Registered No. 03603234

Phoenix Medical Supplies Limited

Report and Financial Statements

31 January 2023

Company information

Directors

S W Anderson
S Herfeld
N Swift
S J Lucas
S Seidel
M Freitag
M M Wachter
R R R Schutz
C Saurland (appointed 1 May 2022)

Secretary
S Marks

Auditors
Ernst & Young LLP
Edward Pavilion
Royal Albert Dock
Liverpool
L3 4AF

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 2023.

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 2023 increased by 45.3% to £15,371,000 (2022: £10,578,000), principally due to higher personnel costs in the year. The operating loss is offset by net interest receivable of £1,269,000 (2022: £6,965,000) and dividend income of £Nil (2022: £20,000,000) resulting in a loss after tax of £11,791,000 (2022: profit of £15,852,000).

Key performance indicators

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

	2023 £000	2022 £000	Change %
Personnel costs	21,462	15,678	36.9
Operating loss	(15,371)	(10,578)	45.3
(Loss)/Profit on ordinary activities after taxation	(11,791)	15,852	(174.4)
Average number of employees (FTE)	303	286	5.9

The decrease in net interest receivable compare to the prior year of £5,696,000, is primarily due to an increase in interest rates from the Group cash pooling facility (details in the basis of preparation note) and therefore increase in the interest payable. In the prior year, this was offset by dividend income of £20,000,000 from a subsidiary company, which resulted in a profit before tax of £16,387,000 compared to a loss before tax in the current year of £14,102,000.

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, in respect of the UK leaving the European Union under Article 50 of the Lisbon Treaty and no longer being subject to EU rules on 31 December 2020, have been implemented.

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	The Directors are very aware of and understand the current challenging economic-social environment in which the business operates. All decisions made by the Directors on behalf of the Company follow a thorough review of the likely consequences, both positive and negative, as well as the potential impact on the business in the long term.
b) the interests of the Company's employees	The Company carries out regular employee engagement surveys has established colleague engagement group meetings. These provide a mutually beneficial forum to allowing the company 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 Colleague Engagement Strategy. The feedback from our PHOENIX LISTEN Online Survey in October 2021 continues to develop our company and help determine future actions. Such actions include the promotion of long-service awards as well as enhancement of employee high street discounts supporting colleagues during challenging times.

Strategic report (continued)

	Retention and attraction of new colleagues across the business is also a key objective which has led to the successful introduction of 'Refer A Friend' scheme, The Company has also launched its new on boarding toolkit enhancing the induction experience for new colleagues.
c) the need to foster the Company's business relationships with suppliers, customers and others	The Directors proactively use 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 our Hey Pharmacist app as well as Rowlands website. We also hold annual conferences for our Numark members and manufacturer partners in order to foster exchanges with those stakeholders. With colleagues, we have extensive multi-channel two-way engagement through our company intranet, email briefings, town hall meetings, team huddle briefings, departmental team days as well as via our Colleague Engagement Representatives and internal social media platform 'Speakap'. Within the pharmaceutical industry we maintain ongoing 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 the Healthcare Distribution Association UK (HDA). 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 health related not-for-profit organisations who share similar values.
d) the impact of the Company's operations on the community and the environment	As part of our sustainability commitment to our customers, suppliers, colleagues and our communities, the Directors fully support the wider Phoenix Group's comprehensive and scientifically targeted sustainability strategy, which was adopted in 2021, led by a designated Director, focusing on four core areas: achieving CO2-neutrality in our own operations by 2030, circularity of resources, ethical supply chain and corporate governance as well as diversity, equity and inclusion. The company wants to avoid and reduce its emissions by at least 30% (scope 1 & 2 emissions). PHOENIX thereby underlines its commitment to creating added value for society and the environment beyond its mission in the healthcare sector. PHOENIX primarily intends to achieve emission reduction through energy efficiency measures, change of energy sources (e.g., switch from diesel to electric vehicles), purchase of green electricity as well as own production of energy by solar panels. The Directors are also fully committed to supporting the sustainability goals of our customers, such as the NHS, as they develop their green strategy of achieving net zero target aligned to an ethical supply chain.

