

DS Spring Midco 1 Limited

Directors' Report and Financial Statements

Year ended 31 March 2023

Registered Number: 11979453



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STRATEGIC REPORT

Board of Directors as at 31 March 2023

Renee Bogdanovic
Alistair Troup

Solicitors

DLA Piper UK LLP
160 Aldersgate Street
London
EC1A 4HT

Secretary and Registered Office

Adam Levine (retired on 26th January 2023)
Adrian Narayan (appointed on 26th January 2023)
2nd Floor
Connect 38
1 Dover Place
Ashford
Kent
England

Registered No: 11979453

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Bankers

NatwestBank
Chatham RCSC
Waterside Court
Chatham Maritime
Chatham
ME4 4RT

STRATEGIC REPORT

The directors present their annual report and audited consolidated financial statements of the Group for the year ended 31 March 2023.

Principal activities and business review

The principal activity of the group is the manufacture and distribution of pharmaceuticals. The manufacturing is within the Athlone Laboratories Limited entity in Ireland. Kent Pharma UK Limited is the distribution business based in the UK primarily distributing within the UK. Athlone Pharmaceuticals Limited is a distribution business based in Ireland.

The group continues the strategy of development and growth of the distribution trade of generic pharmaceuticals focussing on further identification and the licencing of additional molecules. With the addition of further molecules to supplement its current product offering, The group services both wholesale and hospital segments.

Future molecule development can be further enhanced through identified M&A activity.

Key performance indicators

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the Group as a whole, these being turnover, gross profit, operating profit and profit on ordinary activities before taxation as set out in the profit and loss account and as per below:

	2023 £000	2022 £000
Turnover	85,460	60,650
Gross profit	24,515	10,362
Gross profit %	28.7%	17.1%
Operating profit / (loss)	5,698	(7,380)
Profit/(loss) on ordinary activities before taxation	8,697	(11,926)

Results and dividend

The result for the period is set out in the profit and loss account on page 9.

The directors recommend that no dividend (2022: nil) be paid in respect of the period ended 31 March 2023.

Going concern

The Group is in a net deficit position of £1,349k as of 31 March 2023. The Directors have reviewed the current financial status of the Group's operations at the reporting date and at date of approval of the financial statements. This assessment included a detailed review of the future outlook of the Group which demonstrates that the Company should have adequate resources to continue operating for at least the 12-month period from date of approval of the financial statements. This assessment is underpinned by the Group's ultimate shareholder, who has given assurances that they will not be seeking repayment of their shareholder loans and will continue to provide financial support to the Group for a period of lease 12 months from the date of approval of the financial statements. Accordingly, the directors consider it appropriate that the Company and the Group prepare their financial statements on a going concern basis.

The Group requires capital to fund its working capital and continued investment in new product development. The Group has secured an equity and debt injection alongside a revised Group financing structure with its lenders. This was completed in September 2022 and the Group continues to have the full support of both its equity investors and banking partners. The company's ultimate parent company, Duke Street LLP has confirmed funds will be available to the Company as required.

On this basis, the directors consider it appropriate that the Group prepares its financial statements on a going concern basis.

Accounting records

The directors believe that they have complied with the requirements of section 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Group are maintained at Ballymurray, Co Roscommon, Ireland.

DIRECTORS' REPORT - continued

Subsidiary companies

Details of subsidiary companies are set out in note 10 to the financial statements.

Directors

The directors in office at 31 March 2023, all of whom were directors for the whole of the period then ended unless otherwise stated, were:

Alastair Troup
Renee Marie Bogdanovic

Secretary

The secretaries of the company during the year were:

Adam Levine (retired on 26th January 2023)
Adrian Narayan (appointed on 26th January 2023)

Relevant Audit Information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditor is aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditor is unaware.

Financial risk management

The Group's operations expose it to a variety of financial risks that include foreign exchange risk and credit risk. The Group has in place a risk management programme that seeks to manage the financial exposures of the Group.

Liquidity, interest rate and cash flow risk

The Company has adequate cash resources to fund its activities. The Group has in place a risk management programme to manage its interest rate and cash flow risk.

