COMPANY REGISTRATION NUMBER: 03011757

Admenta UK Limited

Financial Statements

For the year ended 31 March 2021

Admenta UK Limited

Financial Statements

Year ended 31 March 2021

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Admenta UK Limited

Strategic Report

Year ended 31 March 2021

The directors present their strategic report for the year ended 31 March 2021.

Principal activities and business review

The Company's principal activity is that of an investment company of which its subsidiaries are involved in the wholesaling and retailing of pharmaceutical products.

The pharmaceutical wholesale and retail markets continue to be highly challenging. With the strategies adopted by the subsidiaries the directors believe the performance of the Company's investments in the year was in line with expectations.

The year to 31st March 2021 was challenging for the whole country. The novel coronavirus (or "Covid-19") and the associated national lockdowns placed great strain on the healthcare sector, while the associated national lockdowns led to reduced store footfall. This challenge along with a store rationalisation program reduced turnover of the subsidiaries. However, our colleagues in pharmacies and across the medicines supply chain responded to the challenge with resilience and tenacity, adapting to the new circumstances to maintain patient access to medicines and healthcare services.

Actions are ongoing to mitigate the effect of funding changes; the business remains diligent and accordingly closed and sold a number of pharmacy locations during the financial year.

During the year the Company has transitioned its accounting framework from FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' to FRS 101 "Reduced Disclosure Framework" and has taken advantage of the disclosure exemptions allowed under this standard. Details of the recognition differences arising on the adoption of FRS 101 are included in note 2.
to these financial statements.

Principal risks and uncertainties

The key business risk to the investment activity of the Company is the performance of its investments. The management of the subsidiaries and the execution of their strategies are subject to a number of key risks. All present directors are, directors of AAH Pharmaceuticals Limited, the main trading entity of the wholesale division and/or Lloyds Pharmacy Limited, the main trading entity of the retail division. Risks are formally reviewed by the boards of these entities and appropriate processes are put in place to monitor and mitigate them.

Financial risk management

The Company is exposed to a variety of financial risks, which include 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 on the financial performance of the company, which are described in more detail below.

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

Financial risk management *(continued)*

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 rolling projections which are compiled across the group.

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

Key performance indicators (KPIs)

Due to the Company's principal activity as an investment holding company, the Company's directors see net assets/(liabilities) and value of investments as key KPIs. Net liabilities of £553,983,000 have been eliminated as at 31 March 2020 and net asset increased to £631,660,000 as at 31 March 2021. This is mainly driven by a decrease in amounts owed to group companies and an overdraft. The share premium has increased by £1,200,000,000 during the year. In March 2021, McKesson Europe AG extinguished £600,000,000 owed to group undertakings due in 2035 in consideration for one ordinary share in Admenta UK Limited. In addition, McKesson Europe AG contributed £600,000,000 in cash in exchange for one ordinary share in Admenta UK Limited.

The value of investments as at the yearend is £353,341,000 (2020: £353,341,000).

Group finance charges relate to intercompany financing and liquidity facilities. Within interest payable on loans, amounts include £26,100,000 of annual interest relating to a £600,000,000 intercompany loan (repaid in March 2021) and £2,500,000 of annual interest on a £125,000,000 intercompany loan (repaid in August 2021). Going forward interest payable will be reduced by these amounts.

Future developments

Given the straightforward nature of the business, there are no future developments to note. The Company will continue to act as a holding company.

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

The success of our business is dependent on the support of all relevant 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 who are also our creditors is set out in the detail below.

Shareholders and Creditors

As a subsidiary of McKesson Corporation an internal global policy framework ensures that the way in which we operate is fully aligned with the expectations of our shareholders who are also our creditors. McKesson Corporation manages external shareholder relationships on behalf of the Company. Directors receive information in a range of different formats which includes information relevant to section 172 matters when making relevant decisions. For example, each year we make an assessment of the strength of the Company’s balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends.

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

Shareholders and Creditors *(continued)*

As the principal activity of the Company is to act as a holding company for certain UK subsidiaries, the Company has no commercial business, and no employees, suppliers or customers other than other McKesson Corporation entities during the period and as such the breadth of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors.