Strategic report (continued)

	Consequently, PHOENIX UK has already overseen a number of initiatives as part of our efforts to support our customers, suppliers, communities as well as the wider pharmaceutical industry: • introduction of 100% green electricity • significant reduction of emissions via optimisation of delivery routes • introduction of SAFED vehicle monitoring system to monitor driving style, reduce fuel consumption and increase safety • installation of LED lighting in all warehouses • delivery totes made from 100% recycled plastic • installation of EV charging ports • move to plastic packaging with higher recycled content • solar panel investment in new Wakefield depot As part of our Colleague Engagement Strategy, we have implemented a flexible working policy allowing colleagues to work from home, therefore further reducing our emissions. The Directors also actively support the annual collation of our Group corporate social responsibility reporting disclosures, covering areas such as waste, energy consumption, transportation and CO2 emissions, health & safety, social engagement and human rights. Our Group Sustainability Report is published annually providing a review and ongoing assessment of progress and impact of the UK Group operations on its communities and environment. Our Group annual Sustainability report is available on our company website at https://www.phoenixmedical.co.uk/en/our-group/compliance-and-responsibility.
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 the induction of new colleagues and on regular cycles for all employees to ensure they understand their responsibilities. Further in-depth compliance training is also endorsed for all senior management. The Directors expect all colleagues to demonstrate high standards of business conduct as per our company Code of Conduct, and actively encourages the reporting of concerns of unethical or illegal business practices via a central secure whistleblowing reporting tool at https://phoenixgroup.integrityplatform.org/. We also ensure there is continuous training with frequent updates regarding new elearner modules covering such topics as data security, health & safety, compliance and sustainability.

Strategic report (continued)

	The Directors are also committed to ensuring high standards of business conduct amongst the company's business partners and suppliers who are expected to undertake comprehensive due diligence checks.
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
21 July 2023

Directors' report

Registered No. 03603234

The Directors present their report for the year ended 31 January 2023.

Directors

The Directors who held office during the year and until the date of signing these financial statements were as follows:

S W Anderson
H K Fisher (resigned 30 April 2022)
S Herfeld
S Seidel
M Freitag
S J Lucas
J D Meader (resigned 31 January 2023)
M M Wachter
R R R Schutz
N Swift
C Saurland (appointed 1 May 2022)

Dividends

A dividend of £11,151,000 was paid in the current year (2022: £5,460,000).

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 (2022: nil).

Going concern

The Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the going concern period until 31 August 2024. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to note 2 for details.

The directors have received confirmation from the intermediate parent company, Phoenix Pharmahandel GmbH &Co KG that it will make available until 31 August 2024, 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.

Directors' report (continued)

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

Auditors

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

Subsequent Events

Management have considered whether there have been any events since the 31 January 2023 which may impact the future going concern assumption of the company. No issues have been identified.

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 2023:

	2023 *tCO2(e)*	***2022*** *tCO2(e)*
Energy consumption used to calculate emissions:		
Scope 1	96	147
Scope 2 – Location based	25	56
Scope 3	12	67
Total gross emissions	133	270
Energy intensity (per £1,000 of Revenue)	0.07	0.03

The Company's total energy consumption for the year ended 31 January 2023 was 607,420 (kWh) (2022: 1,166,810 (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. Both consumption data and estimations were used to calculate the electricity and gas consumption. An average energy intensity method was used to define a reasonable estimate. Where consumption data was available, this was utilised. Where data was missing or insufficient, an average energy intensity (kWh/m2) was taken from consumption data to estimate sites with missing gas and electricity data.