Foreign exchange risk

The functional currency of the Group is £GBP. The Group is exposed to foreign exchange risks in the normal course of business, principally on purchases in Euro. The Group's policy is to hedge financial risks which significantly reduces the net exposure.

Credit risk

The Group has implemented policies that require appropriate checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit which is assessed regularly by the Group.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the board



Alistair Troup
Director



Renee Marie Bogdanovic
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the directors' 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 they have elected to prepare the Group and Company financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2006.

On behalf of the board



Alistair Troup
Director



Renee Marie Bogdanovic
Director



KPMG

Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent Auditor's Report to the Members of DS Spring Midco 1 Limited Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DS Spring Midco 1 Limited Company ('the Company') and its consolidated undertakings ('the Group') for the year ended March 31, 2023 set out on pages 10 to 28, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the summary of significant accounting policies set out in note 1.

The financial reporting framework that has been applied in the preparation of the Group and Company financial statements is UK Law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at March 31, 2023 and of the Group's profit for the year then ended;

the financial statements have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period.

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 Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date 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.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Independent Auditor's Report to the Members of DS Spring Mldco 1 Limited Company (continued)

Detecting Irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Group's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Group's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. The Group, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.



Independent Auditor's Report to the Members of DS Spring Midco 1 Limited Company (continued)

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the directors' report or the strategic report;
in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
 - the Company 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 these respects.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or 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, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

22 December 2023

David Moran
(Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	85,460	60,650
Cost of sales		(60,944)	(50,288)
Gross profit		24,516	10,362
Distribution costs		(4,918)	(4,336)
Administrative expenses		(13,900)	(13,406)
Operating (loss)/profit		5,698	(7,380)
Interest payable and similar charges	5	2,999	(4,547)
Profit/(loss) on ordinary activities before taxation		8,697	(11,926)
Taxation	9	(1,884)	1,139
Profit/(loss) for the financial period		6,813	(10,787)

All of the above results are derived from continuing activities.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2023

	2023 £'000	2022 £'000
Loss for the financial period	6,813	(10,787)
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the period	6,813	(10,787)

DS Spring Midco 1 Limited

CONSOLIDATED BALANCE SHEET
As at 31 March 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Goodwill	11	7,262	8,435
Intangible assets	12	4,565	4,678
Tangible assets	13	5,158	5,907
		<u>16,985</u>	<u>19,020</u>
Current assets			
Stocks	14	24,351	17,790
Debtors	15	21,630	16,114
Cash at hand and in bank		10,829	3,968
		<u>56,810</u>	<u>37,872</u>
Creditors (amounts falling due within one year)	16	(32,921)	(26,135)
Net current assets		<u>23,889</u>	<u>11,738</u>
Creditors (amounts falling due after one year)	17	(42,225)	(49,376)
Net liabilities		<u>(1,349)</u>	<u>(18,618)</u>
Capital and reserves			
Called up share capital	22	560	391
Share premium	22	10,737	-
Other reserves		(777)	34
Profit and loss account		(11,869)	(19,042)
Total shareholders' deficit		<u>(1,349)</u>	<u>(18,618)</u>

The notes on pages 15 to 28 form part of the financial statements.

On behalf of the board:

Alistair Troup
Director


Renee Marie Bogdanovic
Director

DS Spring Mideo 1 Limited**COMPANY BALANCE SHEET**
As at 31 March 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Loans to subsidiaries	10	26,486	20,872
Investments in subsidiaries	10	391	391
		<u>26,877</u>	<u>21,263</u>
Current assets			
Debtors	15	8,833	6,194
Creditors (amounts falling due within one year)	16	(576)	-
Net current (liabilities)/assets		<u>8,326</u>	<u>6,194</u>
Creditors: amounts falling due after one year	17	(17,583)	(27,799)
Net assets/(liabilities)		<u>17,550</u>	<u>(342)</u>
Capital and reserves			
Called up share capital	22	560	391
Profit and loss account		6,253	(733)
Share premium		10,737	-
Total shareholders' funds		<u>17,550</u>	<u>(342)</u>

The notes on pages 15 to 28 form part of the financial statements.

