

**AAH Pharmaceuticals Limited**

**Annual report and financial statements for the year ended**

**31 March 2020**

**Registered number: 00123458**

# AAH Pharmaceuticals Limited

## Annual report and financial statements for the year ended 31 March 2020

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# AAH Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020.

### Principal activities

AAH Pharmaceuticals Limited is a distributor of pharmaceutical and healthcare products and services in the UK. The company works in partnership with manufacturers to supply pharmacies, hospitals and dispensing doctors.

### Review of business and future developments

The directors monitor the progress of the company and the implementation of its strategy by reference to key performance indicators. The indicators employed include revenue, gross profit and operating margin. These are discussed in more detail below.

The pharmaceutical wholesale market continued to be highly competitive during the year. Constraints in government expenditure again manifested themselves in reduced pharmacy remuneration leading to pressure from customers to offset the effects through price reductions. The major pharmaceutical manufacturers also continue to exert pressure via competition for the rights to distribute their products through reduced wholesale and direct to pharmacy arrangements. However, we view these as normal pressures for a wholesale business and therefore continue to strive to minimise and offset them.

Following the UK's decision to leave the European Union the directors continue to monitor and plan for effects which may arise as a result of this decision. So far the most significant effect seen is the weakening of sterling against other currencies, including the Euro, as well as customs costs and delays which have resulted in a reduction of and this has meant that parallel trade opportunities and profitability has reduced.

General practitioners continue to change their prescribing habits in favour of generic drugs and also by advising patients to purchase over the counter (OTC) drugs themselves to reduce the pressure on National Health Service funding.

The impact of Novel Coronavirus on the business has been discussed on page 3.

### Key performance indicators (KPIs)

The board monitors the company's progress in implementing its strategy by reference to a suite of key performance indicators. Progress in the period on summary KPIs is as follows:-

	2020	2020	2019
	£'000	% Change	£'000
Revenue	3,566,006	4.7	3,404,593
Operating Profit	68,181	(28.9)	95,834
Profit for the year	60,469	(29.9)	86,242
Shareholder's deficit	350,557	22.8	285,501

Revenues for the year increased by 4.74% while operating profit declined due to competition in the market.

The directors remain confident that AAH Pharmaceuticals Limited is well placed to deal with any upcoming changes in the market, but note that with ongoing reductions to pharmacy margins competition remains intense.

# AAH Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2020 *(continued)*

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are 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.

#### Competition

AAH Pharmaceuticals Limited operates in a market which is highly competitive, particularly around price and product availability. There is, as a result, ongoing downward pressure on margins with the additional risk that the company will not meet the expectations of customers. To mitigate this risk, the company periodically undertakes market research to understand customer and supplier expectations and identify whether their needs are being met. The sales and commercial teams also monitor market prices on a daily basis.

#### Supply chain

The provision of a process driven quality service to customers and suppliers is dependent on the availability of a number of key systems, including warehouse management, supply chain support and customer ordering. The company has a policy of continually investing in these systems to ensure it retains its leading position amongst pharmaceutical wholesalers. The systems are monitored and assessed on a regular basis, using a variety of diagnostic tools such as benchmarking.

#### People

The company recognises that the success of AAH Pharmaceuticals Limited is built upon the consistency, and effectiveness of the service that is offered to customers. It is understood that the culture of the business is ensuring service to customers continues to be core focus of our activities.

Good service can only be delivered by the very best people and there is a continuing focus within the company on the recruitment, training, development and performance of all members of staff. The Board of Directors devote significant time to ensuring the programmes, processes, systems and behaviours continually support and develop the culture of the business to meet the needs of a continually changing environment.

#### United Kingdom trading relationship with the European Union

The United Kingdom ("UK") entered into a trading arrangement with the European Union ("EU") on December 31st, 2020.

Under this arrangement, goods trade costs are likely to increase due to customs compliance requirements, potential border delays, rules of origin requirements and the need for products to satisfy different regulations and standards in the UK than the EU. The principal risks we face are around ensuring uninterrupted supply of pharmaceutical and medical products to patients and customers under a changed legal and regulatory environment as the EU medicine approval regime is now no longer recognized by the UK.

In addition, Northern Ireland ("NI") remains aligned to EU regulatory frameworks. We continue to explore the ways in which the UK will be required to apply EU regulations in NI through discussions with the UK Government and relevant trade associations, as certain derogations expire at the end of 2021.

The agreement does not guarantee mutual recognition of professional and sector-specific qualifications which will restrict labour mobility, including, but limited to, pharmacists and nurses that we, or our customers, employ. The company celebrates its diverse workforce and recognises a number of its employees are non-UK nationals. The agreement, and how people react to it, may impact employee retention as well as future recruitment and raise costs. Effects on the workforce are expected to play out over a longer time period which will allow the business to react as appropriate.

The risk of fluctuations in exchange rates have the potential to cause business disruption and profitability impacts.

The company continues to seek advice and clarification from the Government regarding ongoing negotiations to enhance the trading agreement and mitigate the above risks. Mitigating actions have been implemented to secure supply and minimise business disruption.

# AAH Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2020 *(continued)*

### Principal risks and uncertainties *(continued)*

#### Novel Coronavirus

On 11 March 2020 the World Health Organisation declared novel coronavirus a pandemic. In March and November 2020 the UK Government announced strict lockdown measures across the UK.

AAH Pharmaceuticals Limited provides a pivotal role in delivering pharmaceutical products and services to communities around the country. The uncompromising priority of AAH Pharmaceuticals Limited is the safety of its employees and customers. AAH Pharmaceuticals Limited reacted swiftly to the UK Government's advice to ensure safety measures were put in place and continues to follow its advice in order to remain open to the pharmaceutical wholesale market as access to other healthcare (e.g. GPs, clinics and hospitals) has been restricted.

Whilst the future duration and impact of the novel coronavirus are unknown AAH Pharmaceuticals Limited will continue to support its communities whilst following the advice of the UK Government. The Company participated in the government's furlough scheme for certain non-critical employees.

### **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 sustainable long-term profit growth. 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 the coronavirus and Brexit), innovation by introducing 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 core values.

There are many ways we engage with and listen to our people including pulse surveys, conferences, forums including town hall meetings where colleagues can interact with our Chief Executive Officer and receive updates on strategic initiatives and our business and recognize great performance. We also 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 provide 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 sponsorship for our top talent to attend our European Talent programmes.

# AAH Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2020 *(continued)*

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

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 novel coronavirus 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. Appropriately 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.

#### Government and regulators

We operate in a highly regulated industry, and patient safety is critical. Government entities, including the Department of Health, determine reimbursement levels for the supply chain, including ourselves. We engage with the government and regulators through sector organisations such as the Healthcare Distribution Association. 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.

#### 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.

C Keen  
Director

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30 March 2021

# AAH Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2020

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2020.

### Results

The results for the financial year are presented in the income statement on page 13.

### Dividends

The directors do not recommend a final dividend (2019: £nil). No interim dividend was paid during the year (2019: £nil).