Energy Efficiency Actions

- **Solar PV Installation:** The installation of a solar PV array is currently being investigated at the Runcorn, East Kilbride and Wakefield depots as well as head office. This system would reduce the site's electricity demand by 8% or 204.94 MWh per annum and reduce the site's emissions by 47.75 tCO_2 per annum. This project is currently getting approval from the local council and Distribution Network Operator (DNO), along with the sign-off of costs through internal governance. The expected start date for this project is October 2023.
- **Salary Sacrifice Schemes:** A review has been undertaken throughout 2022 of opportunities to introduce Salary Sacrifice Schemes for suitable roles. Introducing this scheme would provide an increased take up of EV and employee rewards, causing a reduction in scope 3 emissions relating to business travel. This scheme will encourage the take-up of EV options through personal benefits. The expected commencement date of this project is June 2023.

Directors' report (continued)

By order of the Board

M M Wachter
Director
21 July 2023

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- in respect of the financial statements, state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations.

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 2023 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 UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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 31 August 2024.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX MEDICAL SUPPLIES LIMITED (CONTINUED)

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 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX MEDICAL SUPPLIES LIMITED (CONTINUED)

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.

- 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 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 as a result of manual journals posted throughout the year.
- We performed audit procedures to address the 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 and by making enquiries of those charged with governance.

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

Michael Harvey (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool

27 July 2023

Income statement

for the year ended 31 January 2023

	Notes	2023 £000	2022 £000
Turnover	3a	1,949	1,170
Administrative expenses		(35,999)	(26,855)
Other operating income	3b	18,679	15,107
Operating loss	4	(15,371)	(10,578)
Interest receivable and similar income	5	9,056	10,946
Interest payable and similar charges	6	(7,787)	(3,981)
Dividend received from subsidiary company/ Investment income		-	20,000
(Loss) / Profit activities before taxation		(14,102)	16,387
Tax credit/(charge)	10	2,311	(535)
(Loss) / Profit for the financial year	21	(11,791)	15,852

All activities are derived from continuing operations.

Statement of comprehensive income

for the year ended 31 January 2023

	Notes	2023 £000	2022 £000
(Loss) / Profit for the financial year		(11,791)	15,852
Other comprehensive (expense)/income:			
Actuarial (loss)/gain recognised in the pension scheme	22	(91)	5,034
Movement on deferred tax relating to pension liability	10/22	23	396
Total other comprehensive (expense)/income		(68)	5,430
Total comprehensive (loss)/profit for the year		(11,859)	21,282

The notes on pages 18 to 41 form part of these financial statements

Balance sheet

at 31 January 2023

	Notes	2023 £000	2022 £000
Non current assets			
Intangible assets	12	1,927	1,844
Tangible assets	13	13,314	13,218
Right-of-use assets	19	1,057	1,394
Deferred tax asset	10	5,616	5,639
Investments	14	139,339	139,339
		161,253	161,434
Current assets			
Trade and other debtors	15	387,434	340,102
		387,434	340,102
Creditors: amounts falling due within one year	16	(387,178)	(314,582)
Net current assets		256	25,520
Total assets less current liabilities		161,509	186,954
Creditors: amounts falling due after more than one year	17	(85,000)	(85,000)
Non-current lease liabilities	19	(746)	(1,069)
Pensions and similar obligations	22	(4,740)	(7,642)
Provisions for liabilities	18	(5,434)	(4,780)
Net assets		65,589	88,463
Capital and reserves			
Called up share capital	20	25,861	25,861
Revaluation of employee benefits		(16,848)	(16,916)
Retained earnings	21	56,576	79,518
Total equity		65,589	88,463

The financial statements were approved by the board of directors and authorised for issue on 21 July 2023

M Wachter

M M Wachter

Director

Registered no: 03603234

The notes on pages 18 to 41 form part of these financial statements

Statement of changes in equity

at 31 January 2023

	Note	*Share capital £000*	*Revaluation of employee benefits £000*	*Retained earnings £000*	*Total equity £000*
As at 1 February 2022		25,861	(16,916)	79,518	88,463
Profit for the year		-	-	(11,791)	(11,791)
Other comprehensive income		-	68	-	68
Total comprehensive income for the year		-	(16,848)	67,727	76,740
Dividends paid	11	-	-	(11,151)	(11,151)
At 31 January 2023		**25,861**	**(16,848)**	**56,576**	**65,589**

Notes to the financial statements

for the year ended 31 January 2023

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 2023 were authorised for issue by the board of directors on 21 July 2023. Phoenix Medical Supplies Limited is a private company, limited by shares, registered in England and Wales.

