Admenta UK Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2022

COMPANY REGISTRATION NUMBER: 03011757

Admenta UK Limited

Year ended 31 March 2022

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

Principal activities

Admenta UK Limited's (the "Group") principal activities include wholesaling primarily through AAH Pharmaceuticals Limited, ("AAH"), provision of pharmaceutical products and services primarily through Lloyds Pharmacy Limited, ("Lloyds Pharmacy"), patient homecare through Lloyds Pharmacy Clinical Homecare, ("LPCH"), and digital solutions primarily through Metabolic Healthcare Limited ("LloydsDirect").

Review of business and future developments

McKesson Corporation closed the sale of Admenta UK Limited and its subsidiaries to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022. As of the date of this report, McKesson Corporation is no longer our parent company and the Admenta UK Group is in the process of reviewing its strategy, governance processes and forward-looking financial and other plans to ensure they support the objectives of Aurelius.

These financial statements present the results for the year ended 31 March 2022 and therefore commentary referring to 'this year' relates to the year ended 31 March 2022.

As Directors of the business, we want to start by extending our sincere thanks to all our colleagues for their incredible efforts in the service of patients in the post-Covid-19 pandemic recovery, in which our offerings play a central role. We are also grateful for their hard work in continuing to deliver our successful transformation strategy.

Our omnichannel business provides choice in healthcare to patients and consumers and continues to resonate with those we serve. We are particularly pleased with our delivery in digital revenue this year. Our LloydsPharmacy.com site grew 28%, Online Doctor, held through an investment Expert Health Limited, has increased by 3% and Lloyds-Direct, held through an investment in Metabolic Health Limited, grew +55%.

The year to 31 March 2022 was challenging for the whole country. Covid-19 and its variants placed great strain on the healthcare sector, including changed store footfall patterned, although we saw higher wholesale volumes. Furthermore, the government funding model for community pharmacy in England continues to be challenging. Despite these barriers, we have worked to improve the performance of the business, with the interests of the community in mind. We continued to optimize the Lloyds Pharmacy estate to enable it to operate sustainably and worked collaboratively with many landlords to regear our property costs.

All of these actions enabled us to deliver a net profit of £6m due to reduced finance costs after losses in the prior year. Adjusted EBITDA remained strong at £88m (2021: £111m).

As of 31 March 2022, we have 1,296 community pharmacies including 20 pharmacies outside the UK (2021: 1,337). Lloyds Pharmacy will be withdrawing pharmacy services from all Sainsbury's stores during calendar 2023, in response to changing current market conditions.

Overall, turnover was £6.3 billion (2021: £5.8 billion), an 8.6% increase from the previous year due to LPCH sales of high-value medications and AAH volumes.

Covid-19 pandemic

The Covid-19 pandemic has created much volatility and uncertainty. Despite this, our Group continues to play a pivotal role in delivering healthcare services to communities around the country while physical access to other healthcare settings (e.g. general practitioner surgeries, clinics, hospitals) has been restricted.

Metabolic Healthcare Limited, an investment Lloyds Pharmacy Limited holds, saw significant growth throughout the pandemic in its mail order prescription service. Leveraging the increased demand in online shopping, Lloyds Pharmacy rapidly expanded its digital offering to ensure customers could safely continue to enjoy the wider range of products available.

Covid-19 pandemic *(continued)*

Further developments caused by Covid-19 could include changes in demand patterns, governmental or business actions to mitigate risk or save costs, availability and effectiveness of vaccines, impacts on our supply chains, working remotely including reliance of applications that are subject to cybersecurity risks.

The Group participated in several government schemes when they became effective, including reimbursement of costs incurred due to Covid-19, funding for certain services provided to patients, a waiver of retail business rates, as well as NHS advance payments to alleviate cashflow challenges. To secure supply and minimise business disruption, mitigating actions have been applied including the introduction of new policies, ways of working, and training and monitoring.

We received NHS advanced funding from Scotland, Wales. Northern Ireland and England proportionate to the number of pharmacies in each domicile, which we used to mitigate the cashflow impact created by Covid-19. All advances were paid back by 31 March 2022.

Key performance indicators (KPIs)

The board monitors the Group's progress in implementing its strategy by reference to a suite of key performance indicators.

The key financial metrics for the Group are provided in the table below:

	2022		**2021**
	£’m	% change	£’m
Turnover	6,315	8.6	5,817
Profit / (Loss) for the year	6	123	(26)
Adjusted EBITDA	88	(20.7)	111
Shareholders' equity	352	2.0	345

Turnover

The Group’s turnover grew year over year primarily due to higher wholesale volumes, growth in homecare and our digital businesses offset by a decline in revenue as a result of government agencies seeking to manage the cost of healthcare, including pharmaceutical drug reimbursement rates, impacting our Lloyds Pharmacy stores and a fall in volumes in Lloyds Pharmacy stores.

Profit for the year

The Group generated a net profit compared to a loss in the prior year primarily due to lower interest costs due to refinancing of debt in March 2021.

Adjusted EBITDA

Adjusted earnings before interest, income tax, depreciation and amortization ("EBITDA") is defined as profit before interest, income tax, depreciation, amortization and exceptional items. Adjusted EBITDA is the measure used for evaluating performance and allocating resources. It has been reconciled to operating profit below:

	2022	2021
	£'m	£'m
Adjusted EBITDA	**88**	111
Plus restructuring and other exit charges	**7**	8
Impairment losses including reversals / gains on assets and store disposals	**(13)**	(13)
EBITDA	**94**	116
Depreciation	**70**	76
Amortization	**5**	6
Impairment of fixed assets, intangibles and right-of-use assets	**10**	22
Operating profit	**9**	12

Adjusted EBITDA reduced year over year primarily due to reduced other operating income.

Shareholder's equity

Shareholder's equity increased to £352m compared to £345m in fiscal 2021. In March 2021, the company completed a £1.2bn recapitalization, comprising a £600m cash contribution and a conversion of a £600m loan in exchange for equity.

Principal risks and uncertainties

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

Regulation and government

The Group operates in highly regulated markets; any changes to those requirements or noncompliance, could have a negative impact on business performance. For example, changes to drug reimbursement levels, pharmacy licensing arrangements, or prescription processing requirements, pricing and margin, traceability and storage, inflation (including minimum wage requirements), data or privacy regulations, workforce tax frameworks (including those applicable to healthcare providers and the workforce), health, safety or environmental standards could adversely impact the Group's profitability. Refer above to the business update section for risks associated with Covid-19.

Following an inspection in November and December 2021, the Care Quality Commission CQC issued a report on February 25, 2022 concluding that LPCH's rating was 'Inadequate'. To the extent any 'Inadequate' ratings are not remediated in time for a re-inspection due within 6 months, the CQC could begin the process of preventing LPCH from continuing to provide its services

LPCH has communicated to relevant stakeholders, including the NHS, customers and vendors as well as the banks providing financing. In addition, a remediation plan has been developed and implementation is complete, although ongoing enhancements to the services will continue in the normal course of business.

A return inspection and associated updated report is pending.

Further, the United Kingdom ("UK") entered into a trading arrangement with the European Union ("EU") on 31 December 2020. The principal risks we face as a result of this change to our trading relationship with the remaining EU members are around ensuring uninterrupted supply of pharmaceutical and medical products at competitive prices. The agreement does not guarantee mutual recognition of professional and sector-specific qualifications which will restrict labour mobility. It may also impact employee retention as well as future recruitment and raise cost. The risk of fluctuations in exchange rates have the potential to cause business disruption and profitability impacts.

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

Competition

Government reductions in pharmacy reimbursement in England have increased competition, for example the targeting of patients by competitors, including mail order pharmacies. We have seen loss of market share as a result of our store rationalisation program, and we also face competition for preferred store locations. In addition, there continues to be competition across price, service levels and availability with customers and vendors. Another key challenge is the competition to attract and retain talent, including pharmacists and nurses. This is a sector-wide issue, and we are working with relevant associations and the NHS to find a solution.

To mitigate risks, the Group monitors the market to understand and anticipate trends and identify challenges and opportunities to evolve and enhance our value proposition to customers and vendors.

Changes and trends in patient and consumer behaviour

There have been significant changes in consumer habits, accelerated by the Covid-19 pandemic including consumer confidence, spending levels, shopping trends; the migration online/remote working may continue to impact foot traffic into stores and general practitioner surgeries. Change to seasonality may also adversely impact our business. Despite this, we continue to innovate and adapt to new emerging behaviours. Our key strategy is to differentiate ourselves by providing services, expert advice and care to our customers and patients.

Cost management

The Group may face increased costs through a number of ways. These include the various change initiatives enabling us to adapt and meet future needs. Others include procurement and supply decisions which do not leverage our scale efficiently, system issues that impact our operations, cost of cybersecurity breaches, hiring and retaining talent, including pharmacists and nurses. The Group has reviewed these risks and has identified ways to mitigate them. These include robust program and talent management, purchasing processes and controls, as well as oversight from our board on strategic matters.

Financial risk management

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

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

Liquidity risk: the companies participate in the banking arrangements of the Group, which are arranged with the assistance of the central treasury function. The Group funds its operations through a mix of retained earnings, borrowings and leasing that is designed to ensure that the company has sufficient funds for its day-to-day operations and other activities. Cash flow requirements are monitored through rolling projections which are compiled across the group.

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

Foreign currency and interest rate risk: the subsidiaries are affected by foreign currency risk and use instruments to manage this risk. The Group also has both interest-bearing assets and liabilities, these being managed within the Group.

Future developments

McKesson Corporation closed the sale of Admenta UK Limited and its subsidiaries to Aurelius Elephant Limited, an entity owed by Aurelius asset management group, on April 6, 2022. Further future developments are outlined under business review section of the strategic report.

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

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

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

Customers and Suppliers

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

Colleagues

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

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

Key areas of focus for our colleagues include reinforcement of our culture through our values, code of conduct, career pathways and development plans. We foster a performance-based culture based on regular and transparent feedback, along with regular performance reviews that are linked to compensation. There are numerous development opportunities, including apprenticeships, our Evolve personal, professional and clinical development program for pharmacists, through to leadership programs for out top talent.

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

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

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

Employment of disabled persons

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

Government and regulators

We operate in a highly regulated industry, and patient safety is critical. Government entities across the four nations of the United Kingdom, including in England the Department of Health and Social Care, determine tariff reimbursement levels and service fees that impact the supply chain, including ourselves. We engage with the government and regulators through sector organisations such as the Healthcare Distribution Association, the National Clinical Homecare Association and the Pharmaceutical Services Negotiating Committee. We also independently engage with stakeholders by responding to consultations, and participate in forums to inform about, educate on, and discuss changes to the sector with policy makers.