On behalf of the board:



Alistair Troup
Director



Renee Marie Bogdanovic
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2023

	Called up share capital £'000	Share Premium account £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
At 5 April 2021	391	-	(35)	(7,895)	(7,539)
Comprehensive loss for the period		-	-	(10,787)	(10,787)
Translation adjustments		-	(294)	-	(294)
At 31 March 2022	391	-	(329)	(18,862)	(18,618)
Comprehensive profit for the period	-	-	-	6,813	6,813
Translation Adjustments	-	-	(448)	-	(779)
Subscription of Share Capital	169	10,737	-	-	10,906
At 31 March 2022	560	10,737	(777)	11,869	(1,349)

COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2023

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2021	391		(289)	102
Comprehensive loss for the period			(444)	(444)
At 31 March 2022	391	-	(733)	(342)
Comprehensive profit for the period	-	-	6,987	6,987
Subscription of share capital	169	10,737	-	10,906
At 31 March 2023	560	10,737	6,252	17,550

CONSOLIDATED STATEMENT OF CASH FLOWS
Period Ended 31 March 2023

		2023	2022
		£'000	£'000
Cash flows from operating activities	Note		
Profit/(Loss) after taxation	1	6,814	(10,787)
<i>Adjustments for:</i>			
Depreciation and amortisation	11,12,13	4,247	2,116
Finance (income)/cost		(2,999)	4,425
Unrealised foreign exchange translation loss		(534)	127
Taxation charge/(credit)		1,884	(1,139)
		9,412	(5,258)
(Increase)/Decrease in stock		(6,561)	806
(Increase)/Decrease in trade and other debtors		(6,515)	(3,664)
Increase in trade and other creditors		16,724	3,013
Loss from disposal of tangible assets		209	-
Cash used in operating activities		13,269	(5,103)
Interest paid		(1,158)	(2,014)
Corporation Tax Paid		-	(30)
Net cash used in operating activities		12,111	(7,148)
Cashflows from investing activities			
Investment in Dalkeith		-	(1,158)
Purchase of tangible fixed assets	13	(889)	(721)
Purchase of intangible fixed assets	12	(1,533)	(743)
Repayment of vendor escrow amount	11	-	5,000
		0	
Net cash used in investing activities		(2,422)	2,378
Financing activities			
Proceeds from issue of share capital		70	-
Proceeds from long-term borrowing		7,000	-
Repayment of Loans		(9,955)	(174)
Net cash generated from financing activities		(2,885)	(174)
Net increase /(decrease) in cash and cash equivalents		6,804	(4,944)
Cash and cash equivalents at start of period		3,968	8,929
Forex		56	(18)
Cash and cash equivalents at end of period		10,829	3,968

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

DS Spring Midco 1 Limited (the “Company”) is a private company incorporated, domiciled and registered in the UK.

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“FRS 102”).

The functional currency of the Company is sterling and its presentation currency is sterling. The presentation currency of the consolidated financial statements is sterling, in alignment with the subsidiary entity’s functional and presentation currency. All amounts in the financial statements have been rounded to the nearest thousands.

The Group has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with Group undertakings where 100% of the voting rights are controlled within the Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost convention in accordance with Companies Act 2006 and FRS102.

Tangible fixed assets

All tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The annual rates of depreciation are as follows:

Fixtures and fittings	10% - 33.33%
Land and Buildings	2.5% - 20%
Plant and equipment	10% - 33.33%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Dividends

Dividends on equity shares are recognised in the financial statements when they have been appropriately approved or authorised by the shareholders and are no longer at the discretion of the Company. Interim dividends declared by the directors are recognised when paid.

Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating unit or groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies - continued

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The amortisation rates that are used are as follows:

Goodwill	10%
Other intangible assets	14.29% - 33.33%

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill and other intangible assets are tested for impairment in accordance with Section 27 *Impairment of Assets* when there is an indication that goodwill or an intangible asset may be impaired.