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 2023.

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 2023

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 2023 that have had a material impact on the Company.

2.3 Basis of measurement

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

2.4 Going concern

As of 31 January 2023 the company had net assets of £65,589,000 (2022: £88,463,000) and net current assets of £256,000 (2022: £25,520,000) 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 31 August 2024.

The Directors have prepared cashflow forecasts for the period to 31 August 2024 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 cost of living crisis has been factored into the forecasts and the directors have satisfied themselves that this will not have a significant impact on the company. 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 going concern period until 31 August 2024. 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 2023

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 in 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, see note 12 for details of changes in assumptions.

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.

Notes to the financial statements (continued)

at 31 January 2023

2. Accounting policies (continued)

2.6 Significant accounting policies

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.

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.

Notes to the financial statements (continued)

at 31 January 2023

2. Accounting policies (continued)

2.6 Significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

at 31 January 2023

2. Accounting policies (continued)

2.6 Significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

at 31 January 2023

2. Accounting policies (continued)

2.6 Significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

at 31 January 2023

2. Accounting policies (continued)

2.6 Significant accounting policies (continued)

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.

Foreign currencies

Transactions in foreign currencies are initially recorded using the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are included in the income statement.

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 2023 there are no material contract assets or liabilities.

3b Other operating income

	2023	*2022*
	£000	*£000*
Management fees from group companies	18,679	15,107

4. Operating loss

This is stated after charging:

	2023	*2022*
	£000	*£000*
Depreciation of tangible fixed assets: owned	706	663
Amortisation of intangible assets	215	221
Depreciation of right of use assets	390	435
Operating lease rentals - minimum lease payments	193	115

5. Interest receivable and similar income

	2023	*2022*
	£000	*£000*
Other interest income	72	-
Interest receivable from group undertakings	8,984	10,946
	9,056	10,946

Notes to the financial statements (continued)

at 31 January 2023

6. Interest payable and similar charges

	2023	*2022*
	£000	*£000*
Bank loans and overdrafts	1,633	243
Interest on finance lease liabilities (note 19)	33	40
Interest payable to group undertakings	5,981	3,482
Net interest cost less expected return on defined benefit pension plan (note 22)	146	220
Exchange (gains)	(6)	(4)
	7,787	3,981

7. Auditor's remuneration

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

	2023	*2022*
	£000	*£000*
Audit of the financial statements	65	77

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

Notes to the financial statements (continued)

at 31 January 2023

8. Directors' remuneration

	2023 *£000*	*2022* *£000*
Emoluments, excluding compensation for loss of office	2,379	2,156
Company contributions to defined contribution pension schemes	120	31
	2,499	2,187

	2023 £000	2022 £000
Compensation for loss of office	-	-

1 Director had retirement benefits accruing under the Company's defined benefit scheme at the period end (2022: 1 Director).

4 Directors had retirement benefits accruing under the Company's money purchase scheme during the year (2022: 1 Director).

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

	2023 *£000*	*2022* *£000*
Emoluments	421	447
Compensation for loss of office	-	-

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid Director at 31 January 2023 was £Nil (2022: £97,558.65).

Notes to the financial statements (continued)

at 31 January 2023

9. Staff costs

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

	2023 £000	2022 £000
Wages and salaries	18,909	13,892
Social security costs	2,079	1,384
Pension fund service costs (note 22)	(93)	(100)
Other pension costs – defined contribution schemes (note 22)	567	506
Coronavirus Job Retention Scheme funding	-	(4)
	21,462	15,678

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

	2023 No.	2022 No.
Administration	303	286

10. Taxation

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

	2023 £000	2022 £000
Current income tax:		
UK corporation tax	(3,040)	(1,154)
Adjustments in respect of previous years	75	(42)
Total current income tax credit	(2,965)	(1,196)
Deferred tax:		
Origination and reversal of temporary differences	59	108
Impact of change in rate of UK deferred tax	-	969
Adjustments in respect of prior years	(108)	20
Defined benefit pension scheme (note 22)	703	634
Total deferred tax	654	1,731
Tax (credit)/charge in the Income statement	(2,311)	535