Please refer note 20 for events after reporting period for the announcement to sell UK businesses.

This report was approved by the board of directors on 25 March 2022 and signed on behalf of the board by:

DocuSigned by:
Chris Keen
BDB7F99981984A8...

C Keen
Director

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

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2021.

Dividends

No dividend was paid by the Company during the year (2020: £nil).

Future developments

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

Going concern

The directors are required to assess whether adequate resources are available to continue operating for a period of not less than 12 months after the issuance of these statutory financial statements. In making this assessment, the directors considered a number of factors, including our business model, our strategy, risks we are exposed to as well as opportunities in the markets in which we operate. The Strategic Report describes the multi-year transformation initiative to expand our omnichannel pharmacy offering for our patients and customers which has driven improved operating performance in the fiscal year ended 2021. While government lockdown restrictions limited footfall and therefore demand for medicine through bricks and mortar stores, this has driven growth in our digital offerings. Measures have already been taken to protect the health and safety of our patients, customers and colleagues, to manage our supply chain, and to optimize our cost structure, in part through a store optimization program.

The directors view the development of the business over the long term, but visibility and granularity of our outlook is greatest in the year ended March 2023, the period most relevant for this going concern assessment. For purposes of the going concern assessment and as an input into impairment assessments, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include changes to government reimbursement levels, cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

The agreement by McKesson Corporation to sell Admenta UK Limited to Aurelius provides the company with financing through asset-backed loan facility of up to £400 million for a minimum of 3 years that become effective upon the close of the transaction, expected during the quarter ending March 31, 2022. The loan facilities are secured on qualifying assets of subsidiary operating companies, primarily inventory and accounts receivables. The interest rate is determined based on the Bank of England rate plus between 2.75% to 3.0% on the asset-backed loan. The average liquidity headroom is projected to be in excess of £100m during the year ended March 2023.

The key initiatives to achieve our fiscal 2023 budget include: initiating a store optimization program to preserve cash and reinvest proceeds in our business, improving our net working capital efficiency accounts payable management and optimizing our stand-alone operations as we separate from McKesson Corporation.

The directors considered sensitivities to the cash flow forecasts which include the ability to achieve budget, the amount and timing of realizing proceeds from retail store sales and the ability to deliver cost savings as well as net working capital benefits.

Past retail store optimization programs provide evidence around the length of time between initiating a program and the amount and timing of proceeds realized. The most recent program was substantially completed within a year and exceeded budgeted targets. We have also typically achieved our free cash flow targets by year end which involves management of our net working capital. Management have initiated multiple restructuring programs in recent years, including the current multi-year transformation program, and have delivered the anticipated financial cost saving targets up to fiscal 2021. Together this experience provides the directors with increased confidence that the forecasts will be realised.

We have performed sensitivity analysis considering multiple downside scenarios including reducing EBITDA, a 3-month delay to property sale proceeds and removing budgeted working capital benefits. Headroom remains

Going concern *(continued)*

under these scenarios both individually and in aggregate.

We have performed a reverse stress test which indicates that in a situation where the adjusted EBITDA, working capital benefits or anticipated timing of property sales are not achieved actual 12-month rolling adjusted EBITDA performance could be 35% below forecast before a covenant would be breached, equivalent to a reduction of £2.2 billion in revenue over a 12-month period.

Under this scenario, a number of actions would be available to management including rationalizing our overheads such as bonus and staffing costs, adjusting the timing of when we invest in advertising and promotion, and delaying/avoiding discretionary expenditure on property, plant and equipment. Together these mitigating actions would avoid the risk of breaching our covenants. Whilst not directly under our control given our liquidity headroom we could also seek amendment to financial covenant terms as well as increase our borrowing by £50m based on an offer for additional financing albeit at a higher interest rate.

The Directors have a letter of support from McKesson Corporation that confirms that intragroup debt will be made available, if required, at levels sufficient to allow the company to meet its liabilities for a period of not less than 12 months from the date of these accounts. This support, which terminates upon the sale of the business, enables the business to continue operating for the foreseeable future prior to a sale. The Directors have satisfied themselves that the ultimate parent company has the necessary financial resources to provide this support should it be required.

