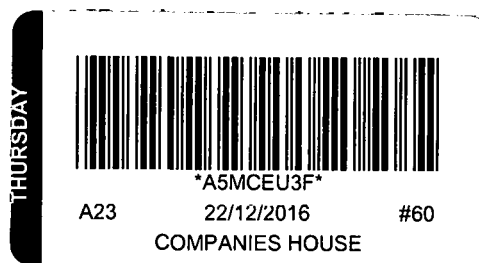


Barclay Pharmaceuticals Limited

Annual report and financial statements for the year ended 31 March 2016

Registered number: 02770716



Barclay Pharmaceuticals Limited

Annual report and financial statements for the year ended 31 March 2016

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Barclay Pharmaceuticals Limited

Strategic report for the year ended 31 March 2016

The directors present their strategic report of the company for the year ended 31 March 2016.

Principal activities

The principal activity of the company during the year was the sale and distribution of pharmaceutical and other products.

Review of business and future developments

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

The market for generic and imported pharmaceutical products became increasingly competitive and this was reflected in a reduced gross profit margin of 6.9% (2015: 9.2%). Underlying periodic sales were broadly flat against the prior period (15 months).

Despite further improvements in internal efficiency, the lower gross margin translated into a lower operating profit margin of 1.5% (2015 3.3%).

The company continues to develop its supply capability for both generic and imported pharmaceutical products but short line pharmaceutical wholesaling remains an intensely competitive market. We remain convinced that our partnerships with generic manufacturers and strong parallel trade relationships will ensure that the company is extremely well placed to grow further in the future. In the short term parallel import opportunities are likely to be constrained by adverse exchange rate movements following the referendum vote to leave the European Union.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of key risks. Risks are formally reviewed by the board and appropriate processes are put in place to monitor and mitigate them.

Competition

Barclay Pharmaceuticals Limited operates in a market which is highly competitive, particularly around price and product availability. There is, as a result, permanent pressure on margins with the additional risk that the company will not meet the expectations of customers. To mitigate this risk, the sales and supply teams monitor market prices on a daily basis.

Supply chain

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

Barclay Pharmaceuticals Limited

Strategic report for the year ended 31 March 2016 *(continued)*

Principal risks and uncertainties *(continued)*

People

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

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



T Beer
Director

20 December 2016

Barclay Pharmaceuticals Limited

Directors' report for the year ended 31 March 2016

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2016.

Results

Details of the results for the financial period are set out in the income statement on page 8.

Dividends

The directors do not recommend the payment of a final dividend (2015: £nil). No interim dividend (2015: £nil) was paid during the year.

Political and charitable contributions

No political or charitable contributions were made during the period (2015: £nil).

Future developments

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

Directors

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

| | |
|-------------|-----------------------------|
| T Beer | |
| S Anderson | (Resigned 31 March 2016) |
| C Tobin | |
| N Swift | |
| H Stables | (Appointed 1 April 2016) |
| J R Poole | (Appointed 15 August 2016) |
| C McDermott | (Appointed 3 October 2016) |
| H M Lipp | (Appointed 6 December 2016) |

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

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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

Directors' indemnities

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

Barclay Pharmaceuticals Limited

Directors' report for the year ended 31 March 2016 *(continued)*

Employment policies

The directors pursue a policy of promoting equality of opportunity to all employees and of fostering and developing their involvement and interest in the company. Both formal and informal systems of communication are used and managers have a specific responsibility to communicate effectively with the employees. Copies of the Celesio group annual report and company news releases are distributed to employees. Other matters of importance or interest are featured in regular issues of the in-house magazines. These seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting company performance.

Except as disclosed above, none of the directors had a material interest in any contracts with group companies.

Training and development are regarded as fundamental requirements and key to the retention of staff. Appropriate programmes exist at warehouse and head office level.

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

The company recognises the high standards required to ensure the health, safety and welfare of its employees, its customers and the general public. The policies in this regard are regularly reviewed with the objective of ensuring that these standards are maintained.