Stocks

Stocks are valued on the average cost basis, at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Turnover

Turnover comprises the fair value of the sale of goods and services to external customers net of value added tax, allowances and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer and when the amount of revenue and costs incurred can be measured reliably. The Group derives its revenue from the sale of a broad range of third party and own-branded pharmaceutical products.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment in the Company financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies - continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currencies

Transactions denominated in foreign currencies relating to revenues, costs and non-monetary assets are translated into pounds at the rates of exchange ruling on the dates on which the transactions occurred. Monetary assets and liabilities denominated in foreign currencies are translated into pounds at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

Pension costs

Retirement benefits to employees are funded by the Group and employees. Defined contributions are made to individual pension funds which are financially separate from the Group and these are charged to the profit and loss account as incurred.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Going concern

The Group reviewed the current financial status of its operations at the reporting date and at date of approval of the financial statements. This assessment included a detailed review of the future outlook of the company which demonstrate that the Company should have adequate resources to continue operating for at least the 12 month period from date of approval of the financial statements. This assessment is underpinned by the Group's ultimate shareholder, who has given assurances that they will not be seeking repayment of their shareholder loans and will continue to provide financial support to the Group for a period of at least 12 months from the date of approval of the financial statements. Accordingly, the directors consider it appropriate that the Company prepares its financial statements on a going concern basis.

The Company requires capital to fund its working capital and continued investment in new product development. Through the Company's shareholder Duke Steet LLP and other related group entities (the "Group"), the Group has secured an equity and debt injection alongside a revised Group financing structure with its lenders. This was completed in September 2022 and the Group continues to have the full support of both its equity investors and banking partners. The company's ultimate parent company, Duke Street LLP has confirmed funds will be available to the Company as required.

On this basis, the directors consider it appropriate that the Group prepares its financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies - continued

The group requires capital to fund its working capital and continued investment in new product development. The board has completed an equity injection into the Group, alongside a revised Group financing structure with its lenders. This was completed in September 2022 and the Group has the full support of both equity investors and banking partners. The company's ultimate parent company, DS Spring Top Co Limited has confirmed funds will be available to the Company as required.

On this basis, the directors consider it appropriate that the Group prepares its financial statements on a going concern basis.

2 Ultimate parent company

Duke Street LLP is the ultimate controlling party. This is the largest company of the group in which the results of the company and its subsidiaries are consolidated.

3 Turnover	2023	2022
	£'000	£'000
By geographical market:		
Ireland	3,860	2,428
United Kingdom	77,886	54,311
Other	3,734	3,911
Total turnover	85,460	60,650

4 Expenses and auditor's remuneration	2023	2022
	£'000	£'000
Included in operating profit and loss are the following:		
Amortisation	2,818	1,318
Depreciation	1,429	702
<i>Auditor's remuneration</i>		
Audit of Kent – Athlone group including these financial statements	118	118
Audit of Athlone Laboratories Limited Financial Statements	26	26
Tax	47	47

5 Net interest receivable/(payable) and similar charges

	2023	2022
	£'000	£'000
Interest payable – bank	2,015	2,015
Interest forgiven – loan notes (note 21)	(7,442)	
Interest payable – loan notes	2,420	2,532
	(2,999)	4,547

NOTES TO THE FINANCIAL STATEMENTS

6 Employee information	2023	2022
	Number	Number

The average number of persons employed by the Company including executive directors, during the year was as follows:

Sales	12	13
Manufacturing	116	78
Administration	80	74
	208	165

6 Employee information continued.

The Company's employment costs for all employees, including executive directors, comprise:

	2023	2022
	£'000	£'000
Wages and salaries	8,960	7,058
Social security costs	956	801
Retirement benefit costs	197	192
Redundancy costs	191	31
	10,304	8,082

7 Directors' remuneration	2023	2022
	£'000	£'000

Directors' remuneration	95	95
	95	85

8 Deferred tax asset / (liability)

Deferred tax liabilities are attributable to the following:

Opening balance March 2021	(142)
Origination and reversal of timing differences during period	1,184
Adjustments in respect of prior years	(65)
Origination and reversal of timing differences during period	22
Closing Balance March 2022	999

Origination and reversal of timing differences during period	(783)
Adjustments in respect of prior years	-
Origination and reversal of timing differences during period	(265)
Closing balance March 2022	(49)