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

Qualifying third party indemnity provisions

Liability insurance, a qualifying third-party indemnity provision for the purposes of the Companies Act 2006 was provided for the UK directors by McKesson Europe AG, an intermediate parent entity. On the date of approval of the financial statements, liability insurance was also in force.

Events after the end of the reporting period

In November 2021, McKesson Corporation announced an agreement to sell its UK businesses to AURELIUS, an asset management group which has a proven track record and focus on operational excellence. The transaction is expected to close in fiscal 2022, subject to closing conditions, including receipt of required regulatory approvals.

Disclosure of information in the strategic report

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

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

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

As per 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 1-2 in the Strategic Report.

Energy and Carbon Regulations

The Company has consumed less than 40,000kWh of energy during the financial year and therefore there is no further information required to be disclosed.

Disclosure of information to auditor

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

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

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

Directors

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

T Anderson
J Davies
C Keen

Directors' responsibilities statement

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

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

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

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

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

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

Auditor

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

This report was approved by the board of directors on 25 March 2022 and signed on behalf of the board by:

DocuSigned by:
Chris Keen
BDB7F99981984A8...

C Keen
Director

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

Admenta UK Limited

Independent Auditor's Report to the Members of Admenta UK Limited

Year ended 31 March 2021

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Admenta UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial 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.

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.

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

25th March 2022

Admenta UK Limited

Statement of Comprehensive Income

Year ended 31 March 2021

	Note	**2021** **£000**	2020 £000
Administrative expenses		-	(651)
Operating loss		-	(651)
Impairment losses and gains on other financial assets	5	**-**	(117,156)
Finance income	9	**6,662**	4,712
Finance costs	10	**(29,483)**	(37,387)
Loss before taxation		**(22,821)**	(150,482)
Tax	11	**8,464**	2,081
Total comprehensive loss for the year		**(14,357)**	(148,401)

The notes on pages 15 to 33 form part of these financial statements.

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

Admenta UK Limited

Balance Sheet

31 March 2021

	Note	2021 £000	Restated 2020 £000
Non-current assets			
Investments in subsidiaries	12,22	**353,341**	353,341
Trade and other receivables	13	**398,603**	523,781
		751,944	877,122
Current assets			
Trade and other receivables	13	**10,544**	2,081
Cash and bank balances		**230,806**	-
		241,350	2,081
Total assets		**993,294**	879,203
Current liabilities			
Trade and other payables	14	**(361,634)**	(833,186)
		(361,634)	(833,186)
Net current assets / (liabilities)		**(120,284)**	(831,105)
Total assets less current liabilities		**631,660**	46,017
Non-current liabilities			
Trade and other payables	15	**-**	(600,000)
		-	(600,000)
Total liabilities		**(361,634)**	(1,433,186)
Net assets / (liabilities)		**631,660**	(553,983)
Equity			
Share capital	18	**400,050**	400,050
Share premium account	19	**1,267,737**	67,737
Retained earnings	19	**(1,036,127)**	(1,021,770)
Equity attributable to owners of the Company		**631,660**	(553,983)

The notes on pages 15 to 33 form part of these financial statements.

Prior year comparative information has been restated as a result of a presentational adjustment as described in note 13.

These financial statements of Admenta UK Limited, Company registered number 03011757, were approved by the board of directors and authorised for issue on 25 March 2022 and are signed on behalf of the board by:

C Keen
Director

DocuSigned by:
Chris Keen
BDB7F99981984A8...

Admenta UK Limited

Statement of changes in equity

31 March 2021

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2019	400,050	67,737	(873,369)	**(405,582)**
Loss for the year	-	-	(148,401)	**(148,401)**
Other comprehensive income for the year	-	-	-	**-**
Total comprehensive loss for the year	-	-	(148,401)	**(148,401)**
Balance at 31 March 2020	400,050	67,737	(1,021,770)	**(553,983)**
Loss for the year	-	-	(14,357)	**(14,357)**
Other comprehensive income for the year	-	-	-	**-**
Total comprehensive loss for the year	-	-	(14,357)	**(14,357)**
Issue of shares	-	1,200,000	-	**1,200,000**
Balance at 31 March 2021	400,050	1,267,737	(1,036,127)	**631,660**

The notes on pages 15 to 33 form part of these financial statements.