### Political and charitable contributions

No political or charitable contributions were made during the year (2019: £nil donations).

### Future developments

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

### Statement of Corporate Governance Arrangements

The Statutory Board of Directors of Admenta UK Limited ("the Board") is responsible for driving the strategy of all its subsidiaries (including AAH Pharmaceuticals 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.

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, although and therefore it 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 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 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 Standards Committee
4. HR 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 global policy framework implemented through our parent companies, clear delegations of authority, risk management and compliance programs, standard operating procedures and internal assurance functions.

# AAH Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2020 *(continued)*

### Statement of Corporate Governance Arrangements *(continued)*

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

As a subsidiary of McKesson Corporation an internal global policy framework ensures that our strategy and long-range financial and operating plans are fully aligned with the expectations of our shareholders. These plans are reviewed at least annually, adjusted as required, and approved by the relevant board committees of McKesson Corporation. The internal policy framework sets out how and when we engage with our shareholders, and how decisions are made and escalated for shareholder consideration, review and approval. McKesson Corporation manages external shareholder relationships on behalf of the Company.

### **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 3-4 in the Strategic Report.

#### Energy and Carbon Reporting

	Year ended March 31, 2020
Emission resulting from activities including combustion of gas or consumption of fuel for transport (tCO <sub>2</sub> e)	23,221
Emissions resulting from the purchase of electricity, including for transport (tCO <sub>2</sub> e)	3,366
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)	115,253,706
Intensity ratio (kWh/revenue £m)	32,320

Methodology used to calculate the information disclosed above:

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

Emissions factor source: DEFRA, 2019 for all emissions factors -

<https://www.gov.uk/government/publications/greenhouse-gasreporting-conversion-factors-2019>

Intensity ratio is based on revenue (in £m) for the year ended 31 March, 2020

#### Energy efficiency measures taken

Energy efficiency actions taken during the year ended 31 March, 2020 included operational improvements across the portfolio to improve energy management and increase how much we recycle.



# AAH Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2020 *(continued)*

### Directors

The directors of the company who were in office during the period and up to the date of signing the financial statements were:

T Anderson  
N Swift (Resigned 16 August 2019)  
C McDermott (Resigned 16 October 2019)  
M Hilger (Resigned 25 November 2019)  
J Davies  
C Keen (Appointed 25 November 2019)

In accordance with the Articles of Association, none of the directors are required to retire from the board.

### Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

### Financial risk management

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

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 McKesson in the UK ('the UK group'). This central function operates within a framework of clearly defined policies and procedures. The function reports to the board on a regular basis.

The policies approved by the board of directors are implemented by the company's finance department and the central treasury function. The policies, which are documented in departmental manuals, cover funding and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions.

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.

Liquidity risk: 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 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 projections which are compiled on a periodic basis across the group. The UK group operates a cash pooling arrangement in which the company participates. Under this arrangement, cash funds which are in excess of day to day requirements are loaned to other UK group companies.

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

# AAH Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2020 *(continued)*

### Creditor payment policy

The policy of the company regarding the payment of trade creditors is determined internally. The policy is to:

- a. agree the terms of payment with creditors at the outset of any supply chain partnership and in advance of any provision of goods and services; and
- b. pay in accordance with the agreed terms and any other contractual or legal obligations.

The payment policy applies to all creditors for the supply of revenue and capital goods and services.

### Going concern

The directors have received confirmation from the ultimate parent company that intergroup debt will continue to be made available at levels sufficient to allow the company to meet its liabilities as they fall due for a period not less than 12 months from the date of approval of these financial statements. The directors have satisfied themselves that the ultimate parent company has the necessary financial resources to provide this support during this period, should it be required. Therefore, the directors have a reasonable expectation that the company has adequate resources internally and through its association with the McKesson Corporation, to continue in operational existence for the foreseeable future. As such, the going concern basis has been adopted in preparing the annual report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

### 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.

### Engagement with employees

This is included within s172 statement in the Strategic Report.

### 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 true and fair view of the state of the 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:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgments and accounting estimates that are reasonable and prudent;
- (c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) 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.

# AAH Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2020 *(continued)*

### Statement of disclosure of information to auditor

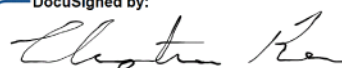
Each person who is a director at the date of approval of this report confirms the following: so far as each director is aware (a) there is no relevant audit information - that is information needed by the company's auditor in connection with preparing their report - of which the company's auditor is unaware and (b) the director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

### Events after the reporting period

The challenges of the Covid-19 pandemic continue to impact the business, although the directors believe that the long-term impact of this virus will not be of material significance to this company.

Approved by the board of directors and signed on its behalf by:

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C Keen  
**Director**

30 March 2021

AAH Pharmaceuticals Limited  
Registered number: 00123458

# AAH Pharmaceuticals Limited

## Independent auditor's report to the members of AAH Pharmaceuticals Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of AAH Pharmaceuticals Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "reduced disclosure framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- Income Statement;
- Statement of Comprehensive Income;
- Balance Sheet;
- Statement of changes in equity; and
- Notes to the financial statements 1 to 32

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards, including financial reporting standard 101 "reduced disclosure framework" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

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

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

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# AAH Pharmaceuticals Limited

## Independent auditor's report to the members of AAH Pharmaceuticals Limited

*(continued)*

### Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

### 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### 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 year 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.

# AAH Pharmaceuticals Limited

## Independent auditor's report to the members of AAH Pharmaceuticals Limited

*(continued)*

### Matters on which we are required to report by exception

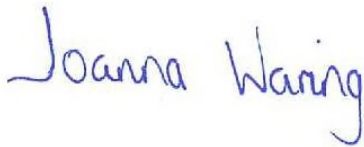
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Joanna Waring FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
Nottingham, United Kingdom

30 March 2021

# AAH Pharmaceuticals Limited

## Income Statement for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Revenue	3	3,566,006	3,404,593
Cost of sales		(3,292,820)	(3,134,043)
<b>Gross Profit</b>		<b>273,186</b>	<b>270,550</b>
Other income	6	25,731	26,546
Distribution costs and administrative expenses	7	(230,736)	(201,262)
<b>Operating profit</b>	9	<b>68,181</b>	<b>95,834</b>
Finance costs	8	(1,374)	(117)
Finance income	8	13,565	11,757
<b>Profit before income tax</b>		<b>80,372</b>	<b>107,474</b>
Income tax expense	10	(19,903)	(21,232)
<b>Profit for the financial year attributable to the equity holder of the parent</b>		<b>60,469</b>	<b>86,242</b>

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

# AAH Pharmaceuticals Limited

## Statement of Comprehensive Income for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
<b>Profit for the year</b>		<b>60,469</b>	86,242
<b>Other comprehensive income - items that will not be reclassified to profit or loss</b>			
Actuarial loss on post employment benefit obligations	24	(815)	(5,469)
Deferred tax on actuarial losses	10	155	930
<b>Other comprehensive expense for the year net of tax</b>		<b>(660)</b>	(4,539)
<b>Total comprehensive income for the year attributable to the equity holders of the parent</b>		<b>59,809</b>	81,703