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

	2023 £000	2022 £000
Deferred tax:		
Actuarial gains and losses on defined benefit plans	23	(1,259)
Impact of change in rate of UK deferred tax	-	1,655
Total deferred tax	23	396

Notes to the financial statements (continued)

at 31 January 2023

10 Taxation (continued)

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

The tax (credit)/expense in the income statement for the year is lower (2022: lower) than the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%). The differences are explained below:

	2023 *£000*	*2022* *£000*
(Loss)/Profit on ordinary activities before tax	(14,102)	16,387
Tax calculated at UK standard rate of corporation tax of 19.00% (2022: 19.00%)	(2,679)	3,114
Effects of:		
Non-taxable dividend income	-	(3,800)
Expenses not deductible for tax purposes	218	96
Depreciation in excess of capital allowances	14	26
IAS 19 pension adjustments	169	152
Adjustments in respect of previous years	(33)	(22)
Change in the rate of deferred tax	-	969
Total tax (credit)/charge reported in the income statement	(2,311)	535

(d) Change in Corporation Tax rate

The Company's losses for this accounting period are taxed at an effective rate of 19% (2022: 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% (2022: 25%).

Notes to the financial statements (continued)

at 31 January 2023

10. Taxation (continued)

(e) Deferred tax

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

	2023 £000	2022 £000
Deferred tax asset		
Deferred tax on pension liabilities (note 22)	5,616	5,639
Deferred tax liability		
Accelerated capital allowances	(1,013)	(1,061)
Other timing differences	10	9
Deferred tax on pension assets (note 22)	(4,431)	(3,728)
	(5,434)	(4,780)

The deferred tax in the income statement is as follows:

	2023 £000	2022 £000
Deferred tax in the income statement		
Origination and reversal of temporary differences	59	107
Impact of change in rate of UK deferred tax	-	969
Adjustments in respect of prior years	(108)	20
Deferred tax on Defined Benefit Pension Scheme	703	634
Deferred tax expense	654	1,730

11. Dividends

	2023 £000	2022 £000
Ordinary dividend of £0.43 (2022: £0.21) paid per share	11,151	5,460

Notes to the financial statements (continued)

at 31 January 2023

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 10.09% pre-tax (2022: 7.87%) and the growth rate is 0.5% (2022: 0.5%). These are applied consistently across all cash generating units.

	Goodwill *£000*	*Software* *£000*	*Total* *£000*
Cost			
At 1 February 2022	1,519	997	2,516
Additions	-	298	298
At 31 January 2023	1,519	1,295	2,814
Depreciation:			
At 1 February 2022	-	672	672
Charge for the year	-	215	215
At 31 January 2023	-	887	887
Net book value:			
At 31 January 2023	**1,519**	**408**	**1,927**
At 31 January 2022	1,519	325	1,844

Sensitivity Analysis

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

- An 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 2023

13. Tangible fixed assets

	Freehold land and property £000	*Leasehold improve-ments £000*	*Investment properties £000*	*Fixtures, fittings and equipment £000*	*Total £000*
Cost:					
At 1 February 2022	6,515	286	9,987	3,121	19,909
Additions	103	-	1	698	802
At 31 January 2023	**6,618**	286	9,988	3,819	20,711
Depreciation:					
At 1 February 2022	801	156	3,844	1,890	6,691
Charge for the year	65	20	202	419	706
At 31 January 2023	866	176	4,046	2,309	7,397
Net book value:					
At 31 January 2023	**5,752**	**110**	**5,942**	**1,510**	**13,314**
At 31 January 2022	5,714	130	6,143	1,231	13,218

The Company's investment properties were valued by Bilfinger GVA at 31 January 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 2023 was £5,941,000.