1. General information

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

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

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

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of McKesson Corporation. The group accounts of McKesson Corporation are available to the public and can be obtained as set out in note 21.

2. Accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') issued by the Financial Reporting Council.

Accordingly, in the year ended 31 March 2021, the Company has changed its accounting framework from FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' to FRS 101 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. Accordingly, these financial statements have been prepared in accordance with FRS 101.

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, certain disclosure in respect of revenue from contracts with customers, impairment of assets, certain related party transactions, and certain disclosure requirements in respect of leases.

Where relevant, equivalent disclosures have been given in the group accounts of McKesson Corporation.

The financial statements have been prepared on the historical cost basis as explained in the accounting. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the year of transition. The last financial statements under FRS 102 were for the year ended 31 March 2020 and the date of transition to FRS 101 was therefore 1 April 2019.

There have been no material impacts on the Company's financial statements as a result of transition from FRS 102 to FRS 101, therefore no reconciliations required.

2. Accounting policies *(continued)*

Going concern

The directors are required to assess whether adequate resources are available to continue operating for a period of not less than 12 months after the issuance of these statutory financial statements. In making this assessment, the directors considered a number of factors, including our business model, our strategy, risks we are exposed to as well as opportunities in the markets in which we operate. The Strategic Report describes the multi-year transformation initiative to expand our omnichannel pharmacy offering for our patients and customers which has driven improved operating performance in the fiscal year ended 2021. While government lockdown restrictions limited footfall and therefore demand for medicine through bricks and mortar stores, this has driven growth in our digital offerings. Measures have already been taken to protect the health and safety of our patients, customers and colleagues, to manage our supply chain, and to optimize our cost structure, in part through a store optimization program.

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The key initiatives to achieve our fiscal 2023 budget include: initiating a store optimization program to preserve cash and reinvest proceeds in our business, improving our net working capital efficiency accounts payable management and optimizing our stand-alone operations as we separate from McKesson Corporation.

The directors considered sensitivities to the cash flow forecasts which include the ability to achieve budget, the amount and timing of realizing proceeds from retail store sales and the ability to deliver cost savings as well as net working capital benefits.

Past retail store optimization programs provide evidence around the length of time between initiating a program and the amount and timing of proceeds realized. The most recent program was substantially completed within a year and exceeded budgeted targets. We have also typically achieved our free cash flow targets by year end which involves management of our net working capital. Management have initiated multiple restructuring programs in recent years, including the current multi-year transformation program, and have delivered the anticipated financial cost saving targets up to fiscal 2021. Together this experience provides the directors with increased confidence that the forecasts will be realised.

We have performed sensitivity analysis considering multiple downside scenarios including reducing EBITDA, a 3-month delay to property sale proceeds and removing budgeted working capital benefits. Headroom remains under these scenarios both individually and in aggregate.

We have performed a reverse stress test which indicates that in a situation where the adjusted EBITDA, working capital benefits or anticipated timing of property sales are not achieved actual 12-month rolling adjusted EBITDA performance could be 35% below forecast before a covenant would be breached, equivalent to a reduction of £2.2 billion in revenue over a 12-month period.

Under this scenario, a number of actions would be available to management including rationalizing our overheads such as bonus and staffing costs, adjusting the timing of when we invest in advertising and promotion, and

Going concern *(continued)*

delaying/avoiding discretionary expenditure on property, plant and equipment. Together these mitigating actions would avoid the risk of breaching our covenants. Whilst not directly under our control given our liquidity headroom we could also seek amendment to financial covenant terms as well as increase our borrowing by £50m based on an offer for additional financing albeit at a higher interest rate.

The Directors have a letter of support from McKesson Corporation that confirms that intragroup debt will be made available, if required, at levels sufficient to allow the company to meet its liabilities for a period of not less than 12 months from the date of these accounts. This support, which terminates upon the sale of the business, enables the business to continue operating for the foreseeable future prior to a sale. The Directors have satisfied themselves that the ultimate parent company has the necessary financial resources to provide this support should it be required.