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

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

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

This report was approved by the board of directors on 16 February 2023 and signed on behalf of the board by:

DocuSigned by:
Dominik Muser
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D Muser
Director

Registered office:
Sapphire Court
Walsgrave Triangle
Coventry
United Kingdom
CV2 2TX

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

The directors do not recommend the payment of a dividend (2021: Nil).

Future developments

Future developments of the business are detailed in the strategic report.

Statement of Corporate Governance Arrangements

The Statutory Board of Directors ("the Board") is responsible for driving the strategy of all subsidiaries of Admenta UK Limited, within a framework of effective governance, accountability and transparency. The Board must have regard to the interests of its shareholders, colleagues, patients and customers, suppliers and also the wider community, in the way in which decisions are considered, made and executed. As of the date of this report, McKesson Corporation is no longer our parent company and Admenta UK Limited is in the process of reviewing its strategy, governance processes and forward-looking financial and other plans to ensure they support the objectives of Aurelius. As a result of McKesson Corporation's announcement in July 2021 to exit the European market, no substantive changes were made to strategy during fiscal 2022.

During fiscal 2022 the Board has put in place a robust governance framework to support appropriate and transparent management and decision-making processes that meets the governance requirements of our U.S.-based publicly listed parent company, and therefore did not apply a U.K.-based governance code within this framework during the financial year. This framework enables the Board to be assured of the quality of its services, and of the effectiveness with which the Board is alerted to risks to the achievement of its overall purpose and priorities. This understanding is underpinned by our internal local and global policy framework which ensures that the way in which we operate is fully aligned with the expectations of our shareholders. The oversight function of corporate governance is performed by the Board and its designated committees. The Board has established a committee structure as part of its governance framework, listed below. Each committee has clear authorities delegated to it by the Board. Those delegations and authorities are set out in their respective committee terms of reference.

Advice and oversight are provided through well-structured, planned, and authorised board committees, that provide a platform to deal with specific issues requiring specialised areas of expertise. Committees also provide the benefit of strong accountability. Committee members have specific assigned tasks and are directly accountable to the Board for completing them. Each committee has a regular, structured reporting cadence directly into the Board. The following committees support the Board:

1. Investment Committee
2. Compliance & Governance Committee
3. Quality & Clinical Risk Committee
4. Human Resource Committee
5. Health, Safety & Environment Committee
6. Internal Audit Committee

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

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

Shareholders

During fiscal 2022, we were a subsidiary of McKesson Corporation and therefore operated under an internal global policy framework that ensured that our strategy and long-range financial and operating plans are fully aligned with the expectations of McKesson Corporation. These plans were reviewed at least annually, adjusted as required, and approved by the relevant board committees of McKesson Corporation. McKesson Corporation manages external shareholder relationships on behalf of the Company.

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

Going concern

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

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

The Company is financed through an asset-backed loan facility that was modified in December 2022. The facility allows us to borrow up to £358 million to April 6, 2025, in line with the initial term. The modified loan facilities are secured on qualifying accounts receivables of certain operating subsidiaries. The interest rate is determined based on the Bank of England rate plus 3.15%. The average asset-backed loan liquidity headroom is projected to increase from a low of more than £17m in March 2023 to being repaid before December 2023 from proceeds of the retail store optimization program.

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

We have performed sensitivity analysis considering downside scenarios to reduce expected proceeds per store and timing of disposals. Headroom remains under these scenarios.

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

Going concern (continued)

We have performed a reverse stress test to identify what level of deterioration would be required to breach the liquidity and adjusted EBITDA each covenant.

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

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

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

We have not performed sensitivity analysis beyond December 2023 as we expect to pay debt under the asset backed-loan before December 2023.

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

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

Qualifying third party indemnity provisions

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

Events after the end of the reporting period

McKesson Corporation closed the sale of Admenta UK Limited and its subsidiaries to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

Disclosure of information in the strategic report

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

The strategic report on page 1 makes reference to the following: principal activities and business review, principal risks and uncertainties, financial risk management, key performance indicators (KPIs) and future developments.

Admenta UK Limited

Directors Report *(continued)*

Year ended 31 March 2022

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

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

Energy and Carbon Reporting

	Year ended March 31,2022	Year ended March 31, 2021
Emission resulting from activities including combustion of gas or consumption of fuel for transport (tCO2e)	28,313	28,346
Emissions resulting from the purchase of electricity, including for transport (tCO2e)	7,478	9,086
Energy consumed from activities involving the combustion of gas or the consumption of fuel for transport and the purchase of electricity for its own use, including for transport (kWh)	157,868,225	164,170,258
Intensity ratio (kWh/revenue £m)	24,995	28,223

Methodology used to calculate the information disclosed above:

Calculation method: activity data x emission factor = greenhouse gas emission

Emissions factor source: DEFRA, 2022 for all emissions factors-

https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022

Intensity ratio is based on revenue (in £m) for the year ended 31 March 2022

Energy efficiency measures taken

Energy efficiency actions taken during the year ended 31 March 2022 included operational improvements across the portfolio to improve energy management and increase how much we recycle.

Disclosure of information to auditor

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

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

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

Directors

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

T Anderson	resigned on 11 May 2022
J Davies	resigned on 31 July 2022
C Keen	resigned on 18 May 2022
D Muser	appointed on 18 May 2022
S P Rahmede	appointed on 16 June 2022
R L Dargue	appointed on 29 June 2022
K M T Eckartsberg	appointed on 29 June 2022

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 “Reduced Disclosure Framework”. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditor

Deloitte LLP, being eligible, have indicated their willingness to continue in office in accordance with Section 487 of the Companies Act 2006.

This report was approved by the board of directors on 16 February 2023 and signed on behalf of the board by:

DocuSigned by:
Dominik Muser
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D Muser
Director

Registered office:
Sapphire Court
Walsgrave Triangle
Coventry
United Kingdom
CV2 2TX

Independent auditor’s report to the members of Admenta UK Limited

Report on the audit of the group financial statements

Opinion

In our opinion the consolidated financial statements (‘financial statements’) of Admenta UK Limited (the ‘parent company’) and its subsidiaries (the ‘group’):

- give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 March 2022 and 31 March 2021 and of the group’s profit/(loss) for the years then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statements of changes in equity;
- the consolidated cash flow statement;
- the consolidated accounting policies;
- the related consolidated notes 1 to 29;
- the Company statement of profit or loss;
- the Company statement of financial position;
- the Company statements of changes in equity;
- the Company accounting policies;
- the related Company notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

- material misstatement of revenue due to the estimated nature of journal entries made by management for NHS revenue in the financial quarter. We performed substantive testing on the estimates made by management, agreeing to actual cash receipts and receipt of 3rd party information post year end. We also performed a full reconciliation of NHS revenue recognised in the financial statements by agreeing to 3rd party information received.
- material misstatement of revenue due to the posting of manual adjustments. We performed substantive testing on a sample of these transactions and agreed our samples through to invoices, or other relevant supporting documentation in order to conclude that each transaction was compliant with the accounting standards, was approved before posting, was recognised at the correct amount and related to a genuine transaction for a legitimate adjustment.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Kate Hadley
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Kate Hadley, FCA Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom.

Date: 16 February 2023

Admenta UK Limited

Consolidated statement of profit or loss

For the year ended 31 March 2022

	Note	31/03/2022 £'000	31/03/2021 £'000
Revenue	5	**6,316,271**	5,816,566
Cost of sales		**(5,554,601)**	(5,040,853)
Gross profit		**761,670**	775,713
Other operating income	6	**25,838**	42,798
Distribution costs		**(605,880)**	(597,823)
Administrative expenses		**(93,964)**	(110,706)
Gains on assets and store disposals		**10,468**	11,683
Impairment losses / reversal on receivables		**2,902**	1,816
Restructuring and other exit charges		**(7,105)**	(7,565)
Earnings Before Interest, Tax, Depreciation and Amortization		**93,929**	115,916
Depreciation of Property Plant &Equipment and right-of-use assets		**(69,776)**	(76,277)
Amortization of acquired intangibles		**(5,062)**	(5,535)
Impairment of fixed assets, intangibles or lease Right-of-use assets		**(10,419)**	(21,678)
Operating profit	**10**	**8,672**	12,426
Finance income	11	**1,219**	163
Finance costs	12	**(8,517)**	(36,575)
Movement in fair value of derivatives		**-**	(1,490)
Profit/(Loss) before tax		**1,374**	(25,476)
Tax credit/(charge)	13	**4,270**	(104)
Profit/(Loss) for the year from continuing operations		**5,644**	(25,580)

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

Admenta UK Limited

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Note	31/03/2022 £'000	31/03/2021 £'000
Profit / (Loss) for the year		**5,644**	(25,580)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefit liability	24	**1,830**	27,490
Deferred tax on actuarial gains/(loss) on defined benefit liability	23	**(456)**	(5,403)
Other comprehensive income for the year, net of income tax		**1,374**	22,087
Total comprehensive income/(expense) for the year attributable to the owners of the company		**7,018**	(3,493)

Admenta UK Limited

Consolidated statement of financial position

For the year ended 31 March 2022

	Note	31/03/2022 £'000	31/03/2021 £'000	31/03/2020 £'000
Non-current assets				
Goodwill	14	**29,122**	29,122	29,265
Other intangible assets	14	**12,853**	15,321	20,856
Property, plant and equipment	15	**303,320**	347,134	417,515
Interests in joint ventures		**-**	-	327
Deferred tax asset	23	**1,259**	495	495
Defined benefit pension scheme assets	24	**37,224**	19,295	-
		383,778	411,367	468,458
Current assets				
Inventories	17	**430,615**	462,712	463,629
Trade and other receivables	18	**781,345**	913,977	1,013,385
Derivative financial instruments		**-**	-	410
Cash and bank balances		**543,993**	510,248	233,211
		1,755,953	1,886,937	1,710,635
Total assets		**2,139,731**	2,298,304	2,179,093
Current liabilities				
Trade and other payables	19	**(1,034,502)**	(1,173,110)	(1,198,622)
Obligations under finance leases	20	**(41,652)**	(48,321)	(50,771)
Borrowings	20	**(443,274)**	(440,371)	(1,434,374)
Derivative financial instruments	22	-	(2,626)	(171)
Provisions	21	-	(155)	(1,081)
		(1,519,428)	(1,664,583)	(2,685,019)
Net current assets		**236,525**	222,354	(974,384)

Admenta UK Limited

Consolidated statement of financial position *(continued)*

For the year ended 31 March 2022

	Note	31/03/2022	31/03/2021	31/03/2020
		£'000	£'000	£'000
Non-current liabilities				
Shares classed as financial liabilities		**(635)**	(635)	(635)
Retirement benefit obligations		**-**	-	(11,571)
Deferred tax liabilities	23	**(11,855)**	(11,799)	(9,304)
Provisions	21	**(47,493)**	(50,935)	(48,947)
Deferred income		**-**	-	(120)
Derivative financial instruments		**-**	-	(4,800)
Obligations under finance leases	20	**(208,692)**	(225,801)	(270,653)
		(268,675)	(289,170)	(346,030)
Total liabilities		**(1,788,103)**	(1,953,753)	(3,031,049)
Net assets		**351,628**	344,551	(851,956)

	Note	31/03/2022	31/03/2021	31/03/2020
		£'000	£'000	£'000
Equity				
Share capital	25	**400,050**	400,050	400,050
Share premium account	26	**1,267,737**	1,267,737	67,737
Retained earnings	26	**(1,316,159)**	(1,323,236)	(1,319,743)
Equity attributable to owners of the Group		**351,628**	344,551	(851,956)

The notes on pages 24 to 78 form part of these financial statements.