NOTES TO THE FINANCIAL STATEMENTS

9 Taxation	2023 £'000	2022 £'000
Recognised in the profit and loss account		
<i>UK corporation tax</i>		
Current tax on income for the period	835	-
Adjustments in respect of foreign exchange	1	
<i>Deferred tax</i>		
Origination and reversal of timing differences	783	(1,184)
Adjustments in respect of prior years	-	65
Impact of changes in tax rates	264	(22)
Tax on profit on ordinary activities	1,884	(1,139)
Reconciliation of effective tax rate		
Profit/(loss) on ordinary activities before taxation	8,697	(12,200)
Tax using the UK corporation tax rate of 19.0% (2022: 19.0%)	1,653	(2,318)
Effect of foreign taxes	47	188
Adjustments in respect of prior periods	-	(167)
Expenses deductible for tax purposes	-	-
Expenses not deductible for tax purposes	1,014	760
Impact of change in tax rates	300	315
Deferred tax not recognised	(124)	82
Foreign exchange	3	-
Non taxable income	(1,009)	-
Tax on profit on ordinary activities	1,884	(1,139)

NOTES TO THE FINANCIAL STATEMENTS

10 Investments in subsidiaries and loans to subsidiaries

At 31 March 2023 the Group directly or indirectly held 100% of the equity of the following companies, for companies with the registration number shown below the companies are entitled to exemption under section 479a of the Companies Act 2006:

Name	Class of Shares	Registration Number	Holding	Principle Activity	Registered Office
DS Spring Midco 2 Limited	Ordinary	11979670	100%	Holding company	2nd Floor, Connect 38 1 Dover Place, Ashford, England, TN23 1FB
DS Spring Bidco Limited	Ordinary	11979744	100%	Holding company	As above
Kent Pharma UK Limited	Ordinary		100%	Distribution of Pharmaceuticals	As above
Kent Pharma Holdings Limited	Ordinary	04787593	100%	Holding company	As above
Kent Pharmaceuticals Limited	Ordinary	03371228	100%	Holding company	As above
Athlone Pharmaceuticals Limited	Ordinary		100%	Non trading company	As above
Athlone Laboratories Limited	Ordinary		100%	Manufacture of Pharmaceuticals	As above
Herbal Concepts Limited	Ordinary	03661526	100%	Manufacture of Pharmaceuticals	As above
OTC Concepts Limited	Ordinary	04574659	100%	Manufacture of Pharmaceuticals	As above
Linnam Holdings Limited	Ordinary		100%	Holding company	Ballymurray, County Roscommon F42 EW02, IE, Ireland
Beacon Pharmaceuticals Limited	Ordinary	03953215	100%	Manufacture of Pharmaceuticals	The Bower 4 Roundwood Avenue, Stockley Park, Heathrow, United Kingdom, UB11 1AF
Dalkeith Laboratories Limited	Ordinary	02179517	100%	Manufacture of Pharmaceuticals	2 Park Street, Woburn, Milton Keynes, England, MK17 9PG

During the period the company made no investments (2022: Nil).

Loans to subsidiaries

	Company 2023 £'000	Company 2022 £'000
Amounts due from group undertakings	26,486	20,872
	26,486	20,872

Amounts due from group companies are interest bearing and are repayable on 16 September 2029.

NOTES TO THE FINANCIAL STATEMENTS

11 Goodwill	£'000
Cost at 31 March 2022	12,203
At 31 March 2023	12,203
Accumulated amortisation at March 2022	3,768
Charge for the year	1,173
At 31 March 2023	4,941
Net book value at 31 March 2022	8,435
At 31 March 2023	7,262

On September 16th 2019, the Group acquired control of DS Spring Bidco Limited and its subsidiaries from a combination of equity and debt, whose principal activity is the sale and distribution of generic pharmaceuticals. Of the purchase price paid, £5m was held in escrow until certain vendor conditions were satisfied. In November 2021 this amount was returned to the company and has been reflected the opening goodwill amount above.

