u>156</u>	<u>3,844</u>	<u>1,890</u>	<u>6,691</u>
Net book value:					
At 31 January 2022	<u>5,714</u>	<u>130</u>	<u>6,143</u>	<u>1,231</u>	<u>13,218</u>
At 31 January 2021	<u>5,460</u>	<u>150</u>	<u>6,345</u>	<u>909</u>	<u>12,864</u>

The Company's investment properties were valued by Bilfinger GVA at 31 Jan 2016, on the basis of fair value supported by market evidence in accordance with the valuation manual. The book value of the properties at 31 January 2022 was £6,143,000.

Notes to the financial statements (continued)

at 31 January 2022

14. Fixed asset investments

Investments in subsidiaries

	<i>Subsidiary undertakings £000</i>	<i>Associates £000</i>	<i>Total £000</i>
Cost or valuation:			
At 1 February 2021 and 31 January 2022	<u>176,078</u>	<u>-</u>	<u>176,078</u>
Provision for impairment:			
At 1 February 2021 and 31 January 2022	<u>36,739</u>	<u>-</u>	<u>36,739</u>
Net book value			
At 31 January 2021 and 31 January 2022	<u>139,339</u>	<u>-</u>	<u>139,339</u>

The Company's investment in subsidiary undertakings represents the share capital in a number of companies, which are incorporated in England, Wales and Scotland, and are summarised below. The registered address of all subsidiaries is Rivington Road, Whitehouse Industrial Estate, Runcorn, Cheshire. Management carried out an impairment review of the value of these investments at 31 January 2022 and no impairments were identified.

<i>Name</i>	<i>Class of shares</i>	<i>Holding</i>	<i>Nature of business</i>
Phoenix Healthcare Distribution Limited*	ordinary	100%	Pharmaceutical wholesale
L Rowland & Company Limited*	ordinary	100%	Holding company
L Rowland & Company (Retail) Limited	ordinary	100%	Pharmaceutical retail
Numark Limited**	ordinary	86%	Dormant
Numark Trading Limited	ordinary	50%	Dormant
PXG Pharma UK Limited	ordinary	100%	Import of pharmaceuticals
PAS Holding Company Ltd*	ordinary	100%	Holding company
PharmAssist (Solutions) Limited	ordinary	100%	Providing purchasing solutions for community pharmacies

*denotes subsidiaries held directly by the Company

**86% of Numark Limited is held directly by the Company and the remaining 14% is held by L.Rowland & Company (Retail) Limited

Notes to the financial statements (continued)

at 31 January 2022

15. Trade and other debtors

	2022 £000	2021 £000
Amounts due from group undertakings	338,773	317,431
Other debtors	557	1,111
Prepayments and accrued income	772	801
	<u>340,102</u>	<u>319,343</u>

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. No allowance for Expected Credit Loss has been recorded in respect of these as there have been no previous credit losses and no expectation of any future losses.

16. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank overdraft	-	173
Trade creditors	707	737
Amounts owed to group undertakings	309,186	254,795
Lease liabilities (note 19)	374	357
Income tax payable	-	-
Other taxes and social security	384	365
Other creditors	3,931	6,649
	<u>314,582</u>	<u>263,076</u>

The amounts owed to group undertakings are repayable on demand. The balance consists of £74,938,000 (2021: £33,227,000) due to trading balances with other group companies and the remainder of £234,248,000 (2021: £221,568,000) is due to subsidiary companies.

Trade creditors are non-interest bearing and are normally settled between 7 and 35 days.

Other creditors are non-interest bearing and have an average term of 1 month.

17. Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Due between two and five years		
Amounts owed to group undertakings	<u>85,000</u>	<u>125,000</u>

An intercompany loan, which is unsecured, is repayable in full on 30 September 2023 at a revolving rate of interest of 2.1%. During the year £40m (2021: £20m) was repaid.

Notes to the financial statements (continued)

at 31 January 2022

18. Provisions for liabilities

	<i>Deferred tax (note 10) £000</i>
At 1 February 2021	3,049
Charged to income statement	<u>1,731</u>
At 31 January 2022	<u>4,780</u>

19. Leases

The Company has lease contracts for various items of buildings and vehicles used in its operations. Leases of buildings generally have lease terms between 5 and 30 years, while motor vehicles generally have lease terms between 4 and 6 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is not restricted from assigning and subleasing the leased buildings and there is not a requirement for the Company to maintain certain financial ratios to meet the conditions of the lease. The Company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. The Company does not have any leases that include variable payments.