Notes to the financial statements (continued)

at 31 January 2023

14. Fixed asset investments

Investments in subsidiaries

	Subsidiary undertakings £000	*Associates £000*	*Total £000*
Cost			
At 1 February 2022 and 31 January 2023	176,078	-	176,078
Provision for impairment:			
At 1 February 2022 and 31 January 2023	36,739	-	36,739
Net book value			
At 31 January 2022 and 31 January 2023	139,339	-	139,339

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 2023 and no further impairments were identified.

Name	*Class of shares*	*Holding*	*Nature of business*
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 2023

15. Trade and other debtors

	2023 £000	2022 £000
Amounts due from group undertakings	383,222	338,773
Other debtors	3,554	557
Prepayments and accrued income	658	772
	387,434	340,102

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

	2023 £000	2022 £000
Bank overdraft	1	-
Trade creditors	1,186	707
Amounts owed to group undertakings	378,447	309,186
Lease liabilities (note 19)	363	374
Income tax payable	-	-
Other taxes and social security	35	384
Other creditors	7,146	3,931
	387,178	314,582

The amounts owed to group undertakings are unsecured, interest free and repayable on demand. The balance consists of £136,329,000 (2022: £74,938,000) due to trading balances with other group companies and the remainder of £242,118,000 (2022: £234,248,000) is due to subsidiary companies.

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

	2023 £000	2022 £000
Due between two and five years		
Amounts owed to group undertakings	85,000	85,000

An intercompany loan, which is unsecured, is repayable in full on 30 September 2024 at a revolving rate of interest of 3.6%. During the year £Nil (2022: £40,000,000) was repaid.

The repayment date was changed in the year from 30 September 2023 to 30 September 2024.

Notes to the financial statements (continued)

at 31 January 2023

18. Provisions for liabilities

	Deferred tax (note 10) £000
At 1 February 2022	4,780
Charged to income statement	654
At 31 January 2023	5,434

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

	Buildings £000	*Motor vehicles £000*	*Total £000*
Cost			
At 1 February 2022	1,536	777	2,313
Additions	-	53	53
Disposals	(100)	(51)	(151)
At 31 January 2023	1,436	779	2,215
Depreciation:			
At 1 February 2022	606	313	919
Charge for the year	190	200	390
On disposals	(100)	(51)	(151)
At 31 January 2023	696	462	1,158
Net book value:			
At 31 January 2023	**740**	**317**	**1,057**
At 31 January 2022	930	464	1,394

Notes to the financial statements (continued)

at 31 January 2023

19. Leases (continued)

Lease liabilities	*2023*	*2022*
	£000	*£000*
Current	363	374
Non-current	746	1,069
As at 31 January 2023	1,109	1,443

(b) Amounts recognised in the income statement

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

	2023	*2022*
	£000	*£000*
Depreciation expense of right-of-use assets	390	435
Interest expense on lease liabilities	33	40
Expense relating to short-term leases	131	82
Expense relating to leases of low-value assets (included in administrative expenses)	62	33
Total amount recognised in profit or loss	616	590

Future minimum lease payments as at 31 January 2023 are as follows:

	2023	*2022*
	£000	*£000*
Not later than one year	363	374
After one year but not more than five years	745	1,020
After five years	-	49
	1,108	1,443

The total cash outflow for leases in the year ended 31 January 2023 was £421,000 (2022: £456,000).

20. Authorised and issued share capital

	2023	*2022*
	£000	*£000*
Authorised and Allotted, called up and fully paid		
25,861,200 Ordinary shares of £1 each	25,861	25,861

These shares hold no rights to a fixed income

Notes to the financial statements (continued)

at 31 January 2023

21. Reserves

	Retained earnings £000
At 1 February 2022	79,518
Profit for the year	(11,791)
Dividend paid	(11,151)
At 31 January 2023	56,576

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 £567,000 (2022: £506,000).

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 £3,114,000 (2022: £2,935,000).