12 Intangible assets	Licences £'000
Cost at 31 March 2022	5,016
Additions	1,529
Disposals	853 -
At 31 March 2023	6,545
Accumulated depreciation at 31 March 2022	338
Charge for the year	1,646
Disposals	(4)
At 31 March 2023	1,980
Net book value	
At 31 March 2022	4,678
At 31 March 2023	4,565

On 25th June 2021, Kent Pharma UK purchased Dalkeith group of companies for £1,158k. Following a fair value exercise on the identified assets and liabilities acquired, intangibles relating to the value of a key pharmaceutical product of Dalkeith of £3,054k was recognised and this is being amortised over three years.

In February 2023, the group made an additional payment of £700k in relation to the Dalkeith purchase following the first sales of this key pharmaceutical product, as per the conditions of the sales purchase agreement.

NOTES TO THE FINANCIAL STATEMENTS

13 Tangible assets	Land and Buildings £'000	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
Cost at 31 March 2022	2,709	1,115	3,885	7,709
Additions	-	156	733	889
Disposals	-	(929)	-	(929)
Exchange adjustment	136	-	185	321
At 31 March 2023	2,845	342	4,803	7,990
Accumulated Depreciation at 31 March 2022	487	144	1,170	1,802
Charge for the year	158	520	751	1,429
Disposals	-	(480)	-	(480)
Exchange Adjustment	24	-	58	82
At 31 March 2023	669	184	1,978	2,832
Net book value				
At 31 March 2022	2,221	960	2,726	5,907
At 31 March 2023	2,175	160	2,824	5,158
14 Stocks		2023 £'000	2022 £'000	
Raw materials		2,529	1,533	
Work in progress		417	29	
Finished goods		21,405	16,228	
		24,351	17,790	

The replacement cost of stocks is not significantly different from the amounts shown above. Stocks are stated net of a provision for obsolescence of £1,408,688 (2021: £1,371,318).

15 Debtors	Group 2023 £'000	Group 2022 £'000
Trade debtors	19,407	13,800
Prepayments and accrued income	1,985	1,132
Deferred tax (note 8)	-	999
Other taxation	239	182
	21,630	16,114

The Group's impairment loss allowance for trade receivables amounted to £12,000 (2022: £17,729) for the year.

	Company 2023 £'000	Company 2022 £'000
Amounts owed by group undertakings	8,733	6,194
	8,733	6,194

Amounts owed by group undertakings are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

	Group 2023 £'000	Group 2022 £'000
16 Creditors (amounts falling due within one year)		
Bank loan (note 18)	-	4,950
Trade creditors	14,813	13,443
Tax and social welfare	4,682	1,588
Corporation tax	927	88
Deferred Tax	49	-
Other creditors	16	830
Accruals	12,434	5,236
	32,921	26,135

	Company 2023 £'000	Company 2022 £'000
Amount owed to group undertakings	2	391
	2	391

Amounts owed to group undertakings are interest free and repayable on demand.

	2023 £'000	2022 £'000
17 Creditors (amounts falling due after one year)		
Arbuthnot CID Facility	7,000	-
Bank loan (note 18)	17,642	21,577
Shareholder loan notes (note 21)	17,583	27,799
	42,225	49,376

	Company 2023 £'000	Company 2022 £'000
Shareholder loan notes (note 21)	17,583	27,799
	17,583	27,799

The Bank loan includes an arrangement fee of £857,500 amortised over the loan period of 7 years. £122,500 has been amortised during the year (2022: £122,500). The total amortised to date is £490,000.

18 Bank loans

At the start of the year, the group had a term loan facility of £22 million, repayable in full on 19 May 2026, and a £5 million revolving credit facility that was repayable on demand.

In September 2022, following the refinancing as provided in more detail in note 21 below, the Group drew down a new confidential invoice discounting facility of £7 million, repaid in full the revolving credit facility and repaid £5.97 million of the term loan facility.

On the term loan facility, interest is charged at LIBOR plus 7.25%, is repayable in 2026 and is secured over meeting the covenants set out in the loan agreement. For the confidential invoice discounting facility, interest is charged at 3.25% plus the bank of England base rate, for an initial term of three years and is secured over the trade debtors of the Company's subsidiary Kent Pharma Limited.