The amounts recognised in the financial statements in relation to leases are as follows:

(a) Amounts recognised in the balance sheet

Right of use assets

	<i>Buildings £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost			
At 1 February 2021	1,536	647	2,183
Additions	-	347	347
Disposals	-	(217)	(217)
At 31 January 2022	<u>1,536</u>	<u>777</u>	<u>2,313</u>
Depreciation:			
At 1 February 2021	404	297	701
Charge for the year	202	233	435
On disposals	-	(217)	(217)
At 31 January 2022	<u>606</u>	<u>313</u>	<u>919</u>
Net book value:			
At 31 January 2022	<u>930</u>	<u>464</u>	<u>1,394</u>
At 31 January 2021	<u>1,132</u>	<u>350</u>	<u>1,482</u>

Notes to the financial statements (continued)

at 31 January 2022

19. Leases (continued)

Lease liabilities	2022 £000	2021 £000
Current	374	357
Non-current	1,069	1,163
As at 31 January 2022	<u>1,443</u>	<u>1,520</u>

(b) Amounts recognised in the income statement

Included within administrative expenses in the income statement the following amounts related to leases:

	2022 £000	2021 £000
Depreciation expense of right-of-use assets	435	418
Interest expense on lease liabilities	40	47
Expense relating to short-term leases	82	100
Expense relating to leases of low-value assets (included in administrative expenses)	33	37
Total amount recognised in profit or loss	<u>590</u>	<u>602</u>

Future minimum lease payments as at 31 January 2022 are as follows:

	2022 £000	2021 £000
Not later than one year	374	357
After one year but not more than five years	1,020	922
After five years	49	241
	<u>1,443</u>	<u>1,520</u>

The total cash outflow for leases in the year ended 31 January 2022 was £456,000 (2021: £447,000).

20. Authorised and issued share capital

	2022 £000	2021 £000
Authorised and Allotted, called up and fully paid		
25,861,200 Ordinary shares of £1 each	<u>25,861</u>	<u>25,861</u>

Notes to the financial statements (continued)

at 31 January 2022

21. Reserves

	<i>Retained earnings £000</i>
At 1 February 2021	69,126
Profit for the year	15,852
Dividend paid	(5,460)
At 31 January 2022	<u>79,518</u>

22. Pension and other post-employment benefits

Defined contribution scheme

The principal scheme is a defined contribution scheme. The assets of the scheme are held separately from those of the Company, in an independently administered fund. The pension costs amounted to £506,000 (2021: £405,000).

Defined benefit scheme

The Company has made contributions to a defined benefit scheme – The Phoenix Medical Supplies Limited Pension Scheme. The scheme is a multi-employer scheme, with the assets and liabilities of the scheme being held separately from those of the Company in separate trustee administered funds. The assets and liabilities of the scheme are recognised within the financial statements of the Company as the principal employer of the scheme. The value of the Company's contributions to the pension scheme was £2,935,000 (2021: £3,052,000).

The latest full actuarial valuation for The Phoenix Medical Supplies Limited Pension Scheme was carried out as at 31 March 2019. This valuation has been updated to 31 January 2022 by an independent actuary, using revised assumptions, which are consistent with the requirements of IAS 19. The major assumptions used for the actuarial valuation were:

	2022	2021
Rate of increase in salaries	4.00%	3.40%
LPI pension increase (RPI)	3.30%	2.80%
LPI pension increase (CPI)	2.60%	2.10%
Discount rate	2.40%	1.60%
Inflation assumption (RPI)	3.50%	2.90%
Inflation assumption (CPI)	2.70%	2.10%
Life expectancy on retirement at age 65		
-Male – age 65 as at 31 January	22.4 years	22.4 years
-Male – age 45 as at 31 January	23.8 years	23.7 years
-Female – age 65 as at 31 January	24.8 years	24.7 years
-Female – age 45 as at 31 January	26.2 years	26.1 years

Notes to the financial statements (continued)

at 31 January 2022

22. Pension and other post-employment benefits (continued)

The discount rate is based on a nominal AA corporate bond spot yield curve at a duration in line with the Scheme liabilities. The assumptions for inflation and for increases in pensions are based on the implied inflation from the Bank of England implied inflation curve at the appropriate duration for the Scheme. Mortality rates are based on S3N[M/F]A13 year of birth tables with 2018 CMI projections and long term rates of mortality improvements of 1.25% pa.