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

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Investments in associates

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

Impairment of investments

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

Pension costs and other post-retirement benefits

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

Taxation

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

Current income tax

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

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

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.

2. Accounting policies *(continued)*

Taxation *(continued)*
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.

Financial instruments

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

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

(i) Initial recognition and measurement

All financial assets are recognised initially at their fair value. The 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.

2. Accounting policies *(continued)*

Financial instruments *(continued)*

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. 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.

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 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.

2. Accounting policies *(continued)*

Financial liabilities *(continued)*

(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.

Cash and cash equivalents

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

Dividend and interest revenue

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

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

3. Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform, (Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7) Financial Instruments: Disclosures. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Company given that it does not apply hedge accounting to its benchmark interest rate exposures.

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied the below 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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and amended IFRS Standards that are effective for the current year

Amendments to References to the Conceptual Framework in IFRS Standards	The Company has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The standard which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IAS 1 and IAS 8 *Definition of material*	The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to ‘could reasonably be expected to influence’.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

The directors do not consider there to be any critical accounting judgements or key sources of estimation uncertainty.

5. Loss before tax

Loss before tax has been arrived after charging:

	2021	2020
	£'000	£'000
Impairment of investments	-	117,156

An impairment loss of £nil (2020: £117,156,000) was recognised in the year in relation to investment in the subsidiary AAH Limited.

6. Auditor's remuneration

Auditor's remuneration for the audit of the Company's financial statements of £4,000 (2020: £4,000) has been borne by Lloyds Pharmacy Limited, a fellow group company and not recharged. No non-audit services have been provided by the auditor during the period (2020: £nil).

7. Directors' emoluments

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

8. Staff costs

The Company had no employees during the year, other than executive directors (2020: none).

9. Finance income

	2021	2020
	£'000	£'000
Interest received from group undertakings	**6,662**	4,712

10. Finance costs

	2021 **£'000**	2020 £'000
Interest payable on bank overdrafts and loans	**(816)**	-
Interest payable on other loans	**(28,667)**	(37,387)
	(29,483)	(37,387)

Group finance charges relate to intercompany financing and liquidity facilities. Within interest payable on loans, amounts include £26,100,000 of annual interest relating to a £600,000,000 intercompany loan (repaid in March 2021) and £2,500,000 of annual interest on a £125,000,000 intercompany loan (repaid in August 2021). Going forward interest payable will be reduced by these amounts.

11. Tax

Major components of tax (income)/expense

	2021 **£'000**	2020 £'000
Corporation tax:		
UK corporation tax	(4,336)	(2,081)
Adjustments in respect of prior years	(4,128)	-
	(8,464)	(2,081)
	(8,464)	(2,081)

Reconciliation of tax (income)/expense

The tax assessed on the loss for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

11. Tax *(continued)*

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

	2021 **£'000**	2020 £'000
Loss before taxation	**(22,821)**	(150,482)
Loss by rate of tax	(4,336)	(28,592)
Adjustments in respect of prior periods	(4,128)	-
Non-deductible expenses	-	4,251
Impairment loss not deductible	-	22,260
Tax on loss	(8,464)	(2,081)

Factors that may affect future tax expense

An increase in the main UK corporation tax rate from 19% to 25%, applicable from 1 April 2023, was enacted on 10 June 2021 in Finance Act 2021. As substantive enactment did not take place on or before the balance sheet date, the deferred taxes in these financial statements have been calculated at 19%.

12. Investments

	Share in group undertakings **£'000**
Cost	
At 1 April 2020	1,302,449
Additions	
At 31 March 2021	**1,302,449**
Provisions for impairment	
At 1 April 2020	(949,108)
At 31 March 2021	**(949,108)**
Carrying amount	
At 31 March 2021	**353,341**
At 31 March 2020	353,341

An impairment loss of £nil (2020: £117,156,000) was recognised in the year in relation to investment in the subsidiary AAH Limited. Investments were written down to their value in use based on the methodology described in note 3.