Employee involvement

The directors pursue a policy of promoting equality of opportunity to all employees and of fostering and developing their involvement and interest in the company. Both formal and informal systems of communication are used and managers have a specific responsibility to communicate effectively with the employees. Copies of the group's annual report and news releases are distributed and other matters of importance or interest are featured in regular issues of the group's in-house magazine which seeks to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Training is regarded as a fundamental requirement and appropriate programmes exist at group, divisional and subsidiary company level.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. The policies in this regard are regularly reviewed with the objective of ensuring that these standards are maintained.

Financial risk management

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

The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board, although use is made of a central treasury function which arranges the overall funding requirements of Celesio in the UK ('the UK group'). This central function operates within a framework of clearly defined policies and procedures. The function reports to the board on a regular basis.

The policies approved by the board of directors are implemented by the company's finance department and the central treasury function. The policies, which are documented in departmental manuals, cover funding

Barclay Pharmaceuticals Limited

Directors' report for the year ended 31 March 2016 *(continued)*

Financial risk management *(continued)*

and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions.

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

Liquidity risk: the company participates in the banking arrangements of the UK group, which are arranged with the assistance of the central treasury function. The UK group funds its operations through a mix of retained earnings, borrowings and leasing that is designed to ensure that the company has sufficient funds for its day to day operations and other activities. Cash flow requirements are monitored through projections which are compiled on a periodic basis across the group. The UK group operates a cash pooling arrangement in which the company participates. Under this arrangement cash funds which are in excess of day to day requirements are loaned to other UK group companies.

Foreign currency and interest rate risk: the company is exposed to foreign exchange risk in relation to foreign currency purchases of stock and group financing denominated in a foreign currency, primarily in respect of the Euro. The company does not currently hedge its foreign currency exposures as foreign currency purchases of stock are only made where there is a favourable exchange rate. The company also has both interest bearing assets and liabilities, these being managed within the UK group.

Creditor payment policy

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

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

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

Statement of directors' responsibilities

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to (a) select suitable accounting policies and then apply them consistently (b) make judgments and accounting estimates that are reasonable and prudent (c) state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Barclay Pharmaceuticals Limited

Directors' report for the year ended 31 March 2016 *(continued)*

Statement of disclosure of information to the auditor

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

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

By order of the Board



T Beer
Director

20 December 2016

Barclay Pharmaceuticals Limited
Registered number 02770716

Barclay Pharmaceuticals Limited

Independent auditors' report to the members of Barclay Pharmaceuticals Limited

Report on the financial statements

We have audited the financial statements of Barclay Pharmaceuticals Limited for the year ended 31 March 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Barclay Pharmaceuticals Limited

Independent auditors' report to the members of Barclay Pharmaceuticals Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

A handwritten signature in black ink, appearing to read 'Mark Doleman FCA'.

Mark Doleman (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, United Kingdom,
20 December 2016

Barclay Pharmaceuticals Limited

Income statement for the year ended 31 March 2016

| | Notes | 2016 £'000 | 2015 £'000 |
|--|-------|----------------|---------------|
| Revenue | 3 | 285,003 | 339,760 |
| Cost of sales | | (265,340) | (308,688) |
| Gross Profit | | 19,663 | 31,072 |
| Other Income | | - | - |
| Distribution costs and administrative expenses | 6 | (15,354) | (19,878) |
| Operating profit | | 4,309 | 11,194 |
| Finance costs | 8 | (442) | (589) |
| Profit before income tax | 7 | 3,867 | 10,605 |
| Income tax expense | 9 | (574) | (2,266) |
| Profit for the financial year attributable to the equity holder of the parent | | 3,293 | 8,339 |

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

Barclay Pharmaceuticals Limited

Statement of comprehensive income for the year ended 31 March 2016

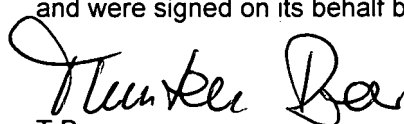
| | 2016 | 2015 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Profit for the financial year | 3,293 | 8,339 |
| Total comprehensive income for the year attributable to the equity holder of the parent | <u>3,293</u> | <u>8,339</u> |