These consolidated financial statements of Admenta UK Limited, Company registered number 03011757, were approved by the board of directors and authorised for issue on 16 February 2023 and are signed on behalf of the board by:

DocuSigned by:
Dominik Muser
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D Muser
Director

Admenta UK Limited

Consolidated statements of changes in equity

Year ended 31 March 2022

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 April 2020	400,050	67,737	(1,319,743)	(851,956)
Loss for the year	-	-	(25,580)	(25,580)
Other comprehensive income for the year	-	-	22,087	22,087
Total comprehensive expense for the year	-	-	(3,493)	(3,493)
Issue of share capital	-	1,200,000	-	1,200,000
Balance at 31 March 2021	400,050	1,267,737	(1,323,236)	344,551
Balance at 1 April 2021	400,050	1,267,737	(1,323,236)	344,551
Profit for the year	-	-	5,644	5,644
Other comprehensive income for the year	-	-	1,374	1,374
Total comprehensive income for the year	-	-	7,018	7,018
Issue of share capital	-	-	-	-
Dividends	-	-	-	-
Reserves - exchange rate	-	-	59	59
Balance at 31 March 2022	400,050	1,267,737	(1,316,159)	351,628

The notes on pages 24 to 77 form part of these financial statements.

Admenta UK Limited

Consolidated statements of cash flows

Year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Profit for the year		**5,644**	(25,580)
Adjustments for:			
Finance income	11	**(1,219)**	(163)
Finance costs	12	**8,517**	36,575
Income tax (credit)/expense	13	**(4,270)**	104
Depreciation of property, plant and equipment	15	**69,808**	76,277
Impairment loss on property, plant and equipment	15	**10,419**	21,535
Amortisation of intangible assets	14	**5,141**	5,535
Impairment loss on intangible assets	14	**-**	143
Gain on disposal of property, plant and equipment		**252**	392
Increase/(decrease) in provisions	21	**(3,596)**	1,062
Movement in fair value of derivatives		**-**	1,490
Operating cash flows before movements in working capital		**90,696**	117,370
Decrease/(increase) in inventories	17	**32,097**	917
Decrease/(increase) in trade and other receivables		**138,576**	96,048
Increase/(decrease) in trade and other payables		**(269,033)**	(284,173)
Cash generated by operations		**(7,663)**	(69,838)
Income taxes paid		**(2,046)**	1,455
Net cash from operating activities		**(9,709)**	(68,383)
Investing activities			
Interest received		**806**	163
Proceeds on sale of investments		**-**	327
Proceeds on disposal of property, plant and equipment		**628**	12,424
Purchases of property, plant and equipment		**(14,205)**	(35,435)
Purchase of other intangible assets		**(2,673)**	-
Pension payments		**(16,142)**	(3,522)
Cash paid due to the settlements of derivative financial instruments held for hedging purposes		**-**	(3,254)
Net cash (used in)/from investing activities		**(31,586)**	(29,297)

Admenta UK Limited

Consolidated statements of cash flows (continued)

Year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Financing activities			
Interest paid		**(3,055)**	(37,344)
Additional borrowings		**130,702**	(135,633)
Repayment of lease liabilities		**(52,666)**	(52,306)
Proceeds on issue of shares		**-**	600,000
Net cash (used in)/from financing activities		**74,981**	374,717
Net increase/(decrease) in cash and cash equivalents		**33,686**	277,037
Cash and cash equivalents at beginning of year		**510,248**	233,211
Effect of foreign exchange rate changes		**59**	-
Cash and cash equivalents at end of year		**543,993**	510,248

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Sapphire Court, Walsgrave Triangle, Coventry, CV2 2TX, United Kingdom.

The consolidated financial statements for the year ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and are the first such accounts as the Company had previously elected to take an exemption from preparing such statutory financial statements. The Group's consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

2. Accounting polices

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

The principal accounting policies adopted are set out below.

Going concern

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

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

2. Accounting policies *(continued)*

Going concern (continued)

These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

The Company is financed through an asset-backed loan facility that was modified in December 2022. The facility allows us to borrow up to £358 million to April 6, 2025, in line with the initial term. The modified loan facilities are secured on qualifying accounts receivables of certain operating subsidiaries. The interest rate is determined based on the Bank of England rate plus 3.15%. The average asset-backed loan liquidity headroom is projected to increase from a low of more than £17m in March 2023 to being repaid before December 2023 from proceeds of the retail store optimization program.

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

We have performed sensitivity analysis considering downside scenarios to reduce expected proceeds per store and timing of disposals. Headroom remains under these scenarios.

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

We have performed a reverse stress test to identify what level of deterioration would be required to breach the liquidity and adjusted EBITDA each covenant.

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

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

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

We have not performed sensitivity analysis beyond December 2023 as we expect to pay debt under the asset backed-loan before December 2023.

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

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

2. Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company made up to 31 March 2022. Control is achieved when the Company:

- has the power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an entity, it considers that it has power over the entity when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the entity unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an entity are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

2. Accounting policies *(continued)*

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

2. Accounting policies *(continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively.
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent

reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. Accounting policies *(continued)*

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. Accounting policies ***(continued)***

Investments in associates and joint ventures

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

2. Accounting policies ***(continued)***

Revenue recognition

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

Revenue is recognised when control of the goods is transferred to the customer, provided that the amount of revenue can be reliably measured, and it is likely that economic benefits will flow to the Group. Service revenues are recognized when services are provided to the customer. Any deductions from sales such as returned goods, rebates, discounts allowed, and bonuses are deducted from gross revenue.

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

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

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

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

Leases

The Group as lessee

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

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

2. Accounting policies *(continued)*

Leases *(continued)*

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

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

The lease liability is presented as a separate line in the balance sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented having adopted IFRS 16 on 1 April 2019. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented within the property, plant and equipment line in the balance sheet.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

2. Accounting policies ***(continued)***

Leases ***(continued)***

The Group as lessor

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

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

Foreign currencies

Transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Any grant relating to income must be presented as a credit, i.e. netting off against the related expense is not permitted.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

2. Accounting policies ***(continued)***

Taxation ***(continued)***

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Property, plant and equipment

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Buildings	2% per annum
Long leasehold property	2% or over the period of the lease if less than 50 years
Short leasehold property	10%– 20% per annum or over the period of the lease
Fixtures and equipment	10%-33% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.
Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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

2. Accounting policies *(continued)*

Intangible assets

Goodwill represents the excess of the fair value of consideration given to acquire new business over the fair value of the separable net assets at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life. The amortisation is provided on a straight line method.

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

Impairment of property, plant and equipment, goodwill and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, goodwill and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually and whenever there is an indication at the end of the reporting period that the asset may be impaired.
Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.
An impairment loss on goodwill is not reversed.

2. Accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out (FIFO) method or weighted average purchase price method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

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

Financial assets and financial liabilities are measured initially at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Initial recognition and measurement
All financial assets are recognised initially at their fair value. The Group's financial assets include cash and cash equivalents, trade and other receivables and derivative financial instruments.

(ii) Subsequent measurement
The subsequent measurement of financial assets depends on their classification.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.
Financial assets at fair value through profit and loss (including derivatives) are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the income statement.
The Group does not have any held-to-maturity investment financial assets.

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

(iv) Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.
The Group recognises lifetime expected credit losses (ECL) for trade debtors. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

2. Accounting policies *(continued)*

Financial instruments *(continued)*

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

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

Financial liabilities

(i) Initial recognition and measurement
Financial liabilities are classified as financial liabilities at fair value through profit or loss or as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.
The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

(ii) Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

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

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

(iii) Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

Derivative financial instruments

In the prior year the Group held a call option on the shares in Metabolic Healthcare Holdings Ltd to acquire the remaining shares in the entity (currently 100% held). This option was recognised as a financial liability. Further details of derivative financial instruments are disclosed in note 22.

2. Accounting policies *(continued)*

Derivative financial instruments *(continued)*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Provisions

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

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

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

Pension costs and other post-retirement benefits

The Group contributes to group pension schemes operated by Admenta UK Limited and Sangers (Northern Ireland) Limited, including defined benefit and defined contribution schemes.
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit method. This method involves considering the biometric parameters and the respective long-term interest rates on the capital markets as well as the latest assumptions on future salary and pension increases. Re-measurement comprising actuarial gains and losses are recognised immediately on the statement of comprehensive income with a charge or credit to other comprehensive income. The past service costs are recognised as an expense at the earlier of when the plan amendment or curtailment occurs and when the company recognises related restructuring costs or termination benefits. The net interest on the net defined benefit liability is reported within finance costs.

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

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition

3. Adoption of new and revised standards

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

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

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16.	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continued, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions in the current year and these amendments had no impact on the financial statements of the Group.
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients: • A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest • Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued • Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. These amendments had no impact on the consolidated financial statements of the Group.

3. Adoption of new and revised standards *(continued)*

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and had not yet been adopted by the Group:

IFRS 17	*Insurance Contracts*
Annual Improvements to IFRS Standards 2018-2020 Cycle	The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.
Amendments to IAS 16	*Property, Plant and Equipment—Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Applicable to annual reporting periods beginning on or after 1 January 2023. The original effective date of IFRS 17 of 1 January 2021 was amended by *Amendments to IFRS 17* issued by the IASB in June 2020.

Endorsed for use in the EU, albeit with an optional exemption from applying the annual cohort requirement. Also endorsed for use in the UK.