NOTES TO THE FINANCIAL STATEMENTS

18 Bank loans (*continued*)

	2023 £'000	2022 £'000
Term loan	17,907	22,000
Confidential invoice discounting facility	7,000	-
Revolving credit facility	-	4,950
	<u>24,907</u>	<u>26,950</u>

Analysis of maturity of bank loans:

Within one year or on demand	-	4,950
Between one and five years	7,000	-
After five years	17,907	22,000
	<u>24,907</u>	<u>26,950</u>

19 Financial instruments	2023 £'000	2022 £'000
Financial assets		
Cash at bank	10,829	3,968
Trade debtors	19,407	13,800
Other debtors	1,985	1,132
	<u>32,221</u>	<u>18,900</u>
Financial liabilities		
Trade creditors	14,812	13,443
Bank loan	-	4,950
Long-term loans	42,225	49,376
	<u>57,037</u>	<u>67,769</u>

Financial assets

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables).

Financial liabilities

Creditors

Creditors contains both interest and non-interest bearing and are normally settled on negotiated commercial terms depending on the nature of the creditor. The disclosure with relation to those creditors which are interest bearing are given in note 18. Given the minor movements and consistent level of the Bank of England base rate during the period and prior year, the year end fair value of the loan balances is considered to be materially the same as the carrying value. Other creditors are non-interest bearing and have a payment term which is agreed with management.

NOTES TO THE FINANCIAL STATEMENTS

20 Employee benefits

The Company operates defined contribution pension schemes and group personal pension schemes. Total pension costs for the year amounted to £196,818 (2022: £189,713). There was £22,272 (2022: £22,272) outstanding at year end.

21 Shareholder loan notes	2023	2022
<i>Company and Group</i>	<i>£'000</i>	<i>£'000</i>
Opening balance	27,806	25,267
Issue of Series A Loan Notes	-	7
Issue of Series B Loan Notes	5,733	
Interest charged during the year	2,420	2,532
Interest waived on Series A Loan Notes	(7,442)	
Repayment of Series A Loan Notes	(127)	
Capitalisation of Series A Loan Notes	(10,807)	
	<u>17,583</u>	<u>27,806</u>

Series A Loan Notes

Spring Investment LP, an entity of Duke Street LLP is the largest shareholder in the parent of the Group, DS Spring Topco Limited. Up to 31 March 2022, Spring Investment LP provided shareholder loan notes (Series A Loan Notes) with a principal amount of £14,492,017 to DS Spring Midco 1 Limited, a subsidiary of the Company. Interest charged on these loan notes for FY2023 was £1,308,282 (FY2022 £1,687,061). Following the refinancing noted below, the amount outstanding on these Series A Loan Notes is £7,635,109.

Up to 31 March 2022, DS Cornerstone provided shareholder loan notes (Series A Loan Notes) with a principal amount of £4,908,056 to DS Spring Midco 1 Limited, a subsidiary of the Company. Interest charged on these loan notes for FY2023 was £443,080 (FY2022 £571,362). Following the refinancing noted below, the amount outstanding on these Series A Loan Notes is £2,585,806.

Up to 31 March 2022, other shareholders provided shareholder loan notes (Series A Loan Notes) with a principal amount of £1,472,417 to DS Spring Midco 1 Limited, a subsidiary of the Company. Interest charged on these loan notes for FY2023 was £132,924 (FY2022 £171,309). Following the refinancing noted below, the amount outstanding on these Series A Loan Notes is £775,742.

Up to 31 March 2022, the directors, who also are shareholders, provided loan notes of £854,492 on 16 September 2019. An additional director's loan note was issued for £7,500 on 13 July 2021. Interest charged on these loan notes for FY2023 was £74,589 (FY2022 £99,474). Following the refinancing noted below, the amount outstanding on these Series A Loan Notes is £39,788.

The shareholder Series A Loan Notes accrue interest at a daily rate equivalent to an annual rate of 10% per annum and are due for redemption on 16 September 2029.

Series B Loan Notes

Spring Investment LP, an entity of Duke Street LLP is the largest shareholder in the parent of the Group, DS Spring Topco Limited. In September 2022, Spring Investment LP provided shareholder loan notes (Series B Loan Notes) with a principal amount of £3,749,767 to DS Spring Midco 1 Limited, a subsidiary of the Company. Interest charged on these loan notes for FY2023 was £302,036 (FY2022 nil).