Barclay Pharmaceuticals Limited

Statement of Financial Position as at 31 March 2016

| | Notes | 2016 £'000 | 2015 £'000 |
|-------------------------------------|-------|-----------------------|-----------------------|
| Assets | | | |
| Non-current assets | | | |
| Deferred tax asset | 9 | <u>37</u> | <u>24</u> |
| | | 37 | 24 |
| Current Assets | | | |
| Inventories | 10 | 49,198 | 39,183 |
| Trade and other receivables | 11 | 79,434 | 78,713 |
| Cash and cash equivalents | 12 | <u>1</u> | <u>45</u> |
| | | 128,633 | 117,941 |
| Total assets | | <u>128,670</u> | <u>117,965</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 30,603 | 19,916 |
| Income tax liability | | 787 | 2,431 |
| Other current liabilities | 14 | <u>516</u> | <u>2,147</u> |
| | | 31,906 | 24,494 |
| Equity | | | |
| Issued share capital | 17 | 25,000 | 25,000 |
| Retained earnings | | <u>71,764</u> | <u>68,471</u> |
| Total equity | | 96,764 | 93,471 |
| Total equity and liabilities | | <u>128,670</u> | <u>117,965</u> |

The financial statements on pages 14 - 30 were approved by the board of directors on 20 December 2016, and were signed on its behalf by:



T Beer
Director

Registered number: 02770716

Barclay Pharmaceuticals Limited

Statement of Changes in Equity for the year ended 31 March 2016

| | Issued Share Capital £'000 | Retained Earnings £'000 | Total Equity £'000 |
|------------------------------------|-------------------------------------|-------------------------------|--------------------------|
| Balance as at 1 January 2014 | 25,000 | 60,132 | 85,132 |
| Profit for the financial year | - | 8,339 | 8,339 |
| Balance as at 1 April 2015 | <u>25,000</u> | <u>68,471</u> | <u>93,471</u> |
| Profit for the financial period | - | 3,293 | 3,293 |
| Balance as at 31 March 2016 | <u>25,000</u> | <u>71,764</u> | <u>96,764</u> |

Barclay Pharmaceuticals Limited

Statement of Cash Flows for the year ended 31 March 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|------|---------------|---------------|
| Profit before tax | | 3,867 | 10,605 |
| Working capital adjustments: | | | |
| Inventories | | (10,015) | (4,112) |
| Trade and other receivables | | (209) | (2,335) |
| Trade and other payables | | 9,056 | (3,320) |
| | | <u>2,699</u> | <u>838</u> |
| Finance costs | | 442 | 589 |
| Income tax paid | | (2,231) | (1,450) |
| Net cash flow from operating activities | | <u>910</u> | <u>(23)</u> |
| Cash advances (to)/from affiliated parties | | (512) | 640 |
| Net cash flow used in investing activities | | <u>(512)</u> | <u>640</u> |
| Interest paid | | (442) | (589) |
| Net cash flow used in financing activities | | <u>(442)</u> | <u>(589)</u> |
| Net increase in cash and cash equivalents | | <u>(44)</u> | <u>28</u> |
| Cash and cash equivalents at the beginning of the period/year | 12 | 45 | 17 |
| Cash and cash equivalents at the end of the period/year | 12 | <u>1</u> | <u>45</u> |

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016

1 Basis of preparation

The financial statements for the year ended 31 March 2016 have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRIC interpretations and in accordance with the Companies Act 2006.

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

The financial statements are presented in sterling and all values are rounded to the nearest thousand. The company is domiciled in the UK and registered in England and Wales (Registered number: 02770716). The registered office address is Sapphire Court, Walsgrave Triangle, Coventry CV2 2TX.

The immediate parent undertaking is Admenta Holdings Limited. The ultimate parent undertaking and controlling party is McKesson Corporation, a company registered in North America.