3. Adoption of new and revised standards *(continued)*

New and revised IFRS Standards in issue but not yet effective *(continued)*

Annual Improvements to IFRS Standards 2018-2020 Cycle - The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.
Makes amendments to the following standards:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* - Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 *Financial Instruments* - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 *Leases* - Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 *Agriculture* - Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated. Management is evaluating the impact of adoption of the above standards and has not yet concluded.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments amend IAS 16 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments to IAS 16 are effective for annual periods beginning on or after 1 January 2022 and have not been adopted in this set of accounts.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. These amendments have not been adopted in this set of accounts.

3. Adoption of new and revised standards *(continued)*

New and revised IFRS Standards in issue but not yet effective *(continued)*

Amendments to IFRS 3 – Reference to the Conceptual Framework

The changes:

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. These amendments have not been adopted in this set of accounts.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The changes in *Classification of Liabilities as Current or Non-current — Deferral of Effective Date* defer the effective date of *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* to annual reporting periods beginning on or after 1 January 2023. Earlier application of the January 2020 amendments continue to be permitted.

Not yet endorsed for use in the EU or the UK.

Amendments to IAS 1 and IFRS Practice Statement 2

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Endorsed for use in the EU but not in the UK.

Amendments to IAS 12

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

The amendments provide an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU or the UK.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies.

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

Key sources of estimation uncertainty

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

Pension costs and other post-retirement benefits

The costs of defined benefit pension plans 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. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the pension liability. The mortality rate is based on publicly available mortality tables for the country. Future salary increases and pension increases are based on expected future inflation rates for the country. Further details are given in note 24.

5. Revenue

	2022	2021
	£'000	£'000
Sale of goods	**5,632,426**	5,261,380
Rendering of services	**683,845**	555,186
	6,316,271	5,816,566

The turnover is attributable to the two principal activity of the Group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2022	2021
	£'000	£'000
United Kingdom	**6,293,590**	5,793,910
Rest of Europe	**22,336**	21,648
Rest of World	**345**	1,008
	6,316,271	5,816,566

6. Other operating income

	2022	2021
	£'000	£'000
Rental income	**1,690**	3,093
Promotional income	**12,366**	22,512
Other operating income	**11,782**	17,193
	25,838	42,798

7. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the Group's annual accounts were £150,000 (2021: £150,000). There were no fees for non-audit related services in either the current or previous year.

8. Aggregate directors' remuneration

	2022	2021
	£'000	£'000
Emoluments	**2,902**	2,129
Amounts receivable (other than shares and share options) under long-term incentive schemes	**27**	16
Group contributions to defined contribution pension schemes	**145**	147
	3,074	2,292

	Number	Number
The number of directors who:		
Are members of a defined contribution pension scheme	**3**	3
Exercised options over shares in the parent Company in respect of qualifying services under a long term incentive plan	**3**	3

	2022	2021
Remuneration of the highest paid director:	£'000	£'000
Emoluments	**1,867**	1,251
Group contributions to defined contribution pension plans	**68**	68
Amounts receivable (other than shares and share options) under long-term incentive schemes	**16**	16
	1,951	1,335

NSM Limited and OSM Limited invoiced the group £9,000 (2021: £9,000) for the provision of corporate director services.

Trident Trust Company Limited invoiced the Group £17,000 (2021: £17,000) for the provision of corporate director services.

9. Staff costs

The average monthly number of persons employed by the Group during the year, including the directors, amounted to:

	2022 No.	2021 No.
Distribution staff	**16,351**	18,438
Administrative staff	**1,229**	1,286
	17,580	19,724

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022 £'000	2021 £'000
Wages and salaries	**395,724**	424,168
Social security costs	**24,635**	32,383
Other pension costs	**7,821**	8,626
Other staff costs	**-**	4,662
	428,180	469,841

10. Operating profit / (loss)

	2022 £'000	2021 £'000
Operating profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses/(gains)	**496**	509
Depreciation of property, plant and equipment (excluding right-of-use-assets)	**29,542**	30,520
Impairment of property, plant and equipment	**9,516**	15,592
Amortization of intangible assets	**5,141**	5,535
Gain/(loss) on disposal of property, plant and equipment	**-**	(292)
Depreciation of right-of-use assets	**40,266**	45,757
Impairment of right-of-use assets	**903**	5,943
Impairment of intangible assets	**-**	143
Cost of inventories recognised as expense	**5,554,601**	5,040,853
Write downs of inventories recognised as an expense	**600**	11,854
Staff costs (see note 9)	**428,180**	469,841
Loss allowance on trade receivables	**(2,902)**	(1,816)

11. Finance income

	2022 £'000	2021 £'000
Bank interest on deposits	**83**	106
Interest received from other group undertakings	**-**	30
Pension net interest income	**423**	26
Other finance income	**713**	1
	1,219	163

12. Finance costs

	2022 £'000	2021 £'000
Interest payable on bank overdrafts and loans	**102**	771
Interest payable to group undertakings	**335**	28,667
Interest on lease liabilities	**5,883**	6,965
Pension net interest payable	**-**	172
Interest payable other	**2,197**	-
	8,517	36,575

Interest payable to group undertakings were interest payable to group undertakings outside of Admenta UK group.

13. Tax

	2022	2021
	£'000	£'000
Corporation income tax:		
Current year	(797)	16
Adjustments in respect of prior years	2,514	(1,471)
	1,717	(1,455)
Deferred tax (see note 23)		
Origination and reversal of temporary differences	(1,694)	1,783
Rate change	(3,636)	-
Adjustments in respect of prior years	(657)	(224)
	(4,270)	104

The standard rate of corporation tax applied to reported profit is 19% (2021: 19%). The tax assessed for the year is lower than (2021 – higher than) the standard rate of corporation tax in the UK of 19%. The differences are explained below:

The charge for the year can be reconciled to the profit before tax as follows:

	2022	2021
	£'000	£'000
Profit /(Loss) before tax on continuing operations	1,374	(25,476)
Tax at the corporation tax rate of 19% (2020: 19%)	(261)	4,840
Tax effect of expenses that are not deductible in determining taxable profit	5,650	2,274
Adjustments in respect of prior years	(1,856)	1,723
Group relief for no payment	(2,932)	(8,945)
Change in unrecognised deferred tax assets	33	-
Tax rate changes	3,636	-
Tax expense for the year	4,270	(104)

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

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income:

	2022	2021
Deferred tax	£'000	£'000
Items that will not be reclassified subsequently to profit or loss:		
Taxation in relation to the revaluation of the DB Pension Scheme	**456**	**(5,403)**

14. Goodwill and Intangible assets

	Software	Trade marks	Goodwill	Customer relationships	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	3,010	6,102	122,622	33,180	164,914
At 31 March 2021	**3,010**	**6,102**	**122,622**	**33,180**	**164,914**
At 1 April 2021	3,010	6,102	122,622	33,180	164,914
Additions	775	-	-	1,898	2,673
Disposals	-	(15)	-	-	(15)
At 31 March 2022	**3,785**	**6,087**	**122,622**	**35,078**	**167,572**
Amortisation					
At 1 April 2020	2,791	1,597	93,357	17,048	114,793
Charge for the year	107	2,005	-	3,423	5,535
Impairment	-	-	143	-	143
At 31 March 2021	2,898	3,602	93,500	20,471	120,471
At 1 April 2021	2,898	3,602	93,500	20,471	120,471
Charge for the year	47	2,000	-	3,094	5,141
Disposals	-	(15)	-	-	(15)
At 31 March 2022	**2,945**	**5,587**	**93,500**	**23,565**	**125,597**
Net book value					
At 31 March 2022	**840**	**500**	**29,122**	**11,513**	**41,975**
At 31 March 2021	112	2,500	29,122	12,709	44,443
At 31 March 2020	219	4,505	29,265	16,132	50,121

Goodwill Impairment Charges

Based on annual impairment test on goodwill, there was an impairment charge in the year of £nil (2021: £143,000).

Intangible assets

Amortization expense of intangible assets during the year was £5,141,000 (2021: £5,535,000).

Admenta UK Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 31 March 2022

15. Property, Plant and Equipment

	Freehold	Long leasehold	Short leasehold	F,F & E	Vehicles	Right-of-use asset Property	Right-of-use asset Vehicles	Right-of-use asset Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2020	**27,452**	**11,957**	**66,492**	**465,208**	**3,126**	**283,509**	**35,234**	**828**	**893,806**
Additions	53	2,982	6,466	25,959	-	3,512	2,406	-	41,378
Disposals	(69)	(895)	(271)	(8,959)	-	(10,664)	(1,244)	(10)	(22,112)
Transfer	2,192	-	-	(2,217)	-	-	-	-	(25)
Reclassified as held for sale	-	-	(1,331)	- (3,581)	-	-	-	-	(4,912)
At 31 March 2021	**29,628**	**14,044**	**71,356**	**476,410**	**3,126**	**276,357**	**36,396**	**818**	**908,135**
At 1 April 2021	**29,628**	**14,044**	**71,356**	**476,410**	**3,126**	**276,357**	**36,396**	**818**	**908,135**
Additions	56	156	398	13,593	-	17,982	5,443	-	37,628
Disposals	(249)	-	(414)	(4,594)	-	(5,511)	(9,159)	-	(19,927)
Reclassified as held for sale	-	-	(220)	(2,992)	-	-	-	-	**(3,212)**
At 31 March 2022	**29,435**	**14,200**	**71,120**	**482,417**	**3,126**	**288,828**	**32,680**	**818**	**922,624**
Accumulated depreciation									
At 1 April 2020	**5,739**	**9,473**	**44,776**	**362,725**	**3,126**	**37,980**	**12,194**	**278**	**476,291**
Charge for the year	399	763	5,110	24,248	-	33,403	12,077	277	76,277
Impairment	2,950	506	686	11,450	-	5,943	- -	- -	21,535
Disposals	-	(249)	(223)	(6,586)	-	(131)	(2,097)	(10)	(9,296)
Reclassified as held for sale	-	-	(777)	(3,029)	-	-	-	-	(3,806)
At 31 March 2021	**9,088**	**10,493**	**49,572**	**388,808**	**3,126**	**77,195**	**22,174**	**545**	**561,001**
At 1 April 2021	**9,088**	**10,493**	**49,572**	**388,808**	**3,126**	**77,195**	**22,174**	**545**	**561,001**
Charge for the year	167	708	6,803	21,863	-	30,372	9,654	240	69,807
Impairment	(136)	-	(1,370)	11,022	-	15	888	-	10,419
Disposals	(68)	-	(188)	(4,115)	-	(5,555)	(9,122)	-	(19,048)
Reclassified as held for sale	-	-	(122)	(2,753)	-	-	-	-	(2,875)
At 31 March 2022	**9,051**	**11,201**	**54,695**	**414,825**	**3,126**	**102,027**	**23,594**	**785**	**619,304**
Net book value									
At 31 March 2022	**20,384**	**2,999**	**16,424**	**67,592**	**-**	**186,801**	**9,086**	**33**	**303,320**
At 31 March 2021	20,540	3,551	21,784	87,602	-	199,162	14,222	273	347,134
At 31 March 2020	21,713	2,484	21,716	102,483	-	245,529	23,040	550	417,515

15. Property, Plant and Equipment (continued)

Impairment losses recognised in the year

There was an impairment charge in the year of £10,419,000 (2021: £21,535,000) in respect of fixed asset impairment written down to their net realisable value during an annual impairment test. The Group impaired the capitalised cost of an ERP project.