# AAH Pharmaceuticals Limited

## Balance Sheet as at 31 March 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	100,042	41,864
Intangible assets	30	4,345	-
Investments	14	22,114	52,359
Deferred income tax asset	10	4,592	4,151
		<u>131,093</u>	<u>98,374</u>
<b>Current Assets</b>			
Inventories	16	208,593	259,545
Trade and other receivables	17	739,694	524,522
Derivative financial instruments	18	410	21
Other financial assets	15	-	110
Cash and short term deposits	19	120,968	268,658
		<u>1,069,665</u>	<u>1,052,856</u>
<b>Total assets</b>		<u><u>1,200,758</u></u>	<u><u>1,151,230</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	719,634	789,678
Income tax liability		42,465	48,317
Other financial liabilities	21	13,334	1,357
Provisions	22	1,081	1,569
Derivative financial instruments	18	171	39
Other current liabilities	23	23,856	16,596
		<u>800,541</u>	<u>857,556</u>
<b>Net current assets</b>		<u><u>269,124</u></u>	<u><u>195,300</u></u>
<b>Total asset less liabilities</b>		<u><u>400,217</u></u>	<u><u>293,674</u></u>
<b>Non current liabilities</b>			
Other financial liabilities	21	41,045	-
Provisions	22	6,278	1,426
Pension liability	24	7,584	6,747
		<u>54,907</u>	<u>8,173</u>
<b>Total liabilities</b>		<u><u>855,448</u></u>	<u><u>865,729</u></u>
<b>Net assets</b>		<u><u>345,310</u></u>	<u><u>285,501</u></u>
<b>Equity</b>			
Issued capital	25	50,000	50,000
Capital contribution reserve	26	31,624	31,624
Revenue reserves	26	263,686	203,877
<b>Total equity</b>		<u><u>345,310</u></u>	<u><u>285,501</u></u>

The financial statements of AAH Pharmaceuticals Limited (registered number 00123458) were approved by the board of directors and authorised for issue on 30 March 2021. They were signed on its behalf by:

DocuSigned by:  
  
 BDB7F99981984A8...  
 C Keen  
**Finance Director**

# AAH Pharmaceuticals Limited

## Statement of Changes in Equity for the year ended 31 March 2020

	Issued Capital	Capital Contribution Reserve	Revenue Reserves	Total
	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2018</b>	50,000	31,624	122,174	<b>203,798</b>
Other comprehensive expense (note 11)	-	-	(4,539)	<b>(4,539)</b>
Profit for the year	-	-	86,242	<b>86,242</b>
<b>Total comprehensive income for the year</b>	-	-	81,703	<b>81,703</b>
Dividends paid (note 12)	-	-	-	-
Capital contribution reserve (note 26)	-	-	-	-
<b>Balance as at 31 March 2019</b>	<b>50,000</b>	<b>31,624</b>	<b>203,877</b>	<b>285,501</b>
Other comprehensive expense (note 11)	-	-	(660)	<b>(660)</b>
Profit for the year	-	-	60,469	<b>60,469</b>
<b>Total comprehensive income for the year</b>	-	-	59,809	<b>59,809</b>
Dividends paid (note 12)	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>50,000</b>	<b>31,624</b>	<b>263,686</b>	<b>345,310</b>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020

### 1 General information

AAH Pharmaceuticals Limited is a private company limited by shares and is domiciled in the UK and registered in England and Wales (registered number: 00123458). The registered office address is Sapphire Court, Walsgrave Triangle, Coventry CV2 2TX.

The nature of the company's operations and its principal activities are set out in the strategic report on pages 1 to 5.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

### 2 Summary of significant accounting policies

#### Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

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

Consolidated financial statements for the smallest group of companies are prepared by McKesson Europe AG and may be obtained from McKesson Europe AG, Stockholmer Platz 1, 70173 Stuttgart, Germany.

The financial statements have been prepared on the historical cost basis as modified by financial instruments recognised at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

#### Consolidated financial statements

The financial statements contain information about AAH Pharmaceuticals Limited as an individual company, rather than consolidated information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as its results and the results of its subsidiaries are included by full consolidation in the financial statements of its ultimate parent, McKesson Corporation, a company incorporated in the United States of America.

Set out below is a summary of the principal accounting policies, which have been applied consistently except where stated.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### Adoption of new and revised Standards

#### Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

<p>Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation</i></p>	<p>The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.</p>
<p>Annual Improvements to IFRS Standards 2015–2017 Cycle <i>IAS 12 Income Taxes and IAS 23 Borrowing Costs</i></p>	<p>The Company has adopted the amendments included in the <i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> for the first time in the current year. The <i>Annual Improvements</i> include amendments to four Standards, two of which in respect of IFRS 3 and IFRS 11 are not applicable to the Company.</p> <p><i>IAS 12 Income Taxes</i></p> <p>The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.</p> <p><i>IAS 23 Borrowing Costs</i></p> <p>The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### Adoption of new and revised Standards *(continued)*

IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	<p>The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:</p> <ul style="list-style-type: none"><li>• determine whether uncertain tax positions are assessed separately or as a group; and</li><li>• assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:<ul style="list-style-type: none"><li>○ If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.</li></ul></li></ul> <p>If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.</p>
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#### Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 April 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

1. requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
2. does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### Financial impact of initial application of IFRS 16

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 March 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

Impact on retained earnings as at 1 April 2019

	<b>2020</b> <b>£'000</b>
Operating lease commitments at 31 March 2019	<b>76,829</b>
Short-term leases and leases of low-value assets	<b>(1,693)</b>
Present value of the extension options that are not recognized through IFRS 16	<b>(438)</b>
Effect of discounting the above amounts	<b>(4,451)</b>
Reallocation of lease to another group company	<b>(4,893)</b>
Lease liabilities recognised at 1 April 2019	<b><u>65,354</u></b>

The Company has recognised £65,184,000 of right-of-use assets and £65,354,000 of lease liabilities upon transition to IFRS 16. The difference of £170,000 is recognised in the current year profit and loss account.

#### Going concern

The financial statements of AAH Pharmaceuticals Limited have been prepared on a going concern basis which assumes that the company will continue in existence for the foreseeable future.

The directors have received confirmation from the ultimate parent company that intergroup debt will continue to be made available at levels sufficient to allow the company to meet its liabilities as they fall due for a period not less than 12 months from the date of approval of these financial statements. The directors have satisfied themselves that the ultimate parent company has the necessary financial resources to provide this support during this period, should it be required. Therefore, the directors have a reasonable expectation that the company has adequate resources internally and through its association with the McKesson Corporation, to continue in operational existence for the foreseeable future. As such, the going concern basis has been adopted in preparing the annual report and financial statements.

#### Revenue

Revenue originates from the sale of merchandise and, to a lesser extent, from the provision of services and receipt of royalties. The contract with the customer generally relates to a confirmed purchase order, which is to be completed under the agreed terms or the general terms and conditions of the company. In the retail business, the contract is usually closed at the point of sale.