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

12. Investments (continued)

Subsidiaries, associates and other investments:

Direct subsidiaries and the nature of their businesses are as follows:

Subsidiary	Nature of business	Class of capital	% held
AAH Limited	Investment holding company	25p ordinary shares	100
Lloyds Chemists Limited	Holding company	5p ordinary shares	100
AAH Twenty Six Limited	Dormant company	£1 ordinary shares	100

The principal activity of AAH Limited during the year was to act as a holding company of various subsidiaries. The principal activities of these subsidiaries are the wholesale of pharmaceutical products and the operation of retail pharmacies.
The principal activity of Lloyds Chemists Limited during the year was to act as a holding company of various dormant companies.
AAH Twenty-Six Limited was dormant throughout the year and the company is currently under liquidation.

A full list of all investments, direct and indirect, is included in note 22 All investments are in UK companies and have the same registered address as Admenta UK Limited. The only exceptions to this are listed in the table below.

Name	Registered office
AAH Lloyds Insurance (IOM) Limited	Third Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man
GJ Maley Limited	22 Woodbourne Road, Douglas, Isle of Man, IM1 3AL
MyMHealth Limited	161 8 Trinity, 161 Old Christchurch Road, Bournemouth, England, BH1 1JU
Stephen Smith Limited	PO Box 25, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3AP
Savory & Moore (Jersey) Limited	PO Box 301, 40 Esplanade, St Helier, Jersey, JE4 8UG
Algorithmic Health Ireland Limited	2 Shelbourne Buildings, Crampton Avenue, Dublin, D04 W3v6, Ireland.
Baillieston Health Centre Pharmacy Limited	204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, G42 0PH
J Bradbury (Surgical) Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
Pharma Services (N.I.) Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
Prima Brands Limited	2 Marshalls Road, Belfast, Northern Ireland, BT5 6SR
W.H.C.P. (Dundee) Limited	Wallacetown Health Centre, Lyon Street, Dundee, DD4 6RB

The Company has an investment in the following associate:

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

The registered address of the associate is as follows:

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

13. Trade and other receivables

	2021 £'000	Restated 2020 £'000
Amounts falling due within one year:		
Corporation tax group relief recoverable	**10,544**	2,081
Amounts falling due after more than one year:		
Amounts owed by group undertakings	**398,603**	523,781

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

During 2021, a prior period balance sheet reclassification was identified in respect of amounts owed by group companies. The 2020 comparative balances for amounts owed by group undertakings, which were previously disclosed within current assets, have been restated to incorporate the fact that debtor is not expected to be realised within the companies normal operating cycle and has resulted in a balance sheet reclassification of £523,781,000 from current assets to non-current asset on the balance Sheet.

14. Trade and other payables less than one year

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	**-**	210,800
Amounts owed to other group undertakings	**361,357**	622,119
Other payables	**277**	267
	361,634	833,186

Of the amounts owed to other group undertakings £236,184,000 (2020: £235,417,000) is due on demand and represents interest free loans and £125,000,000 is repayable within 1 year with a fixed interest of 2.19%. 2020: £249,000,000 was repayable within 1 year with a fixed interest rate of 3.46% and £125,000,000 was repayable within 1 year with a fixed interest of 2.19%. The remaining balance represented loans on a revolving credit facility which could be repaid upon request by McKesson Corporation and attracts interest equivalent to the overall cost of borrowing for the UK group of 3.24%. None of these amounts are secured.

Other group undertakings included above are wholly owned Admenta Holdings Limited subsidiaries in the Admenta UK group (amount owed 2021: £236,241,000, 2020: £236,221,000) and other wholly owned subsidiaries in the McKesson group (amount owed 2021: £125,116,000, 2020: £385,898,000).

The bank loans and overdrafts for the prior year related to a cross currency notional pool arrangements with its parent company and other group companies. The interest rate on the overdraft was 0.725% and the overdraft was deemed repayable on demand. There were no associated securities.

15. Trade and other payables more than one year

	2021 £'000	2020 £'000
Amounts falling due after more than one year:		
Amounts owed to other group undertakings	-	600,000

Amounts owed to group undertakings of £nil (2020: £600,000,000 was repayable between 15 and 16 years and had a fixed interest rate of 4.322%.)