Management have identified two CGU groups; retail and wholesale, that have been tested for impairment. To determine recoverable value, the retail CGU group applies a fair value less costs to sell (FVLCTS) method based on expected market value of stores, while the wholesale CGU group applies a value in use method based on discounted cash flows. FY23 budgeted cash flows are assessed into perpetuity with a decline of 0.5% and are discounted using a risk adjusted rate of 9%.

Right-of-use assets

	2022	**2021**
	£'000	**£'000**
Depreciation expense on right-of-use assets	**40,266**	45,757
Interest expense on lease liabilities	**5,833**	5,913
Impairment expense on right-of-use assets	**903**	5,943
Expense relating to short-term leases	**4,318**	2,919
Income from sub-leasing right-of-use assets	**(118)**	(2,769)

16. Subsidiaries Joint ventures and Associates

Group associates

Details of the associates as at 31 March 2022 are as follows:

Associate undertaking	**Nature of business**	**Class of capital**	**% held**
Company Chemists Association Limited	Retail pharmacy	£1 Ordinary shares	27

The registered address of the associate is as follows:

Name	**Registered office**
Company Chemists Association Limited	4 Kingston Hall, Kingston On Soar, Nottingham, NG11 0DJ

16. Subsidiaries, Joint Ventures and Associates (continued)

Group subsidiaries

Details of the subsidiaries as at 31 March 2022 are as follows:

Subsidiary	Principal activity	Class of capital	% held
2012 Dream Limited	Dormant company	£1 Ordinary shares	100
28CVR Limited	Dormant company	£0.10 Ordinary and A Ordinary shares	100
30MC Limited	Dormant company	£1 Ordinary shares	100
A. Suthrell (Haulage) Limited	Dormant company	£1 Ordinary shares	100
AAH Builders Suppliers Limited	Dormant company	£1 Ordinary shares	100
AAH Limited (*)	Holding company	£0.25 Ordinary shares	100
AAH Lloyds Insurance (IOM) Limited	Insurance company	£1 Ordinary shares	100
AAH One Limited	Dormant company	£1 Ordinary shares	100
AAH Pharmaceuticals Limited	Wholesale distribution	£1 Ordinary shares	100
AAH Twenty Four Limited	Dormant company	£1 Ordinary shares	100
AAH Twenty Limited	Dormant company	£1 Ordinary shares	100
AAH Twenty Six Limited	Dormant company	£1 Ordinary shares	100
Acme Drug Company Limited	Dormant company	£1 Ordinary shares	100
Added Marketing Limited	Dormant company	£1 Ordinary shares	100
Admenta Holdings Limited	Holding company	£1 Ordinary shares	100
Admenta Pension Trustees Limited	Dormant company	£1 Ordinary shares	100
Alchem (Southern) Limited	Dormant company	£1 Ordinary shares	100
Algorithmic Health Ireland Limited	Online Health	£1 Ordinary shares	100
Ayrshire Pharmaceuticals Limited	Dormant company	£1 Ordinary shares	100
Baillieston Health Centre Pharmacy Limited	Retail pharmacies	£1 Ordinary shares	100
Bannister & Thatcher Limited	Dormant company	£1 Ordinary shares	100
Barclay Pharmaceuticals Limited	Wholesale distribution	£1 Ordinary shares	100
Barclay Pharmaceuticals (Atherstone) Limited	Dormant company	£1 Ordinary shares	100
Barley Chemists Holdings Limited	Dormant company	£1 Ordinary shares	100
Barry Shooter (Romford) Limited	Dormant company	£1 Ordinary shares	100
Beauty Care Drugstores Limited	Dormant company	£1 Ordinary shares	100
Berkshire Medical Supplies Limited	Dormant company	£1 Ordinary shares	100
Betterlife healthcare Limited	Dormant company	£1 Ordinary A shares and £1 Ordinary B shares	100
Big Pharma Limited	Dormant company	£1 Ordinary shares	100
Bridport Medical Centre Services Limited	Dormant company	£1 Ordinary shares	100
Clark Munro Limited	Dormant company	£1 Ordinary shares	100
Clarke Care Group Limited	Dormant company	£1 Ordinary shares	100
Cross & Herbert (Devon) Limited	Dormant company	£1 Ordinary shares	100
Cross & Herbert (Holdings) Limited	Dormant company	£1 Ordinary shares	100
Cross And Herbert Limited	Dormant company	£1 Ordinary shares	100
Eclipse Healthcare Limited	Dormant company	£1 Ordinary shares	100
Escon (St Neots) Limited	Dormant company	£1 Ordinary shares	100
Evolution Homecare Services Limited	Dormant company	£1 Ordinary shares	100
Expert Health Limited	Online Health	£1 Ordinary shares	100
Farillon Limited	Dormant company	£1 Ordinary shares	100

16. Subsidiaries, Joint Venture Associates (*continued)*

Subsidiary	Principal activity	Class of capital	% held
Firth & Pilling Limited	Dormant company	£1 Ordinary shares	100
Foster & Plumpton Group Limited	Dormant company	£1 Ordinary shares	100
Foster & Plumpton Limited	Dormant company	£1 Ordinary shares	100
G J Maley Limited	Retail pharmacies	£1 Ordinary shares	100
G K Chemists (Glos) Limited	Dormant company	£1 Ordinary shares	100
G K Chemists Limited	Dormant company	£1 Ordinary shares	100
George Staples (Stoke) Limited	Dormant company	£0.01 Ordinary shares	100
GPL 2007 Limited	Dormant company	£1 Ordinary shares	100
Graeme Pharmacy (Stirling) Limited	Dormant company	£1 Ordinary shares	100
Greens Pharmaceutical (Holdings) Limited	Dormant company	£1 Ordinary shares	100
Health Needs Limited	Dormant company	£1 Ordinary shares	100
Healthclass Limited	Dormant company	£1 Ordinary shares	100
Herbert Ferryman Limited	Dormant company	£0.10 Ordinary shares	100
HH Thatcher Limited	Dormant company	£1 Ordinary shares	100
Higgins & Son (Chemists) Limited	Dormant company	£1 Ordinary shares	100
Hill-Smith (Warrington) Limited	Dormant company	£1 Ordinary shares	100
Hywel Davies (Caerphilly) Limited	Dormant company	£1 Ordinary shares	100
Independent Pharmacy Care Centres (2008) Limited	Dormant company	£1 Ordinary shares	100
Inspiron Distribution Limited	Dormant company	£1 Ordinary shares	100
IPCC Limited	Dormant company	£1 Ordinary shares	100
J Bradbury (Surgical) Limited	Dormant company	£1 Ordinary shares	100
J S Dent Limited	Dormant company	£1 Ordinary shares	100
John Bell & Croyden Limited	Retail pharmacy	£0.25 Ordinary shares	100
John Hamilton (Pharmaceuticals) Limited	Dormant company	£1 Ordinary shares	100
Kingswood Chemists Limited	Dormant company	£1 Ordinary shares	100
Kingswood GK Limited	Dormant company	£1 Ordinary shares	100
Kyle & Carrick (Holdings) Limited	Dormant company	£1 Ordinary shares	100
Levelcrown Limited	Dormant company	£1 Ordinary shares	100
Linford Pharmacies Limited	Dormant company	£1 Ordinary shares	100
Livingston Health Centre (P.D) Co. Limited	Dormant company	£0.01 Ordinary shares	100
Lloyds Chemists Limited (*)	Dormant company	£0.05 Ordinary shares	100
Lloyds Chemists Retail (Northern) Limited	Dormant company	£1 Ordinary shares	100
Lloyds Chemists Retail Limited	Dormant company	£1 Ordinary shares	100
Lloyds Group Properties Limited	Dormant company	£1 Ordinary shares	100
Lloyds Pharmacy Limited	Retail pharmacies	£1 Ordinary shares	100
Lloyds Properties Limited	Property services	£1 Ordinary shares	100
Lloyds Retail Chemists Limited	Dormant company	£1 Ordinary shares	100
LloydsPharmacy Clinical Homecare Limited	Healthcare services	£1 Ordinary shares	100
LPL One Limited	Dormant company	£1 Ordinary shares	100
M Payne And Company Limited	Dormant company	£1 Ordinary shares	100

16. Subsidiaries, Joint Venture Associates (*continued)*

Subsidiary	Principal activity	Class of capital	% held
MASTA Limited	Traveller services	£1 Ordinary shares	100
Medical Advisory Services for Travellers Abroad Limited	Traveller services	£0.1 Ordinary shares	100
Medimart Limited	Dormant company	£1 Ordinary shares	100
Metabolic Healthcare Holdings Limited	Retail pharmacy	£0.0001 Ordinary Shares	100
Metabolic Healthcare Limited	Retail pharmacy	£1 Ordinary Shares	100
Munro Pharmacy Limited	Dormant company	£1 Ordinary shares	100
Newkirk Pharmacy Limited	Dormant company	£1 Ordinary shares	100
Optimed Health Limited	Dormant company	£1 Ordinary Shares	100
Palemoda Limited	Dormant company	£1 Ordinary shares	100
Peel Street Pharmacy Limited	Dormant company	£1 Ordinary shares	100
Pharma Services (N.I.) Limited	Other information service	£1 Ordinary shares	50
Pharmagen Limited	Wholesale services	£1 Ordinary shares	100
Philip Goodman Limited	Dormant company	£1 Ordinary shares	100
Prescribing Support Services Limited	Dormant company	£1 Ordinary Shares	100
Prima Brands Limited	Wholesale services	£1 Ordinary shares	100
Primelight Limited	Dormant company	£1 Ordinary shares	100
R.F Foskett & Son Limited	Dormant company	£1 Ordinary shares	100
Sangers (Northern Ireland) Limited	Wholesale distribution	£1 Ordinary shares	100
Savory & Moore (Jersey) Limited	Retail pharmacies	£1 Ordinary shares	100
Savory & Moore Limited	Dormant company	£1 Ordinary shares	100
Scholes (Chemist) Limited	Dormant company	£1 Ordinary shares	100
Statim Finance Limited	Dormant company	£1 Ordinary shares	100
Stephen Smith Limited	Retail pharmacies	£1 Ordinary shares	100
Superfield Limited	Dormant company	£1 Ordinary shares	100
T And I White Limited	Dormant company	£1 Ordinary shares	100
Umbrella Business Service Centre UAB	Business service centre	EUR 1 Par value	100
Uscita Limited	Dormant company	£1 Ordinary shares	100
W. Jamieson (Chemists) Limited	Dormant company	£1 Ordinary shares	100
W.H.Chanter Limited	Dormant company	£1 Ordinary shares	100
Westclose Limited	Dormant company	£1 Ordinary shares	100
WH Green (Chemists) Limited	Dormant company	£0.05 Ordinary shares	100
Woodside Pharmacy (Glasgow) Limited	Retail pharmacy	£0.25 Ordinary shares	100

(*) denotes a direct investment held by Admenta UK Limited. All other listed investments are indirect investments of Admenta UK Limited.