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. For long-term service contracts, revenue is recognised on a straight-line basis over the term of the contract. Any deductions from sales such as returned goods, rebates, discounts allowed and bonuses are deducted from gross revenue. The variable consideration is estimated at the most likely amount.

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.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### Revenue *(continued)*

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.

#### Taxes

##### *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.

##### *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.

#### **Intangible assets – goodwill**

Goodwill represents the excess of the fair value of consideration given to acquire new businesses over the fair value of the separable net assets at the date of the acquisition. Goodwill is capitalised as an intangible asset on the balance sheet and is carried net of impairment.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### Property, plant and equipment

Property, plant and equipment are carried at amortised cost, net of accumulated depreciation and/or accumulated impairment losses, if any. All repair and maintenance costs are recognised in the income statement as incurred.

With the exception of land, which is not depreciated, items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The following rates have been applied to the various asset categories:

Freehold buildings	2% straight line
Short leasehold land and buildings	2% straight line or over the period of the lease
Fixtures, fittings, plant and equipment	5% - 33.3% straight line
Motor vehicles	25% - 33.3% straight line

Impairment losses are recorded on items of property, plant and equipment when the carrying amount of the asset exceeds the recoverable amount. These are reversed as soon as the reasons for the impairment no longer exist.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

#### Investments

Shares in group companies are shown at historic cost less any necessary write down for impairment.

#### Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Lease policies applicable until 1 April 2019:

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, in particular whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

##### *Company as a lessee*

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement as incurred.



# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### Leases (continued)

##### *Company as a lessor*

Leases where the Company 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 Company 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.

Lease policies applicable from 1 April 2019:

##### *The Company as lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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 Company uses its incremental borrowing rate.

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

1. Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
2. Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
3. The amount expected to be payable by the lessee under residual value guarantees;
4. The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
5. 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.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### Leases (continued)

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

1. 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.
2. 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).
3. A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

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

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.

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

#### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on weighted average purchase price basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Where necessary, allowance is made for obsolete, slow moving and defective inventory.

Inventories held under agency agreements do not represent assets for which the Company has all the risks and rewards. Therefore this inventory is not recognised in the Company's financial statements.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### Financial assets

##### *(i) Initial recognition and measurement*

All financial assets are recognised initially at their fair value. The Company's financial assets include cash and 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.

Available for sale financial investments include equity investments which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available for sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in finance costs.

The Company 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 Company 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 Company always recognises lifetime expected credit losses (ECL) for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix 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.

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 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.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### 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 Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

The Company's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts 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.

##### Financial guarantee contracts:

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as a liability when it is likely there will be an outflow of resources. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

##### *(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

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### Provisions

Provision is made in the financial statements for present obligations arising from past events, where there is a reasonable degree of certainty as to their amount and date of settlement. Where there is a potential obligation based on a past event which will probably not result in the Company's assets being utilised, or amounts due upon the realisation of the obligation cannot be estimated with sufficient reliability, no provision is made, but a contingent liability is disclosed in the financial statements.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Currency translation

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Any such translation differences are taken to the income statement. Non-monetary items denominated in foreign currencies are translated using the exchange rate at the date of the transaction.

#### Pensions

The Company 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 Company, nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

#### Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

#### Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 2 Summary of significant accounting policies *(continued)*

#### Interest income and expenses

Interest is recorded as an expense or income respectively in the period in which it arises unless the criteria of IAS 23 are satisfied for capitalising it in the cost of an asset or liability. Interest income is recognised in the income statement using the effective interest method.

#### Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Company'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.

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

The directors do not believe there are any critical judgements or key sources of estimation uncertainty in applying the company's accounting policies in the current year.

#### *Investment Impairments – key source of estimation uncertainty*

The basis for any impairment write down 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.

#### *Defined Benefit Pensions – key source of estimation uncertainty*

The cost of defined benefit post-employment plans and the fair value of the defined benefit obligation are determined using actuarial calculations. Actuarial calculations involve making assumptions about discount rates, future wage and salary increases, the mortality rate and future pension increases. All assumptions are reviewed at each reporting date. When determining the appropriate discount rate, management uses the interest rates of first-class corporate bonds in each country. The mortality rate is based on publicly available mortality tables for the U.K. Future salary and pension increases are based on expected future inflation rates for the U.K.

### 3 Revenue

Revenue is generated wholly in the United Kingdom. The breakdown of revenue is as follows:

	2020 £'000	2019 £'000
Sales of goods	3,559,898	3,395,624
Services	<u>6,108</u>	<u>8,969</u>
	<u><u>3,566,006</u></u>	<u><u>3,404,593</u></u>

The Directors consider there is one business segment being the distribution of pharmaceutical and healthcare products and services in the UK.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 4 Directors' emoluments

Key management are the directors of the Company. Compensation for key management is detailed below.

Other than for the individual director whose remuneration is disclosed below the emoluments of all other 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 time and therefore 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.

	<b>2020</b> <b>£'000</b>	2019 £'000
Aggregate emoluments	<b><u>624</u></b>	<b><u>403</u></b>

No retirement benefits under defined benefit schemes were accrued to the director of the company during the year (2019: £nil).

	<b>2020</b> <b>£'000</b>	2019 £'000
Aggregate emoluments	<b><u>624</u></b>	<b><u>403</u></b>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 5 Employee Information

The average monthly number of persons employed during the year was:

By function	2020 Number	2019 Number
Distribution	2,701	2,654
Administration	304	378
	<u>3,005</u>	<u>3,032</u>

Staff costs	2020 £'000	2019 £'000
Wages and salaries	93,668	86,124
Social security costs	5,664	5,634
Other pension costs	176	222
Other staff costs	5,628	2,960
	<u>105,136</u>	<u>94,940</u>

### 6 Other income

	2020 £'000	2019 £'000
<b>Other income</b>		
Operating income from third parties	21,978	22,116
Operating income from affiliates	3,753	4,430
	<u>25,731</u>	<u>26,546</u>

Other operating income represents income from the provision of services to other group companies, promotional income, and from the sale of data.

### 7 Distribution costs and administrative expenses

	2020 £'000	2019 £'000
Staff costs	105,136	94,940
Other expenses	74,101	91,470
Depreciation	23,655	7,878
Impairment	27,844	6,974
	<u>230,736</u>	<u>201,262</u>



# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 8 Finance income and costs

	2020 £'000	2019 £'000
<b>Finance costs</b>		
Interest on borrowings	8	9
Interest expenses on other provisions	13	43
Finance charges payable under finance leases and hire	1,165	-
Net finance (expense)/income	-	65
Interest expenses on pension	188	-
	<u>1,374</u>	<u>117</u>
	2020 £'000	2019 £'000
<b>Finance income</b>		
Net finance income	257	-
Interest income on loans and receivables from affiliates	13,308	11,442
Interest income on pension	-	315
	<u>13,565</u>	<u>11,757</u>

Interest income relates primarily to interest earned on intercompany balances which attracted interest equivalent to the overall cost of borrowing for the UK group of 3.24% (2019: 3.69%).