DS Cornerstone provided shareholder loan notes (Series B Loan Notes) with a principal amount of £1,269,945 to DS Spring Midco 1 Limited, a subsidiary of the Company. Interest charged on these loan notes for FY2023 was £102,291 (FY2022 nil).

Other shareholders provided shareholder loan notes (Series B Loan Notes) with a principal amount of £380,984 to DS Spring Midco 1 Limited, a subsidiary of the Company. Interest charged on these loan notes for FY2023 was £30,687 (FY2022 nil).

NOTES TO THE FINANCIAL STATEMENTS

The directors, who also are shareholders, provided loan notes (Series B Loan Notes) with a principal amount of £332,544 to DS Spring Midco 1 Limited, a subsidiary of the Company. Interest charged on these loan notes for FY2023 was £26,785 (FY2022 nil)

The shareholder Series B Loan Notes accrue interest at a daily rate equivalent to an annual rate of 15% per annum and are due for redemption on 16 September 2029.

Refinancing

In September 2022, the Group entered into a re-financing arrangement with its shareholders and loan note holders:

- a) Accumulated interest of £7.4 million was waived on the existing Series A Loan Notes. This has been recorded as a gain in the profit and loss account under net interest receivable (see note 5);
- b) An amount of £0.1 million was paid to settle in full one prior director Series A Loan Note;
- c) £10.8 million of Series A Loan Notes were converted into share capital of the Company's subsidiary, DS Spring Midco 1 Limited;
- d) These shares were subsequently exchanged for shares in the Company (see note 22 below); and
- e) New Series B Loan notes totalling £5.7 million were issued to the shareholders and directors.

The Shareholder Series B Loan Notes were introduced on 16 September 2022 and accrue interest at an annual rate of 15% and are due for redemption on 16 September 2029.

DS Spring - The amounts outstanding in respect of the notes as at 31 March 23 was £16,832,368 (2022: £18,464,441).

22 Share capital and share premium	2023 £'000	2022 £'000
Authorised:		
390,911 ordinary A shares of £1 each	391	391
99,304 ordinary A shares of £1 each	99	-
70,000 ordinary D shares of £1 each	70	-
Allotted, called up and fully paid:		
390,911 ordinary A shares of £1 each	391	391
99,304 ordinary A shares of £1 each	99	-
70,000 ordinary D shares of £1 each	70	-

The holders of A and D ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

In September 2022, 10,737,117 shares in DS Spring Midco 1 Limited were exchanged for 10,737,117 D ordinary shares of the Company. As the value of the DS Spring Midco 1 Limited shares on issue were £10.7 million, and this exchange in respect of a transaction with shareholders, a share premium of £10.7 million is recognised at the consolidated level of the Company.

NOTES TO THE FINANCIAL STATEMENTS

23 Lease commitments

The Group leases property and motor vehicles. Non-cancellable operating lease rentals are payable as follows:

	2023 £'000	2022 £'000
Less than one year	124	110
Between one and five years	80	175
	<u>204</u>	<u>285</u>

24 Financial commitments and contingent liabilities

Included in trade creditors is an amount of approximately £8,373,696 (2022: £7,746,900) due to creditors who have reserved title to goods supplied. Since the extent to which these creditors are effectively secured at any time depends on a number of conditions, the validity of some of which is not readily determinable, it is not possible to indicate how much of the above amount was effectively secured by reservation of title. However, the amount referred to above is significantly matched in terms of stocks of goods in the possession of the group which were supplied subject to reservation of title and, accordingly, the creditors referred to could be regarded as effectively secured to the extent of at least this amount.

25 Related party disclosures

The company has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with Group undertakings where 100% of the voting rights are controlled within the Group.

During the period, the group was charged £250,000 (2022: £250,000) by Duke Street LLP for monitoring services provided. There was £28,228 (2022: £28,228) outstanding at year end, included in Note 16. For details of loans with directors, please see note 21.

26 Approval of financial statements

The financial statements were approved by the board on 14th December 2023.