16. Subsidiaries, Joint Ventures and Associates (continued)

All subsidiaries are UK companies and have the same registered address as Admenta UK Limited. The only exceptions to this are listed in the table below.

Name	Registered office
AAH Lloyds Insurance (IOM) Limited	Third Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man
GJ Maley Limited	22 Woodbourne Road, Douglas, Isle of Man, IM1 3AL
Stephen Smith Limited	PO Box 25, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3AP
Savory & Moore (Jersey) Limited	PO Box 301, 40 Esplanade, St Helier, Jersey, JE4 8UG
Algorithmic Health Ireland Limited	2 Shelbourne Buildings, Crampton Avenue, Dublin, D04 W3v6, Ireland.
Baillieston Health Centre Pharmacy Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, G42 0PH
J Bradbury (Surgical) Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
Pharma Services (N.I.) Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
Prima Brands Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
Umbrella Business Service Centre UAB	Rinktins g. 5, Vilnius, 09234, Lithuania

17. Inventories

	2022 £'000	2021 £'000
Finished goods and goods for resale	**430,615**	462,712

Stock provision amounted to £18,310,000 were included in the finished goods and goods for resale at year end (2021: £15,853,000).

18. Trade and other receivables

	2022 £'000	2021 £'000
Trade debtors	**525,832**	645,212
Amounts owed by group undertakings	**-**	1,058
Deferred tax asset	**25,836**	21,013
Corporation tax	**786**	-
Prepayment and accrued income	**27,286**	19,585
Other debtors	**201,605**	227,109
	781,345	913,977

As at 31 March 2022, trade receivables of £4.71m (2021: £7.61m) were impaired and fully provided. The table below presents the movement in expected credit losses for trade receivables in the year.

	2022 £'000	2021 £'000
Allowances brought forward	**7,607**	9,423
Additions	**169**	2,316
Utilisations	**(3,323)**	(4,620)
Adjustments	**252**	488
Allowances carried forward	**4,705**	7,607

19. Trade and other payables

	2022 £'000	2021 £'000
Trade creditors	**906,569**	975,872
Other tax and social security	**10,679**	5,853
Accruals	**107,245**	168,600
Other creditors	**10,009**	22,785
	1,034,502	1,173,110

20. Borrowings and lease liabilities

(a) Analysis of borrowings and lease liabilities

	2022	2021
	£'000	**£'000**
Amount due for settlement:		
Between one and five years	**(100,222)**	(141,920)
After five years	**(108,470)**	(83,881)
	(208,692)	(225,801)
On demand or within one year	**(484,926)**	(488,692)
	(693,618)	(714,493)

(b) Analysis of borrowings

	2022	2021
	£'000	**£'000**
Unsecured borrowing		
Bank loans and overdrafts	**(352,494)**	(311,795)
Other loans from group undertakings	**(90,000)**	(125,000)
Amounts owed to group undertakings	**(780)**	(3,576)
Total borrowings	**(443,274)**	(440,371)

	2022	2021
	£'000	**£'000**
Amount due for settlement:		
Between one and five years	**-**	-
After five years	**-**	-
	-	-
On demand or within one year	**(443,274)**	(440,371)
	(443,274)	(440,371)

The other principal features of the Company's borrowings are as follows:

(i) Amounts owed under the overdraft were secured on the cash assets of all McKesson Europe AG participants bearing interest at 1.1375% (2021: 0.715%) and is repayable on demand. Interest is only payable where the overall group position of McKesson Europe AG is in an overdraft position. At 31 March 2022 the overall group position was not overdrawn and therefore interest was not being incurred. Other loans amounting to £90,000,000 owed to group undertakings outside of Admenta UK group, bearing an interest of 1.25% were repaid on the 6th April 2022 (2021: £125,000,000 owed to group undertakings outside of Admenta UK group and were repaid within 1 year with a fixed interest of 2.19%).

(ii) Amounts owed to the immediate parent were interest bearing and repayable on demand at 0.64% (2021: 2.69%).

20. Borrowings and lease liabilities *(continued)*

(c) Analysis of lease liabilities

	2022	2021
	£'000	£'000
Amount due for settlement:		
Between one and five years	**(100,222)**	(141,920)
After five years	**(108,470)**	(83,881)
	(208,692)	(225,801)
On demand or within one year	**(41,652)**	(48,321)
	(250,344)	(274,122)

21. Provisions

Non-current	**Property provision**	**Restructuring provision**	**Insurance provision**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At April 2021	34,811	4,843	11,034	247	50,935
Additional provision in the year	1,652	4,347	3,647	-	9,646
Utilisation of provision	(1,440)	(3,258)	(3,979)	-	(8,677)
Unwinding of provision	(578)	-	-	-	(578)
Release of provision	(739)	(1,123)	(1,125)	-	(2,987)
Other adjustments	(899)	-	-	53	(846)
At 31 March 2022	**32,807**	**4,809**	**9,577**	**300**	**47,493**
Current					
At April 2021	-	155	-	-	155
Utilisation of provision	-	(155)	-	-	(155)
At 31 March 2022	**-**	**-**	**-**	**-**	**-**

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

It is expected that the property provision will be used during the remainder of the dilapidations and repair programme or until the assignment or disposal of the premises, with the majority of lease obligations expiring within the next 5 years and a maximum remaining period of up to 100 years.
The restructuring provision represents an assessment of the costs associated with the head office restructuring. It is expected to be utilised in the next financial year.

21. Provisions *(continued)*

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

	2022	2021
	£'000	**£'000**
Unearned premiums	**1,122**	1,125
Specific claims reserves	**4,403**	5,073
Incurred but not reported	**2,473**	3,118
Unexpired risks reserves	**1,579**	1,718
	9,577	11,034

The other provisions represent pension related costs, and the balance is expected to be utilised within the next 5 years.

22. Financial instrument

The Group has exposure to the following risks arising from financial instruments:
Credit risk, Liquidity risk, Market risk, including currency risk and interest rate risk.

Financial risk management

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

Capital management

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

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

22. Financial instrument *(continued)*

	2022 £'000	2021 £'000
Total borrowings	**693,618**	714,494
Less cash and cash equivalents	**(543,993)**	(510,248)
Net debt	**149,625**	204,246
Total equity	**351,628**	344,550
	501,253	548,796

Credit risk

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

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

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

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

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

	2022 £'000	2021 £'000
Trade and other receivables	**727,437**	873,378
Cash and cash equivalents	**543,993**	510,248
	1,271,430	1,383,626

22. Financial instrument *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company participates in the banking arrangements of the UK group, which are arranged with the assistance of the central treasury function. The UK group funds its operations through a mix of borrowings and leasing that is designed to ensure that the company has sufficient funds for its day-to-day operations and other activities. Cash flow requirements are monitored through rolling projections which are compiled across the group.

Maturity analysis for financial liabilities

The following table sets out the remaining contractual maturities of the Group's financial liabilities by type. All financial instruments have contractual maturities within one year except for the borrowings (finance lease liabilities) for which maturities are disclosed in note 20. The following are contractual undiscounted cash flows:

2022	**Carrying amount £'000**	**Less than 1 year £'000**	**2-5 years £'000**	**More than 5 years £'000**	**Total £'000**
Non-derivative liabilities					
Bank loans and overdraft	352,494	352,494	-	-	352,494
Other loans	90,003	90,003	-	-	90,003
Amounts owed to group undertakings	777	777	-	-	777
Obligations under finance leases	250,344	47,535	117,383	127,044	291,962
Trade payables	906,569	906,569	-	-	906,569
Other payables	10,009	10,009	-	-	10,009
Accruals	107,245	107,245	-	-	107,245
	1,717,440	**1,514,632**	**117,383**	**127,044**	**1,759,059**

2021	**Carrying amount £'000**	**Less than 1 year £'000**	**2-5 years £'000**	**More than 5 years £'000**	**Total £'000**
Non-derivative liabilities					
Bank loans and overdraft	311,795	311,795	-	-	311,795
Amounts owed to group undertakings	128,576	128,576	-	-	128,576
Obligations under finance leases	274,122	55,286	158,258	93,538	307,082
Trade payables	975,872	975,872	-	-	975,872
Other payables	22,786	22,786	-	-	22,786
Accruals	168,600	168,600	-	-	168,600
	1,881,751	**1,662,915**	**158,258**	**93,538**	**1,914,711**

22. Financial instrument *(continued)*

Foreign currency and interest rate risk:

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

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

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

	2022	2021
	£'000	£'000
Fixed rate instruments		
Financial liabilities	**443,274**	440,371
Variable rate instruments		
Financial liabilities	**250,344**	274,122

Interest rate Sensitivity analysis

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

	2022	2021
	£'000	£'000
Effect on profit before tax (increase in interest rates)	**(2,503)**	(2,741)
Effect on profit before tax (decrease in interest rates)	**2,503**	2,741

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

22. Financial instrument *(continued)*

Fair value of financial instruments

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

Financial assets

Loans and receivables

	Carrying value		Fair value	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	**543,993**	510,248	**543,993**	510,248
Trade and other receivables	**727,437**	873,378	**727,437**	873,378
	1,271,430	1,383,626	**1,271,430**	1,383,626

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other payables	**1,023,822**	1,167,258	**1,023,822**	1,167,258
Borrowings	**693,618**	714,493	**735,237**	747,453
	1,717,440	1,881,751	**1,759,059**	1,914,711

22. Financial instrument *(continued)*

Valuation methods and assumptions

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

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 - lnputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - lnputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).
The Group's financial instruments all fall into the level 3 categorisation.