### 9 Operating profit

Operating profit is stated after charging the following:

	2020 £'000	2019 £'000
Net foreign exchange (gains)/losses	(257)	65
Loss on disposal of property, plant and equipment	50	209
Depreciation – property, plant and equipment:		
Charge for the year on owned assets	8,868	7,878
Charge for the year on assets held under finance	14,787	-
Impairment of property, plant and equipment (note 7)	1,944	-
Operating lease rentals		
Lease costs in relation to land, buildings and motor vehicles	2,383	16,896
Staff costs	105,136	94,940
Cost of inventories recognised within cost of sales	3,292,820	3,134,043
Including: - write down of inventories to net realisable	3,645	1,762
Impairment of goodwill (note 7)	4,706	-
Impairment of investment (note 7)	21,194	6,974
Services provided by the company's auditor		
Fees payable for the audit of the financial statements	298	234

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

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 10 Income tax expense

The major components of income tax expense for the year ended 31 March 2020 are:

<b>Income statement:</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current income tax:</b>		
UK corporation tax at 19% (2018: 19.0%)	<b>20,363</b>	20,896
Adjustment in respect of previous years	<b>(174)</b>	(264)
	<b>20,189</b>	20,632
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	<b>379</b>	609
Impact of change in tax rate	<b>(254)</b>	-
Adjustment in respect of previous years	<b>(411)</b>	(9)
	<b>(286)</b>	600
<b>Income tax expense reported in the income statement</b>	<b>19,903</b>	21,232
<b>Statement of other comprehensive income</b>		
Deferred tax related to items charged or credited directly to other comprehensive income during the year	<b>(155)</b>	(930)

The above item included directly in other comprehensive income will not be reclassified subsequently to profit or loss.

A change to the main UK corporation tax rate was announced in the Budget on 3 March 2021. Legislation will be introduced in Finance Bill 2021 to set the main rate at 25% for the year beginning 1 April 2023. The deferred tax rate applicable from 1 April 2020 is 19% (2019: 17%).

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 10 Income tax expense *(continued)*

The tax assessed on the profit on ordinary activities for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The difference is reconciled below:

	2020 £'000	2019 £'000
Profit before tax	80,372	107,474
Profit before tax multiplied by the standard rate of tax	15,271	20,420
Expenses not deductible for tax purposes	5,471	1,085
Current tax adjustments in respect of previous years	(174)	(264)
Impact of change in tax rate	(254)	-
Deferred tax adjustments in respect of previous years	(411)	(9)
Income tax expense reported in the income statement	<u>19,903</u>	<u>21,232</u>

### Deferred taxation

	2020 £'000	2019 £'000
The movements in the total deferred tax asset are as		
At the beginning of the year	4,151	3,433
Other temporary differences	-	388
Deferred tax movement in the income statement	286	(600)
Deferred tax movement in the statement of comprehensive income	155	930
Deferred tax asset transferred in from Sangers (NI) Limited	-	-
At the end of the year	<u>4,592</u>	<u>4,151</u>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 10 Income tax expense *(continued)*

The deferred taxation asset recognised in the financial statements can be analysed as follows:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Accelerated capital allowances	<b>2,145</b>	2,023
Short term timing differences	<b>1,335</b>	588
Deferred tax on pension liability	<b>1,112</b>	1,540
Total deferred taxation asset	<u><b>4,592</b></u>	<u>4,151</u>

### 11 Components of other comprehensive income

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Actuarial loss on post employment benefit obligations net of tax	<u><b>(660)</b></u>	<u>(4,539)</u>
	<u><b>(660)</b></u>	<u>(4,539)</u>

### 12 Dividends

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Equity Ordinary</b> Interim dividend: £0.00 (2019: £0.00) per £1 share	<u>-</u>	<u>-</u>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 13 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Fixtures, fittings, plant and equipment £'000	Motor vehicles £'000	Right-of- use Buildings £'000	Right-of- use Vehicles £'000	Total £'000
<b>At 1 April 2019</b>	8,931	21,372	105,000	3,134	41,787	23,397	203,621
Additions	369	6,222	7,163	-	2,310	2,575	18,639
Reclassification from other assets	-	-	-	-	-	-	-
Disposals	-	(12)	(26)	(8)	-	-	(46)
<b>At 31 March 2020</b>	<b>9,300</b>	<b>27,582</b>	<b>112,137</b>	<b>3,126</b>	<b>44,097</b>	<b>25,972</b>	<b>222,213</b>

#### Accumulated depreciation

<b>At 1 April 2019</b>	1,022	12,799	79,865	2,887	-	-	96,573
Depreciation charge for the year	542	2,063	6,029	234	6,149	8,638	23,655
Impairment charge for the year	-	849	246	5	844	-	1,944
Disposals	-	-	(1)	-	-	-	(1)
<b>At 31 March 2020</b>	<b>1,564</b>	<b>15,711</b>	<b>86,139</b>	<b>3,126</b>	<b>6,993</b>	<b>8,638</b>	<b>122,171</b>

#### Net book value

<b>At 31 March 2020</b>	<b>7,736</b>	<b>11,871</b>	<b>25,998</b>	<b>-</b>	<b>37,104</b>	<b>17,334</b>	<b>100,042</b>
<b>At 31 March 2019</b>	<b>7,909</b>	<b>8,573</b>	<b>25,135</b>	<b>247</b>	<b>-</b>	<b>-</b>	<b>41,864</b>

Right-of-use assets were recognised as at 1 April 2019 following the date of initial application of IFRS 16 for the Company. The total cash outflow for leases amount to £17,973,000.

#### Impairment charge

There was an impairment charge in the year of (£1,944,000) (2019: £nil) in respect of warehouse closure as part of the restructuring plans to their net realisable value during an annual impairment test.

#### Incremental borrowing rate

The weighted average lessees incremental borrowing rate (IBR) applied to lease liabilities recognised in the balance sheet on 1 April 2019 is shown below:

Lease Term in Months	IBR %	Lease Term in Months	IBR %	Lease Term in Months	IBR %
1	1.13	60	1.77	300	3.04
3	1.13	84	2.05	360	3.01
6	1.13	96	2.17	420	2.94
12	1.13	108	2.26	480	3.07
24	1.35	120	2.36	540	3.06
36	1.5	180	2.81	600	3.04
48	1.63	240	3.07	1200	3.04

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 14 Investments

	Investment in subsidiaries £'000
<b>Cost</b>	
At 1 April 2019	67,616
Transfer to Goodwill	(20,345)
<b>At 31 March 2020</b>	<b>47,271</b>
<b>Impairment</b>	
At 1 April 2019	15,257
Transfer to Goodwill	(11,294)
Impairment	21,194
<b>At 31 March 2020</b>	<b>25,157</b>
<b>Net book value</b>	
<b>At 31 March 2020</b>	<b>22,114</b>
At 31 March 2019	<b>32,014</b>

During the year an amount of £9,051,000 was transferred to goodwill following the transfer of some of the assets and liabilities of Sangers (NI) Limited to AAH Pharmaceuticals. The impairment charge is £21,194,000 (2019: £3,011,000) in respect of the investment in Sangers (NI) Limited, a subsidiary company. Investments were written down to their value in use based on the methodology described in note 2. The recoverable amount being value in use is £19,114,000 (2019: £49,359,000).