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation as at 31 January 2022 and 2021 is as shown below:

	<i>Increase/(decrease) in defined benefit obligation</i>	
	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
<i>Discount rate</i>		
Plus 0.5%	(4,300)	(4,900)
Minus 0.5%	4,900	5,600
<i>RPI and CPI inflation</i>		
Plus 0.5%	3,500	4,600
Minus 0.5%	(3,300)	(4,100)
<i>Salary increase</i>		
Plus 0.5%	800	1,000
Minus 0.5%	(700)	(900)
<i>Life expectancy</i>		
Plus 10%	1,000	1,100
Minus 10%	(800)	(900)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

Notes to the financial statements (continued)

at 31 January 2022

22. Pension and other post-employment benefits (continued)

Scheme assets and liabilities as at 31 January

Scheme assets have been valued at their fair value. The assets in the scheme and the present value of the scheme liabilities at the balance sheet date were:

	2022 £000	2021 £000
Total fair value of assets	44,238	40,164
Present value of scheme liabilities	(51,880)	(55,374)
Deficit in the scheme	(7,642)	(15,210)
Related deferred tax asset	1,911	2,890
Net pension deficit	(5,731)	(12,320)

Pension deferred tax asset comprises:

	2022 £000	2021 £000
Deferred tax asset on pension liabilities	5,639	5,242
Deferred tax liability on plan assets	(3,728)	(2,352)
	1,911	2,890

Movements in present value of defined benefit obligation

	2022 £000	2021 £000
At 1 February	55,374	54,816
Current service cost	181	324
Contributions by members	34	35
Interest cost	878	978
Benefits paid	(1,082)	(1,008)
Change due to settlements and curtailments	-	-
Actuarial (gains)/losses	(3,505)	229
At 31 January	51,880	55,374

Movements in fair value of plan assets

	2022 £000	2021 £000
At 1 February	40,164	40,699
Expected return on plan assets	658	751
Contributions by members	34	35
Contributions by employer	2,935	3,052
Benefits paid	(1,082)	(1,008)
Actuarial gain/(loss)	1,529	(3,365)
At 31 January	44,238	40,164

Notes to the financial statements (continued)

at 31 January 2022

22. Pension and other post-employment benefits (continued)

The amounts recognised in the Income Statement and in the Statement of Comprehensive income for the year is analysed as follows:

Recognised in the Income Statement

	2022 £000	2021 £000
Service cost	181	132
Current service cost/(credit)	181	132
Interest expense on pension liabilities	878	978
Expected return on plan assets	(658)	(751)
Net interest cost on defined benefit deficit	220	227

Of the £181,000 current service cost, £281,000 (2021: £192,000) was recharged to other Group companies

Taken to the Statement of comprehensive income

	2022 £000	2021 £000
Actuarial gains and losses		
(Gain)/loss on scheme assets in excess of interest	(1,529)	3,365
Experience loss/(gains) on liabilities	-	1,507
Gains from changes in demographic assumptions	-	(366)
(Gains)/losses from changes to financial assumptions	(3,505)	(912)
Recognised in the Statement of comprehensive income	(5,034)	3,594
Deferred tax movement		
Current year at 25.00% (2021: 19.00%)	1,259	683
Impact of change in rate of UK corporation tax	(1,655)	480
Recognised in the Statement of comprehensive income	(396)	1,163

23. Contingent liabilities

The Company participates in the centralised treasury arrangements of the ultimate parent company, PHOENIX Pharma SE. These arrangements are set out in the basis of preparation note in these financial statements.

24. Subsequent Events

Management have considered whether there have been any events since the 31 January 2022 which may impact the future going concern assumption of the Group.

No issues have been identified, to date, that suggest that the Going Concern basis is not appropriate.

Notes to the financial statements (continued)

at 31 January 2022

25. Ultimate parent undertaking and controlling party

The immediate parent company is PHOENIX Noweropa Beteiligungs GmbH. The ultimate parent company and controlling party is PHOENIX Pharma SE, a company incorporated in Germany. Its principal place of business is Pfingstweidstrasse 10-12, 68199 Mannheim, Germany.

The largest and smallest group of undertakings, for which group financial statements have been drawn up, is that headed by PHOENIX Pharma SE, which prepares consolidated financial statements that are available to the public from the aforementioned address.