Derivative financial instrument

	2022 £'000	2021 £'000
Derivative financial liabilities		
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Foreign currency forward contracts	-	181
Derivatives that are not designated in hedge accounting relationships:		
Call option	-	2,445
	-	2,626

The derivative (call option) held consists of an option to acquire the remaining percentage of shares of Metabolic Healthcare Holdings Ltd, which were initially purchased on June 19, 2019. The derivative was exercised before its expiry on 19 June 2021 and therefore derecognised during the year. The derivative was valued at 31 March 2021 by calculating the redemption value as if it were redeemable on the balance sheet date and therefore was a Level 3 instrument.

23. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

	2022	2021
	£'000	£'000
Accelerated tax depreciation	**23,201**	20,947
Short term timing difference	**145**	(5,078)
Deferred gains in excess of capital losses	**(8,106)**	(6,160)
	15,240	9,709

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

	2022	2021
	£'000	£'000
Deferred tax liabilities	**(11,993)**	(11,800)
Deferred tax assets	**27,233**	21,509
	15,240	9,709

	2022	2021
	£'000	£'000
At the beginning of the year	**9,709**	16,672
Deferred tax movement in income statement	**5,987**	(1,560)
Deferred tax movement in statement of other comprehensive income	**(456)**	(5,403)
	15,240	9,709

At the reporting date, the Group has unused tax losses of £35,028,212 (2021: £35,028,212) available for offset against future profits, no deferred tax asset has been recognised in respect of the £35,028,212 (2021: £35,028,212) as it is not considered probable that there will be future taxable profits available.

24. Retirement benefit plans

Defined contribution schemes

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

The total cost charged to profit or loss of £7,821,000 (2021: £8,626,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2022, contributions of £17,000 (2021: £16,000) due in respect of the current reporting period had not been paid over to the schemes and are included in other payables.

Defined benefit schemes

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

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

Through this scheme the Group is exposed to a number of risks, the most significant of which are as follows:

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

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

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

24. Retirement benefit plans *(continued)*

Admenta UK Limited Pension Fund *(continued)*

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

The pension cost for all schemes is borne by the fund. The Group provides no other post-retirement benefits to its employees under defined benefit plans.

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

The Group contributions during the year amounted to £15,000,000 (2021: £2,700,000) representing the remaining contributions under the scheme's funding deficit plan based on a funding agreement between McKesson Corporation and the Trustees. The scheme closed to ongoing accrual in February 2017.

The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving the Scheme.

The statement of financial position net defined benefit liability is determined as follows:

	2022	**2021**
	£'000	**£'000**
Present value of defined benefit obligations	**(238,363)**	(259,425)
Fair value of plan assets	**272,229**	278,601
	33,866	19,176

Changes in the present value of the defined benefit obligations are as follows:

	2022	**2021**
	£'000	**£'000**
At 1 April	**259,426**	246,614
Past Service cost	**-**	76
Interest expense	**5,028**	5,538
Benefits paid	**(13,669)**	(12,408)
Remeasurements: Actuarial gains and losses	**(12,422)**	19,606
At 31 March	**238,363**	259,426

24. Retirement benefit plans *(continued)*

Admenta UK Limited Pension Fund *(continued)*

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

	2022	2021
	£'000	£'000
At 1 April	**278,601**	236,772
Interest income	**5,441**	5,429
Benefits paid	**(13,669)**	(12,408)
Contributions by plan participants	**15,000**	2,700
Remeasurements: Actuarial gains and losses	**(13,144)**	46,108
	272,229	278,601

The total costs for the year in relation to defined benefit plans are as follows:

	2022	2021
	£'000	£'000
Recognised in profit or loss		
Past Service cost	**-**	76
Net interest (credit)/expense	**(413)**	109
	(413)	185
Recognised in other comprehensive income		
Actuarial (gains) and losses	**723**	(25,729)

The fair value of the major categories of plan assets are as follows:

	2022	2021
	£'000	£'000
Equity instruments	**-**	82,927
Debt instruments	**266,144**	190,683
Other	**6,085**	4,991
	272,229	278,601

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

The return on plan assets are as follows:

	2022	2021
	£'000	£'000
Return on assets of benefit plan	**(7,703)**	51,536

24. Retirement benefit plans *(continued)*

Admenta UK Limited Pension Fund *(continued)*

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

	2022	2021
Discount rate	**2.8%**	2.0%
Expected rate of salary increase	**4.1%**	3.6%
Expected rate of increase in pensions	**3.6%**	3.1%
Inflation assumption	**3.7%**	3.2%
Assumed life expectancies on retirement		
Current pensioners at 65 – male	**86.9**	86.9
Current pensioners at 65 – female	**89.0**	89.0
Future pensioners at 65 – male	**88.3**	88.3
Future pensioners at 65 – female	**90.5**	90.4

Sensitivity
The below sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.
The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the table below. The increase / (decrease) in the value of the defined benefit obligation is as follows:

Increase / (decrease) in the value of defined benefit obligation

	2022 £'000	2021 £'000
Increase in discount rate of 0.5%	**(13,536)**	(15,615)
Decrease in discount rate of 0.5%	**15,534**	18,004
Increase in rate of pension progression of 0.5%	**7,499**	8,481
Decrease in rate of pension progression of 0.5%	**(6,663)**	(7,436)
Increase in rate of increase in salaries of 0.5%	**282**	352
Decrease in rate of increase in salaries of 0.5%	**(272)**	(340)
Increase in mortality of retiree of 10%	**(7,767)**	(8,572)
Decrease in mortality of retiree of 10%	**8,973**	9,981

24. Retirement benefit plans *(continued)*

The Sangers (Northern Ireland) Limited Pension Fund

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

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

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

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

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

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

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

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

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

24. Retirement benefit plans *(continued)*

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

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

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

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

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

The statement of financial position net defined benefit asset / liability is determined as follows:

	2022	**2021**
	£'000	**£'000**
Present value of defined benefit obligations	**(24,507)**	(26,283)
Fair value of plan assets	**27,853**	26,402
	3,345	119

Changes in the present value of the defined benefit obligations are as follows:

	2022	**2021**
	£'000	**£'000**
At 1 April	**26,281**	23,700
Past Service cost	**-**	11
Current service cost	**160**	106
Contributions by employees	**36**	42
Interest expense	**547**	537
Benefits paid	**(700)**	(779)
Actuarial gain arising from changes in demographic assumptions	**(38)**	75
Actuarial (gain) / loss arising from changes in financial assumptions	**(1,718)**	2,911
Experience (gain) / loss	**(61)**	(322)
At 31 March	**24,507**	26,281

24. Retirement benefit plans *(continued)*

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

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

	2022	**2021**
	£'000	**£'000**
At 1 April	**26,401**	21,971
Interest income	**556**	500
Benefits paid	**(700)**	(779)
Contributions by employer	**825**	242
Contributions by employee	**36**	42
Return on plan assets in (less than) / excess of interest on scheme assets	**735**	4,425
	27,853	26,401

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

The total costs for the year in relation to defined benefit plans are as follows:

	2022	**2021**
	£'000	**£'000**
Recognised in profit or loss		
Current service cost	**160**	106
Past Service cost	**-**	11
Net interest (credit)/expense	**(9)**	37
	151	154
Recognised in other comprehensive income		
Actuarial gains	**(2,552)**	(1,761)

24. Retirement benefit plans ***(continued)***

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

The fair value of the major categories of plan assets are as follows:

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

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the table below. The increase / (decrease) in the value of the defined benefit obligation is as follows:

Increase / (decrease) in the value defined benefit obligation

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

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

25. Called up share capital

Authorised, issued, called up and fully paid

	2022 No.	2022 £'000	2021 No.	2021 £'000
Ordinary shares of £1 each	**400,050,003**	**400,050**	400,050,003	400,050

26. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs. In March 2021, McKesson Europe AG extinguished £600m owed to group undertakings due in 2035 in consideration for one ordinary share in Admenta UK Limited. In addition, McKesson Europe AG contributed £600m in cash in exchange for one ordinary share in Admenta UK Limited.

27. Related party transactions

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

Key management personnel

Key management compensation is shown in note 8.

Trading transactions

During the year, Group entities did not enter into any trading transactions with related parties that are not within the wider McKesson Corporation Group. In relation to transactions with group members outside of the Admenta UK Ltd group:

	2022	2021
Interest paid	335,000	28,667,000
Interest received	31,000	30,000
Amounts receivable	-	1,058,000
Amounts payable	90,780,000	128,576,000

28. Events after the end of the reporting period

McKesson Corporation closed the sale of Admenta UK Limited and its subsidiaries to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

The Company became a party to an asset-backed loan dated April 6, 2022 as set out in note 2. The banking arrangements of the Company operate on a pooled basis with certain associated subsidiaries. Under these arrangements, participating companies guarantee each other's borrowings. Borrowings are permitted against qualifying accounts receivable in certain subsidiaries (AAH Pharmaceuticals Limited, Lloyds Pharmacy Homecare Limited, Metabolic Healthcare Limited, Barclays Pharmaceuticals Limited, Lloyds Pharmacy Limited) and inventory in AAH Pharmaceuticals Limited. The Company is also contingently liable in the event subsidiaries default under the asset-backed loan, principally for failure to repay borrowings.

29. Controlling party

The immediate parent undertaking was McKesson Global Procurement and Sourcing Limited, a company registered in the UK.

The ultimate parent undertaking and controlling party of the Company was McKesson Corporation, a company registered in North America.

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

Admenta UK Limited

Company statement of profit or loss

Year ended 31 March 2022

	Note	**2022 £000**	*2021 £000*
Administrative expenses		**(609)**	-
Operating (loss)/profit	4	**(609)**	-
Income from fixed assets investments		**236,068**	-
Amounts written off investments		**(227,104)**	-
Interest receivable and similar income	9	**1,966**	*6,662*
Interest payable and similar expenses	10	**(225)**	*(29,483)*
Profit/(loss) before tax		**10,096**	*(22,821)*
Tax on profit/(loss)	11	**12,616**	*8,464*
Profit/(loss) for the financial year		**22,712**	*(14,357)*

The notes on pages 85 to 103 form part of these financial statements.