Impairment charge is £nil (2019: £3,963,000) in respect to MASTA Limited. The recoverable amount being value in use is £3,000,000 (2019: £3,000,000).

The discount rate used is 7.90% (2019: 8.50%).

The company has investments in the following subsidiary undertakings, associates and other significant investments.

Subsidiary	Nature of business	Holding	% held
Sangers (NI) Limited	Pharmaceutical Wholesaler	Ordinary	100
Masta Limited	Vaccinations Specialist	Ordinary	100

The registered address of Sangers (NI) Limited is 2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR.

The registered address of MASTA Limited is Sapphire Court, Walsgrave Triangle, Coventry, England, CV2 2TX.

### 15 Other financial assets

	2020 £'000	2019 £'000
<b>Current</b>		
Other assets	-	110

Other assets include loans receivable from customers.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 16 Inventories

	2020 £'000	2019 £'000
Finished goods and goods for resale	<u>208,593</u>	<u>259,545</u>

In the reporting year inventories were written down by £3,645,000 (2019: £1,762,000).

### 17 Trade and other receivables

Trade receivables are non-interest bearing and generally on 30 day terms.

	2020 £'000	2019 £'000
<b>Current</b>		
Trade receivables from third parties	323,680	286,064
Amounts owed by parent	139,337	-
Amounts owed by other group companies	152,203	121,135
Other assets	121,957	109,968
Prepayments and accrued income	<u>2,517</u>	<u>7,355</u>
	<u>739,694</u>	<u>524,522</u>

Receivables from affiliated companies: Intragroup funding balance related to amounts receivable from other entities in the McKesson Europe AG group associated with the McKesson Europe AG group treasury funding arrangements. These balances are unsecured and have no fixed repayment date, other than that they are payable on demand. The balances were either interest free or attracted interest equivalent to the overall cost of borrowing for the McKesson related companies in the UK, of 3.24% (2019: 3.69%).

Other assets include supplier claims and rebates, creditors with debit balances, receivables from employees and other short-term receivables from customers.

As at 31 March 2020, trade receivables of £2,528,000 (2019: £2,746,000) were impaired and fully provided. The table below presents the movement on allowances for trade receivables in the year.

	2020 £'000	2019 £'000
Allowances brought forward	(2,746)	(2,326)
Additions	(197)	(181)
Utilisations	549	418
Reversals	(134)	(657)
Allowances carried forward	<u>(2,528)</u>	<u>(2,746)</u>

In the case of the trade receivables that are not impaired, there is no indication that the debtors will not be able to meet their payment obligations.

### 18 Derivative financial instruments

	2020 Asset £'000	2020 Liability £'000	2019 Asset £'000	2019 Liability £'000
Forward currency contracts	<u>410</u>	<u>171</u>	21	39

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 19 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	120,968	268,658
Bank loans and overdraft (note 21)	-	(1,357)
	<u>120,968</u>	<u>267,301</u>

### 20 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	655,522	625,099
Amounts owed to parent	-	160,888
Amounts owed to other group companies	64,112	3,691
	<u>719,634</u>	<u>789,678</u>

Amounts owed to affiliated companies: Intragroup funding balance related to amounts payable to other entities in the McKesson Europe AG group associated with the McKesson Europe AG group treasury funding arrangements. These balances are unsecured and have no fixed repayment date, other than that they are payable on demand. The balances were either interest free or attracted interest equivalent to the overall cost of borrowing for the McKesson related companies in the UK, of 3.24% (2019: 3.69%).

### 21 Other financial liabilities

	2020 £'000	2019 £'000
<b>Current financial liabilities</b>		
Bank loans and overdraft	-	1,357
Lease liabilities	13,334	-
	<u>13,334</u>	<u>1,357</u>
<b>Non – current financial liabilities</b>		
Lease liabilities	41,045	-

The bank loans and overdrafts are secured against assets of the group and company.

Finance lease amounts due for settlement:

	2020		2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	6,879	7,155	-	-
After 1 year but not more than 5 years	19,869	8,487	-	-
More than 5 years	11,989	-	-	-
	<u>38,737</u>	<u>15,642</u>	-	-



# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 22 Provisions

	Dilapidations / ARO	Restructuring	Total
	£'000	£'000	£'000
<b>At 1 April 2019</b>	1,426	1,569	<b>2,995</b>
Charged to the income statement	4,854	3,158	<b>8,012</b>
Utilised during the period	(450)	(3,198)	<b>(3,648)</b>
Transferred to allowance against receivables	-	-	-
<b>At 31 March 2020</b>	<b>5,830</b>	<b>1,529</b>	<b>7,359</b>
<b>Analysis of total provisions</b>			
	<b>2020</b>		2019
<b>Non-current</b>	<b>£'000</b>		£'000
Dilapidations / ARO	<b>5,830</b>		1,426
Restructuring	<b>448</b>		-
	<b>6,278</b>		<b>1,426</b>
<b>Current</b>	<b>£'000</b>		£'000
Restructuring	<b>1,081</b>		1,569
	<b>1,081</b>		<b>1,569</b>

The dilapidations / ARO provision relates to the dilapidation (asset retirement obligations) costs associated to the warehouses and properties leased. The related leases are expected to expire within a period of between 1 to 10 years.

The restructuring provisions represent an assessment of the costs to cover dilapidations. The assessment is made in conjunction with Admenta UK Limited's property services department.

### 23 Other current liabilities

	2020	2019
	£'000	£'000
Other taxation and social security liabilities	2,476	3,598
Accrued expenses	10,512	5,694
Other liabilities	5,921	2,950
Sales ledger credit balances	4,354	4,354
	<b>23,263</b>	<b>16,596</b>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 24 Pension obligations

#### **McKesson UK Group Personal Pension Plan**

The Company contributes to members' funds within the McKesson UK Group Personal Pension Plan, which is a contract based defined contribution scheme.

The contributions paid by the Company to the plan during the year to 31 March 2020 amounted to £332,800 (year to 31 March 2019: £332,500). Included in other creditors at the balance sheet date were amounts of £nil in respect of contributions (2019: £nil).

#### **Admenta Pension Scheme**

The Company also participates in the Admenta Pension Scheme, which is operated by Admenta UK Limited (a parent company in the McKesson group in the UK). This is a final salary defined benefit scheme with members of the scheme employees of the Company or Lloyds Pharmacy Limited. The defined benefit liability is allocated between the Company and Lloyds Pharmacy Limited based on the sponsoring employer for each member of the scheme. The defined benefit disclosures in these financial statements relate to the Company's share of the schemes assets and liabilities the remaining assets and liabilities of the scheme are disclosed in the Lloyds Pharmacy Limited financial statements. Through this scheme the Company 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 Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Scheme has gradually increased its credit and bond holdings over time to the current level of 60%. The Company 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.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 24 Pension obligations (continued)

#### Admenta Pension Scheme (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 scheme is funded and constituted as an independently administered fund with the assets being held separately from those of the Company. The operating costs are borne by the scheme.