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 2023 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:

	2023	*2022*
Rate of increase in salaries	3.70%	4.00%
LPI pension increase (RPI)	3.05%	3.30%
LPI pension increase (CPI)	-	2.60%
Discount rate	4.50%	2.40%
Inflation assumption (RPI)	3.20%	3.50%
Inflation assumption (CPI)	2.45%	2.70%
Life expectancy on retirement at age 65		
-Male – age 65 as at 31 January	22.7 years	22.4 years
-Male – age 45 as at 31 January	24.3 years	23.8 years
-Female – age 65 as at 31 January	25.1 years	24.8 years
-Female – age 45 as at 31 January	26.8 years	26.2 years

Notes to the financial statements (continued)

at 31 January 2023

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 1.5% pa.

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation as at 31 January 2023 and 2022 is as shown below:

	Increase/(decrease) in defined benefit obligation	
	2023	*2022*
	£000	*£000*
Discount rate		
Plus 0.5%	(2,333)	(4,300)
Minus 0.5%	3,054	4,900
RPI and CPI inflation		
Plus 0.5%	1,774	3,500
Minus 0.5%	(1,631)	(3,300)
Salary increase		
Plus 0.5%	339	800
Minus 0.5%	(318)	(700)
Life expectancy		
Plus 10%	850	1,000
Minus 10%	(767)	(800)

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 at is unlikely that changes in assumptions would occur in isolation of one another.

Notes to the financial statements (continued)

at 31 January 2023

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:

	2023 *£000*	*2022* *£000*
Total fair value of assets	30,501	44,238
Present value of scheme liabilities	(34,565)	(51,880)
Deficit in the scheme	(4,064)	(7,642)
Effect of asset ceiling	(676)	-
Net defined benefit liability	(4,740)	(7,642)
Related deferred tax asset	1,185	1,911
Net pension deficit	(3,555)	(5,731)

Pension deferred tax asset comprises:

	2023 *£000*	*2022* *£000*
Deferred tax asset on pension liabilities	5,616	5,639
Deferred tax liability on plan assets	(4,431)	(3,728)
	1,185	1,911

Movements in present value of defined benefit obligation

	2023 *£000*	*2022* *£000*
At 1 February	51,880	55,374
Current service cost	156	181
Contributions by members	34	34
Interest cost	1,191	878
Changes due to settlements and curtailments	-	-
Benefits paid	(4,553)	(1,082)
Experience (gain) on liabilities	(1,128)	-
Changes to demographic assumptions	269	-
Actuarial (gains)	(13,284)	(3,505)
At 31 January	**34,565**	**51,880**

Notes to the financial statements (continued)

at 31 January 2023

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

Movements in fair value of plan assets

	2023	*2022*
	£000	*£000*
At 1 February	44,238	40,164
Expected return on plan assets	1,045	658
Contributions by members	34	34
Contributions by employer	3,114	2,935
Benefits paid	(4,553)	(1,082)
Actuarial gain/(loss)	(13,377)	1,529
At 31 January	**30,501**	**44,238**

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

	2023	*2022*
	£000	*£000*
Service cost	156	181
Current service cost	**156**	181
Interest expense on pension liabilities	1,191	878
Expected return on plan assets	(1,045)	(658)
Net interest cost on defined benefit deficit	**146**	**220**

Of the £392,000 current service cost, £236,000 (2022: £281,000) was recharged to other Group companies.

Taken to the Statement of comprehensive income

	2023	*2022*
	£000	*£000*
Actuarial gains and losses		
(Gain)/loss on scheme assets in excess of interest	13,375	(1,529)
Experience loss/(gains) on liabilities	-	-
Gains from changes in demographic assumptions	-	-
(Gains)/losses from changes to financial assumptions	(13,284)	(3,505)
Recognised in the Statement of comprehensive income	**91**	**(5,034)**
Deferred tax movement		
Current year at 25.00% (2022: 25.00%)	(23)	1,259
Impact of change in rate of UK corporation tax	-	(1,655)
Recognised in the Statement of comprehensive income	**(23)**	**(396)**

Notes to the financial statements (continued)

at 31 January 2023

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 2023 which may impact the future going concern assumption of the Company. No issues have been identified.

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.