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

Admenta UK Limited

Company statement of financial position

31 March 2022

	Note		2022 £000		*2021* *£000*
Fixed assets					
Investments	12		**128,783**		*353,341*
			128,783		*353,341*
Current assets					
Debtors: amounts falling due after more than one year	13	**375,759**		*398,603*	
Debtors: amounts falling due within one year	13	**16,965**		*10,544*	
Cash at bank and in hand	14	**223,663**		*230,806*	
		616,387		*639,953*	
Creditors: amounts falling due within one year	15	**(90,798)**		*(361,634)*	
Net current assets			**525,589**		*278,319*
Total assets less current liabilities			**654,372**		*631,660*
Net assets			**654,372**		*631,660*
Capital and reserves					
Called up share capital	17		**400,050**		*400,050*
Share premium account	18		**1,267,737**		*1,267,737*
Profit and loss account	18		**(1,013,415)**		*(1,036,127)*
			654,372		*631,660*

These financial statements of Admenta UK Limited, Company registered number 03011757, were approved by the board of directors and authorised for issue on 16 February 2023 and are signed on behalf of the board by:

DocuSigned by:
Dominik Muser
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D Muser
Director

Admenta UK Limited

Company statement of changes in equity

31 March 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2021	**400,050**	**1,267,737**	**(1,036,127)**	**631,660**
Comprehensive income for the year				
Profit for the year	-	-	**22,712**	**22,712**
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	**22,712**	**22,712**
At 31 March 2022	**400,050**	**1,267,737**	**(1,013,415)**	**654,372**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2020	**400,050**	**67,737**	**(1,021,770)**	**(553,983)**
Comprehensive income for the year				
Loss for the year	-	-	**(14,357)**	**(14,357)**
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	**(14,357)**	**(14,357)**
Shares issued during the year	-	**1,200,000**	-	**1,200,000**
Total transactions with owners	-	1,200,000	-	1,200,000
At 31 March 2021	**400,050**	**1,267,737**	**(1,036,127)**	**631,660**

The notes on pages 85 to 104 form part of these financial statements.

1. General information

The Company is a private company limited by shares, registered in England and Wales. The address of the registered office is Sapphire Court, Walsgrave Triangle, Coventry, CV2 2TX, United Kingdom.

The nature of the Company's operations and its principal activities are set out in the strategic report. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Frameworks'.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies *(continued)*

2.3 Going concern

Going concern of the company is detailed in the notes to the Consolidated financial statements on page 27 and form part of this accounting policy by cross reference.

2.4 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.5 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Pension costs and other post-retirement benefits

The Company operates several pension schemes, one of which is a defined benefit and two defined contribution. All schemes are funded and constituted as independently administered funds with their assets being held separately from those of the company. The net liabilities under the defined benefit pension scheme are included in the consolidated balance sheet of Admenta UK Limited. The expected return on pension scheme assets and interest costs are included within net finance income and actuarial gains and losses are included within the statement of other comprehensive income of Lloyds Pharmacy Limited and AAH Pharmaceuticals Limited.

2.7 Taxation

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

Current income tax

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

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

2. Accounting policies *(continued)*

2.7 Taxation (continued)

Deferred tax

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

This is unless the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for at cost less, where appropriate, provisions for impairment.

Impairment of investments

The Company evaluates its investments at each reporting date whether there is an indication that an investment may be impaired. The basis for any impairment of investments is by reference to the higher of the post-tax net realisable value and the value in use of those assets. The value in use is determined through discounting all future cash flows using a risk adjusted rate.

2. Accounting policies *(continued)*

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

2. Accounting policies *(continued)*

2.12 Financial instruments (continued)

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

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

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.13 Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probably that the economic benefits will flow to the Company and the amounts of revenue can be measured reliably).

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies.
The only critical accounting judgement that the directors have identified is the impairment of assets, which is also highlighted as a key source of estimation uncertainty below.

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

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

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

4. Profit before tax

Profit before tax has been arrived after charging:

	2022	*2021*
	£000	*£000*
Impairment of investments	**227,104**	-
	227,104	-

An impairment loss of £227,104,000 (2021: £nil) was recognised in the year in relation to investment in the subsidiary AAH Twenty Six Limited.

5. Auditors' remuneration

	2022 **£000**	*2021* *£000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**4**	*4*

The Company did not pay any non-audit services for the current year and prior year.

6. Employees

The Company has no employees other than the Directors, who did not receive any remuneration *(2021 - £NIL)*.

7. Directors' remuneration

The emoluments of all directors are paid by a fellow subsidiary company, Lloyds Pharmacy Limited, which makes no recharge to the Company. All other directors of this Company are also directors of a number of fellow subsidiary companies and it is impossible to make an accurate apportionment of their emoluments in respect of each of these companies. Accordingly, no emoluments in respect of these directors are disclosed. Their emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Lloyds Pharmacy Limited.

8. Income from investments

	2022 **£000**	*2021* *£000*
Dividends received from subsidiaries	**(236,068)**	-
	(236,068)	-

9. Interest receivable

	2022 **£000**	*2021* *£000*
Interest received from group undertakings	**1,966**	*6,662*
	1,966	*6,662*

10. Interest payable and similar expenses

	2022 £000	*2021 £000*
Loans from other group undertakings	**187**	*28,667*
Other interest payable	**38**	*816*
	225	*29,483*

Group finance charges relate to intercompany financing and liquidity facilities. Within interest payable on loans in the prior year, amounts included £26,100,000 of annual interest relating to a £600,000,000 intercompany loan and £2,500,000 of annual interest on a £125,000,000 intercompany loan. These loans were repaid in 2021 and interest payable in the current year was reduced by these amounts.

11. Taxation

	2022 £000	*2021 £000*
Corporation tax		
Current tax on profits for the year	**215**	*(4,336)*
Adjustments in respect of previous periods	**(12,831)**	*(4,128)*
	(12,616)	*(8,464)*
Total current tax	**(12,616)**	*(8,464)*
Deferred tax		
Total deferred tax	**-**	*-*
Taxation on loss on ordinary activities	**(12,616)**	*(8,464)*

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021 - higher than)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)*. The differences are explained below:

	2022 £000	*2021 £000*
Profit/(loss) on ordinary activities before tax	**10,097**	*(22,821)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**1,918**	*(4,336)*
Effects of:		
Expenses not deductible for tax purposes	**(1,703)**	-
Adjustments to tax charge in respect of prior periods	**(12,831)**	*(4,128)*
Total tax charge for the year	**(12,616)**	*(8,464)*

Factors that may affect future tax charges

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

12. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2021	**1,302,449**
Additions	**2,546**
At 31 March 2022	**1,304,995**
Impairment	
At 1 April 2021	**949,108**
Charge for the period	**227,104**
At 31 March 2022	**1,176,212**
Net book value	
At 31 March 2022	**128,783**
At 31 March 2021	*353,341*

An impairment loss of £227,104,000 (2021: £nil) was recognised in the year in relation to investment in the subsidiary AAH Twenty Six Limited. This company is under liquidation.

During the year the Company made an investment of £2,546,000 in McKesson Business Services Lithuania 2 UAB. The subsidiary has changed it's name as Umbrella Business Service Centre UAB.

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

Details of the subsidiaries as at 31 March 2022 are listed in the consolidation notes on page 53 – 57 and form part of this notes by cross reference.

13. Debtors

	2022 £000	2021 £000
Due after more than one year		
Amounts owed by group undertakings	**375,759**	*398,603*
	375,759	*398,603*

	2022 £000	2021 £000
Due within one year		
Other debtors	**13**	-
Corporation tax group relief recoverable	**16,952**	*10,544*
	16,965	*10,544*

The amounts owed by group undertakings are due more than one year and attract interest based on market rates. Other group undertakings included above is a wholly owned subsidiary in the Admenta UK group.

14. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	**223,663**	*230,806*
	223,663	*230,806*

15. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Amounts owed to other group undertakings	**723**	*236,357*
Other loans from group undertakings (outside Admenta UK group)	**90,000**	*125,000*
Accruals	**75**	*277*
	90,798	*361,634*

15. Creditors: Amounts falling due within one year (continued)

Amounts owed to other group undertakings are due on demand and represents interest free loans. (2021: £236,184,000 was due on demand and represents interest free loans and the remaining balance represented loans on a revolving credit facility which could be repaid upon request by McKesson Corporation and attracts interest equivalent to the overall cost of borrowing for the UK group of 3.24%. None of these amounts were secured.) Other loans amounting to £90,000,000 owed to McKesson Global Procurement & Sourcing Limited, bearing an interest of 1.25% repaid on the 6 April 2022 (2021: £125,000,000 was repayable within 1 year with a fixed interest of 2.19%).

Other group undertakings included above are wholly owned subsidiaries in the Admenta UK group.

16. Financial instruments

	2022 **£000**	*2021* *£000*
Financial assets		
Financial assets measured at fair value through profit or loss	**223,663**	*230,806*
Financial assets that are debt instruments measured at amortised cost	**375,772**	*398,603*
	599,435	*629,409*
Financial liabilities		
Financial liabilities measured at amortised cost	**(90,796)**	*(361,633)*

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise amounts owed by other group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise amounts owed to other group undertakings in the Admenta UK group and accruals and deferred income.

17. Share capital

	2022 **£000**	*2021* *£000*
Authorised, allotted, called up and fully paid		
400,050,003 *(2021 - 400,050,003)* Ordinary shares of £1.00 each	**400,050**	*400,050*

18. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs. In March 2021, McKesson Europe AG extinguished £600,000,000 owed to group undertakings due in 2035 in consideration for one ordinary share in Admenta UK Limited. In addition, McKesson Europe AG contributed £600,000,000 in cash in exchange for one ordinary share in Admenta UK Limited.

Profit and loss account

This reserve records retained earnings and accumulated losses.

19. Related party transactions

The Company has chosen to exercise the exemption under FRS 101.8(k) to exempt themselves from disclosing related party transactions with wholly owned group companies.

20. Post balance sheet events

McKesson Corporation closed the sale of Admenta UK Limited and its subsidiaries to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

The Company became a party to an asset-backed loan dated April 6, 2022 as set out in note 2. The banking arrangements of the Company operate on a pooled basis with certain associated subsidiaries. Under these arrangements, participating companies guarantee each other's borrowings. Borrowings are permitted against qualifying accounts receivable in certain subsidiaries (AAH Pharmaceuticals Limited, Lloyds Pharmacy Homecare Limited, Metabolic Healthcare Limited, Barclays Pharmaceuticals Limited, Lloyds Pharmacy Limited) and inventory in AAH Pharmaceuticals Limited. The Company is also contingently liable in the event subsidiaries default under the asset-backed loan, principally for failure to repay borrowings.

21. Controlling party

The immediate parent undertaking was McKesson Global Procurement and Sourcing Limited, a company registered in the UK.

The ultimate parent undertaking and controlling party of the Company was McKesson Corporation, a company registered in North America.

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