#### Admenta Pension Scheme

A full actuarial valuation was carried out as at 5 April 2017 and was updated to 31 March 2020 by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2020	2019
Rate of increase in salaries	3.10%	3.70%
Rate of increase in pensions in payment	2.70%	3.20%
Discount rate	2.30%	2.35%
Inflation assumption	2.70%	3.30%
Assumed life expectancies on retirement at age 65:		
Retiring today – males	86.7	87.4
Retiring today – females	88.7	89.4
Retiring in 20 years – males	88.1	89.1
Retiring in 20 years – females	90.3	91.2

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the table below. The value of the defined benefit obligation after adjusting the assumption by the amount stated is as follows:

#### Value of defined benefit obligation

	2020	2019
	£'000	£'000
Increase in discount rate of 0.5%	126,545	140,046
Decrease in discount rate of 0.5%	145,747	160,912
Increase in rate of pension progression of 0.5%	141,071	156,174
Decrease in rate of pension progression of 0.5%	130,689	144,219
Increase in rate of increase in salaries of 0.5%	135,871	150,238
Decrease in rate of increase in salaries of 0.5%	135,352	149,561
Increase in mortality of retiree of 10%	130,218	144,722
Decrease in mortality of retiree of 10%	141,774	155,770

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 24 Pension obligations (continued)

#### Admenta Pension Scheme (continued)

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.

The contributions, including administration expenses relating to expenses and levies to the Scheme, paid by the company in the year amounted to £332,800 (2019: £1,832,500), which includes £nil (2019: £1,500,000) 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 contributions for the FY21 are expected to be £nil.

The results of the latest funding valuation at 5 April 2017, carried out by a qualified actuary have been adjusted to the balance sheet date taking account of experience over the period since 5 April 2017, 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.

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

The pension plan is closed to ongoing accrual and therefore closed to new entrants so the average age of the membership will increase over time. The weighted average duration of the defined benefit obligation is 14 years (2019: 14 years). The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving the Scheme. The Scheme closed to future accrual on 28 February 2017.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 24 Pension obligations (continued)

#### Admenta Pension Scheme *(continued)*

Plan assets are comprised as follows:

	2020 £'000	2019 £'000
<b>Equity Instruments (Quoted)</b>		
- Hosking Global Fund	16,673	20,634
- Morgan Stanley	19,298	21,020
<b>Insurance Contracts (Unquoted)</b>	1,110	1,293
<b>Cash and Cash Equivalents</b>	5,393	2,449
<b>Standard Life Global Absolute Return Fund (Quoted)</b>	-	-
<b>GAM Star Absolute Return Bond</b>	-	2,492
<b>PIMCO</b>	34,439	37,876
<b>M&amp;G Alpha Opportunities Fund</b>	37,161	39,744
<b>Insight LDI Solutions</b>	15,679	20,986
<b>Total Plan Assets</b>	<u>129,753</u>	<u>146,494</u>
	2020	2019
	£'000	£'000
<b>Total benefit liability</b>		
Fair value of scheme assets	129,753	146,494
Present value of funded defined benefit obligation	(135,608)	(150,296)
Net defined benefit liability	<u>(5,855)</u>	<u>(3,802)</u>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 24 Pension obligations (continued)

#### Admenta Pension Scheme *(continued)*

The amounts charged to the income statement can be analysed as follows:

	2020 £'000	2019 £'000
Current service cost	-	(395)
Past service costs & curtailments	-	-
Interest on scheme assets	(3,334)	(3,958)
Interest on scheme liabilities	3,453	3,946
Net defined benefit expense/ (income)	<u>119</u>	<u>(407)</u>

The amounts charged to the statement of comprehensive income can be analysed as follows:

	2020 £'000	2019 £'000
Experience adjustments of defined benefit obligation	4,449	2,987
Experience adjustments of plan assets	(12,978)	(1,927)
Effects from changes in financial assumptions	6,595	(7,225)
Net actuarial loss	<u>(1,934)</u>	<u>(6,165)</u>

Movements in the present value of the defined benefit obligation are as follows:

	2020 £'000	2019 £'000
Defined benefit obligation at 1 April	150,296	149,017
Movement in year:		
Current service cost	-	(395)
Past service cost and curtailments	-	-
Contributions by employees	-	-
Interest cost	3,453	3,946
Benefits paid	(7,097)	(6,510)
Actuarial gain arising from changes in demographic assumptions	(4,449)	(2,987)
Actuarial (gain) / loss arising from changes in financial assumptions	(6,595)	7,225
Defined benefit obligation at 31 March	<u>135,608</u>	<u>150,296</u>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 24 Pension obligations (continued)

#### Admenta Pension Scheme *(continued)*

##### Movements in the fair value of plan assets are as follows:

	2020 £'000	2019 £'000
Fair value of plan assets at 1 April	146,494	149,473
Movement in year:		
Interest on scheme assets	3,334	3,958
Return on plan assets in less than interest on scheme assets	(12,978)	(1,927)
Contributions by employer	-	1,500
Contributions by employee	-	-
Benefits paid	(7,097)	(6,510)
Fair value of plan assets at 31 March	<u>129,753</u>	<u>146,494</u>

The actual return on scheme assets in the year was £(9,644,000) (2019: £2,031,000).

Included in other creditors at the balance sheet date were amounts of £nil accrued in respect of Admenta Pension Scheme contributions (2019: £nil).

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

As a result of the transfer of the majority of the business of Sangers (Northern Ireland) Limited to the company on 31 August 2017 the Company also now participates in the Sangers (Northern Ireland) Limited pension fund, and that scheme is now operated by AAH Pharmaceuticals Limited. This is a career average defined benefit scheme with members of the scheme being employees of the Company. The defined benefit liability has been assumed by the Company based on it being the sponsoring employer for each member of the scheme. Through this scheme the Company 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 Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Company 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.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 24 Pension obligations (continued)

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

##### 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 Company. The operating costs are borne by the employer.

A full actuarial valuation was carried out as at 1 April 2019 and was updated to 31 March 2020 by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	<b>2020</b>	2019
Rate of increase in career average revalued earnings	<b>1.65%</b>	2.20%
Rate of increase in pensions in payment	<b>0.00%</b>	0.00%
Discount rate	<b>2.30%</b>	2.40%
Inflation assumption	<b>2.55%</b>	3.20%
Assumed life expectancies on retirement at age 65:		
Retiring today – males	<b>86.0</b>	87.0
Retiring today – females	<b>89.0</b>	89.0
Retiring in 20 years – males	<b>88.0</b>	88.0
Retiring in 20 years – females	<b>90.0</b>	90.0

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the table below. The value of the defined benefit obligation after adjusting the assumption by the amount stated is as follows:



# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 24 Pension obligations (continued)

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

##### Value of defined benefit obligation

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Increase in discount rate of 0.5%	<b>21,617</b>	23,201
Decrease in discount rate of 0.5%	<b>26,050</b>	28,463
Increase in rate of pension progression of 0.5%	<b>24,698</b>	26,826
Decrease in rate of pension progression of 0.5%	<b>22,702</b>	-
Increase in assumed life expectancy by one year	<b>24,104</b>	24,907
Decrease in assumed life expectancy by one year	<b>23,312</b>	26,447

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.