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

16. Borrowings and lease liabilities

(a) Analysis of borrowings and lease liabilities

	2021 £'000	2020 £'000
Amount due for settlement:		
Between one and five years	-	600,000
After five years	-	-
	-	600,000
On demand or within one year	**361,357**	832,919
	361,357	1,432,919

(b) Analysis of borrowings

	2021 £'000	2020 £'000
Unsecured borrowing		
Bank loans and overdrafts	-	210,800
Amounts owed to group undertakings	**361,357**	1,222,119
Total borrowings	**361,357**	1,432,919

16. Borrowings and lease liabilities (*continued*)

	2021 **£'000**	2020 £'000
Amount due for settlement:		
Between one and five years	**-**	600,000
After five years	**-**	-
On demand or within one year	**361,357**	832,919
	361,357	1,432,919

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

(i) The balances due to fellow subsidiaries, subsidiaries and other group companies are unsecured, repayable on demand and interest free.

(ii) Please see note 14 for interests on amounts owed to group undertakings.

17. Called up share capital

Authorised, issued, called up and fully paid

	2021 **No.**	**2021** **£'000**	2020 No.	2020 £'000
Ordinary shares of £1 each	**400,050,003**	**400,050**	400,050,001	400,050

18. Reserves

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

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

19. Related party transactions

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

20. Events after the end of the reporting period

£125,000,000 intercompany loan has been repaid in August 2021.

In November 2021, McKesson Corporation announced an agreement to sell its UK businesses to AURELIUS, an asset management group which has a proven track record and focus on operational excellence. The transaction is expected to close in fiscal 2022, subject to closing conditions, including receipt of required regulatory approvals.

21. Controlling party

The immediate parent undertaking is McKesson Europe AG, a company registered in Germany.

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

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

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

22. Investments

Subsidiary	Principal activity	Class of capital	% held
2012 Dream Limited	Dormant company	£1 Ordinary shares	100
28CVR Limited	Dormant company	£0.10 Ordinary and A Ordinary shares	100
30MC Limited	Dormant company	£1 Ordinary shares	100
A. Suthrell (Haulage) Limited	Dormant company	£1 Ordinary shares	100
AAH Builders Suppliers Limited	Dormant company	£1 Ordinary shares	100
AAH Limited (*)	Holding company	£0.25 Ordinary shares	100
AAH Lloyds Insurance (IOM) Limited	Insurance company	£1 Ordinary shares	100
AAH One Limited	Dormant company	£1 Ordinary shares	100
AAH Pharmaceuticals Limited	Wholesale distribution	£1 Ordinary shares	100
AAH Twenty Four Limited	Dormant company	£1 Ordinary shares	100
AAH Twenty Limited	Dormant company	£1 Ordinary shares	100
AAH Twenty Six Limited	Dormant company	£1 Ordinary shares	100
Acme Drug Company Limited	Dormant company	£1 Ordinary shares	100
Added Marketing Limited	Dormant company	£1 Ordinary shares	100
Admenta Holdings Limited	Holding company	£1 Ordinary shares	100
Admenta Pension Trustees Limited	Dormant company	£1 Ordinary shares	100
Alchem (Southern) Limited	Dormant company	£1 Ordinary shares	100
Algorithmic Health Ireland Limited	Retail pharmacies	£1 Ordinary shares	100
Ayrshire Pharmaceuticals Limited	Dormant company	£1 Ordinary shares	100
Baillieston Health Centre Pharmacy Limited	Retail pharmacies	£1 Ordinary shares	100
Bannister & Thatcher Limited	Dormant company	£1 Ordinary shares	100
Barclay Pharmaceuticals Limited	Wholesale distribution	£1 Ordinary shares	100
Barclay Pharmaceuticals (Atherstone) Limited	Dormant company	£1 Ordinary shares	100
Barley Chemists Holdings Limited	Dormant company	£1 Ordinary shares	100
Barry Shooter (Romford) Limited	Dormant company	£1 Ordinary shares	100
Beauty Care Drugstores Limited	Dormant company	£1 Ordinary shares	100
Berkshire Medical Supplies Limited	Dormant company	£1 Ordinary shares	100
Betterlife healthcare Limited	Dormant company	£1 Ordinary A shares and £1 Ordinary B shares	100
Big Pharma Limited	Dormant company	£1 Ordinary shares	100
Bridport Medical Centre Services Limited	Dormant company	£1 Ordinary shares	100
Clark Munro Limited	Dormant company	£1 Ordinary shares	100
Clarke Care Group Limited	Dormant company	£1 Ordinary shares	100
Company Chemists Association Limited	Trade association	£1 Ordinary shares	27
Cross & Herbert (Devon) Limited	Dormant company	£1 Ordinary shares	100
Cross & Herbert (Holdings) Limited	Dormant company	£1 Ordinary shares	100
Cross And Herbert Limited	Dormant company	£1 Ordinary shares	100
Eclipse Healthcare Limited	Dormant company	£1 Ordinary shares	100
Escon (St Neots) Limited	Dormant company	£1 Ordinary shares	100
Evolution Homecare Services Limited	Dormant company	£1 Ordinary shares	100
Expert Health Limited	Online Health	£1 Ordinary shares	100
Farillon Limited	Dormant company	£1 Ordinary shares	100
Firth & Pilling Limited	Dormant company	£1 Ordinary shares	100
Foster & Plumpton Group Limited	Dormant company	£1 Ordinary shares	100
Foster & Plumpton Limited	Dormant company	£1 Ordinary shares	100
G J Maley Limited	Retail pharmacies	£1 Ordinary shares	100