The contributions, including administration expenses relating to expenses and levies to the Scheme, paid by the company in the year amounted to £340,000 (2019: £379,000), which includes £231,300 (2019: £223,051) 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 expects to contribute £314,000 to this defined benefit plan over the 12 months to 31 March 2021.

The results of the latest funding valuation at 1 April 2019, carried out by a qualified actuary have been adjusted to the balance sheet date taking account of experience over the period since 1 April 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.

This scheme is open to ongoing accrual and company contributions during the year were at a rate of 15.2% of member salary plus £231,300 in respect of the current deficit recovery plan (2019: £223,051).

The pension plan 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 17 years (2019: 23 years). The level of benefits provided by the Scheme depends on a member's length of service and their career average salary adjusted for inflation to the date of leaving the Scheme.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 24 Pension obligations (continued)

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

Plan assets are comprised as follows:

	2020 £'000	2019 £'000
<b>Equity Instruments (Quoted)</b>		
- L&G All World Equity Index Fund	11,080	11,833
<b>Debt Instruments (Quoted)</b>		
L&G AAA – AA –A Corporate Bond over 15 Year Fund	6,161	6,234
L&G 5 year Index Linked Gilt Fund	3,098	3,042
<b>L&amp;G Managed Property Fund (Quoted)</b>	1,597	1,595
<b>Cash and Cash Equivalents</b>	35	28
<b>Total Plan Assets</b>	<u>21,971</u>	<u>22,732</u>

	2020 £'000	2019 £'000
<b>Total benefit liability</b>		
Fair value of scheme assets	21,971	22,732
Present value of funded defined benefit obligation	(23,700)	(25,677)
Net defined benefit liability	<u>(1,729)</u>	<u>(2,945)</u>

The amounts charged to the income statement can be analysed as follows:

	2020 £'000	2019 £'000
Current service cost	176	222
Interest on scheme assets	(540)	(574)
Interest on scheme liabilities	609	665
Net defined benefit expense	<u>245</u>	<u>313</u>

The amounts charged to the statement of comprehensive income can be analysed as follows:

	2020 £'000	2019 £'000
Experience adjustments of defined benefit obligation	334	(4)
Actuarial gain arising from changes in demographic assumptions	583	849
Experience adjustments of plan assets	(867)	1,032
Effects from changes in financial assumptions	1,069	(1,181)
Net actuarial gain	<u>1,119</u>	<u>696</u>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 24 Pension obligations (continued)

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

Movements in the present value of the defined benefit obligation are as follows:

	2020	2019
	£'000	£'000
Defined benefit obligation at 1 April	25,677	24,999
Movement in year:		
Past service cost	-	117
Current service cost	176	222
Contributions by employees	57	73
Interest cost	609	665
Benefits paid	(833)	(735)
Actuarial gain arising from changes in demographic assumptions	(583)	(849)
Actuarial (gain) / loss arising from changes in financial assumptions	(1,069)	1,181
Experience (gain) / loss	(334)	4
Defined benefit obligation at 31 March	<u>23,700</u>	<u>25,677</u>

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

	2020	2019
	£'000	£'000
Fair value of plan assets at 1 April	22,732	21,409
Movement in year:		
Interest on scheme assets	540	574
Return on plan assets in (less than) / excess of interest on scheme assets	(867)	1,032
Contributions by employer	342	379
Contributions by employee	57	73
Benefits paid	(833)	(735)
Fair value of plan assets at 31 March	<u>21,971</u>	<u>22,732</u>

The actual return on scheme assets in the year was a credit of £327,000 (2019: £1,622,000).

Included in other creditors at the balance sheet date were amounts of £nil accrued in respect of the Sangers (Northern Ireland) Limited Pension Fund contributions (2019: £nil).

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 25 Issued share capital

	2020 £'000	2019 £'000
<b>Authorised, allotted, called and fully paid</b> 50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

### 26 Reserves

Capital contribution reserve relates to contributions made by an intermediate parent company.

Revenue reserves relate to the accumulated profits of the Company less dividends paid.

### 27 Capital commitments

The Company had capital commitments at 31 March 2020 of £nil (2019: £nil).

### 28 Lease commitments

	2020		2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	-	-	8,348	9,625
After 1 year but not more than 5 years	-	-	24,688	15,152
More than 5 years	-	-	19,016	-
	<u>-</u>	<u>-</u>	<u>52,052</u>	<u>24,777</u>

### 29 Contingent liabilities

	2020 £'000	2019 £'000
Guarantee of loans for pharmacy customers	<u>2,357</u>	<u>3,778</u>
	<u>2,357</u>	<u>3,778</u>

The Company has guaranteed bank loans to independent retail pharmacist customers. The guarantees are conditional upon the retail pharmacists remaining customers of the Company. In the opinion of the directors no material unprovided loss will arise in connection with these arrangements. The Company has also guaranteed a part of the trade debt of pharmacy customers.

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2020 *(continued)*

### 30 Intangible assets

	<b>Goodwill</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 April 2019	-
Transfer from Investments	20,345
<b>At 31 March 2020</b>	<b>20,345</b>
<b>Impairment</b>	
At 1 April 2019	-
Transfer from Investments	11,294
Impairment	4,706
<b>At 31 March 2020</b>	<b>16,000</b>
<b>Net book value</b>	
<b>At 31 March 2020</b>	<b>4,345</b>
At 31 March 2019	-

The Company has recognized the goodwill £20,345,000 (2019: £nil) in respect of the investment Sangers (Northern Ireland) Limited, a subsidiary company following the transfer of assets and liabilities to AAH Pharmaceuticals. Intangible assets were written down to their value in use based on the methodology described in note 2. The impairment charge is £4,706,000 (2019: £nil).

### 31 Events after the reporting period

The challenges of the Covid-19 pandemic continue to impact the business, although the directors believe that the long-term impact of this virus is not yet clear.

### 32 Ultimate parent undertaking and ultimate controlling party

The immediate parent undertaking is Admenta Holdings Limited a company registered in England and Wales.

The ultimate parent undertaking and controlling party of the Company is McKesson Corporation, a company registered in the United States of America.

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

Consolidated financial statements for the smallest group of companies are prepared by McKesson Europe AG and may be obtained from its registered address McKesson Europe AG, Stockholmer Platz 1, 70173 Stuttgart, Germany.