22. Investments *(continued)*

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

22. Investments *(continued)*

Subsidiary	Principal activity	Class of capital	% held
MASTA Limited	Traveller services	£1 Ordinary shares	100
Medical Advisory Services for Travellers Abroad Limited	Traveller services	£0.1 Ordinary shares	100
Medimart Limited	Dormant company	£1 Ordinary shares	100
Metabolic Healthcare Holdings Limited	Retail pharmacy	£0.0001 Ordinary Shares	100
Metabolic Healthcare Limited	Retail pharmacy	£1 Ordinary Shares	100
Munro Pharmacy Limited	Dormant company	£1 Ordinary shares	100
MyMHealth Limited	Online healthcare	£0.001 Ordinary Shares	8
Newkirk Pharmacy Limited	Dormant company	£1 Ordinary shares	100
Optimed Health Limited	Consulting	£1 Ordinary Shares	100
Palemoda Limited	Dormant company	£1 Ordinary shares	100
Peel Street Pharmacy Limited	Dormant company	£1 Ordinary shares	100
Pharma Services (N.I.) Limited	Other information service	£1 Ordinary shares	50
Pharmagen Limited	Wholesale services	£1 Ordinary shares	100
Philip Goodman Limited	Dormant company	£1 Ordinary shares	100
Prescribing Support Services Limited	Consulting	£1 Ordinary Shares	100
Prima Brands Limited	Wholesale services	£1 Ordinary shares	100
Primelight Limited	Dormant company	£1 Ordinary shares	100
R.F Foskett & Son Limited	Dormant company	£1 Ordinary shares	100
Sangers (Northern Ireland) Limited	Wholesale distribution	£1 Ordinary shares	100
Savory & Moore (Jersey) Limited	Retail pharmacies	£1 Ordinary shares	90
Savory & Moore Limited	Dormant company	£1 Ordinary shares	100
Scholes (Chemist) Limited	Dormant company	£1 Ordinary shares	100
Statim Finance Limited	Dormant company	£1 Ordinary shares	100
Stephen Smith Limited	Retail pharmacies	£1 Ordinary shares	57
Superfield Limited	Dormant company	£1 Ordinary shares	100
T And I White Limited	Dormant company	£1 Ordinary shares	100
Uscita Limited	Dormant company	£1 Ordinary shares	100
W. Jamieson (Chemists) Limited	Dormant company	£1 Ordinary shares	100
W.H.Chanter Limited	Dormant company	£1 Ordinary shares	100
W.H.C.P. (Dundee) Limited	Retail pharmacies	£1 Ordinary shares	13
Westclose Limited	Dormant company	£1 Ordinary shares	100
WH Green (Chemists) Limited	Dormant company	£0.05 Ordinary shares	100
Woodside Pharmacy (Glasgow) Limited	Retail pharmacy	£0.25 Ordinary shares	100

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