The income statement has been prepared using the "expenses by function" method. The statement of financial position has been categorised into current and non-current items in accordance with IAS 1 '*Presentation of Financial Statements*'. To aid clarity, a number of items have been summarised both in the statement of financial position and in the income statements. These are discussed in detail in the notes to the financial statements.

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

2 Summary of significant accounting policies

Revenue

Revenue originates from the sale of merchandise. Merchandise sales are not recognised until the risks and rewards of ownership have been transferred to the customer. Revenue excludes value added tax.

Taxes

Current income tax

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

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

Deferred tax

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

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

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

2 Summary of significant accounting policies *(continued)*

Deferred tax (continued)

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 the income statement is recognised outside of 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.

Leases

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

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

Inventories

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

The company has not entered into any long-term contracts and has not assigned any of its inventories as collateral.

Financial assets

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value. The company's financial assets include cash and cash equivalents, trade and other receivables.

(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 fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Any losses arising from impairment are recognised in the income statement in finance costs.

The company does not have any instruments held at fair value through profit and loss, held-to-maturity investments or available-for-sale financial assets.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

2 Summary of significant accounting policies *(continued)*

Financial assets *(continued)*

(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 assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted using the financial assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

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. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings.

The company's financial liabilities include trade and other payables.

(ii) Subsequent measurement

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 method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

2 Summary of significant accounting policies *(continued)*

Financial liabilities *(continued)*

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

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

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

Currency translation

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

Pensions

The company contributes to group pension schemes operated by Admenta UK Limited. The contributions by the company are treated as an expense as incurred.

Management estimates and judgements

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

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

Deferred taxes

The measurement of deferred tax assets and liabilities requires management to make assumptions and estimates. Besides interpreting the tax provisions applicable to the tax paying entity in each case, the calculation of deferred tax assets on temporary differences and unused tax losses depends in particular on an appraisal of whether the entity will generate sufficient taxable income in future.

All assumptions and estimates are based on circumstances prevailing at the statement of financial position date. Future events and changes in conditions often mean that the actual amounts differ materially from the estimated figures. In such cases, the assumptions, and if necessary the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

Management estimates and judgements (continued)

Trade receivables and other assets

Allowances for trade receivables and other assets is based to a large extent on estimates and judgements of individual receivables taking the creditworthiness of the respective customer into account. When measuring allowances, assumptions and estimates play an important role when assessing the probability of utilisation, the obligation amount and the interest rates used for non-current provisions.

Inventories

Allowances are made for obsolete, slow moving and defective inventory. The assumptions used in estimating allowances are reviewed at each reporting date.

Amendments to IFRSs and the new Interpretations that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015 (except as noted below). Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

| | |
|---|--|
| <p>Amendments to IAS 19 <i>Defined Benefit Plans: Employee Contributions</i></p> <p>(The amendments are effective in the EU for accounting periods beginning on or after 1 February 2015. However, earlier application is permitted so that companies applying IFRSs as adopted in the EU are able to adopt the amendments in accordance with the IASB effective date of 1 July 2014)</p> | <p>The Group has adopted the amendments to IAS 19 <i>Defined Benefit Plans: Employee Contributions</i> for the first time in the current year. The amendments to IAS 19 clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments require the Group to account for employee contributions as follows:</p> <ul style="list-style-type: none">• Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.• Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Group recognises the reduction in the service cost in the period in which the related services are rendered. <p>These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.</p> |
|---|--|

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

2 Summary of significant accounting policies *(continued)*

Adoption of new and revised Standards *(continued)*

| | |
|--|--|
| <p><i>Annual Improvements to IFRSs 2010 – 2012 Cycle</i> (The amendments are effective in the EU for accounting periods beginning on or after 1 February 2015. However, earlier application is permitted so that companies applying IFRSs as adopted in the EU are able to adopt the amendments in accordance with the IASB effective date of 1 July 2014)</p> | <p>The Group has adopted the amendments to IFRSs included in the <i>Annual Improvements to IFRSs 2010 – 2012 Cycle</i> for the first time in the current year.</p> <p>The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements. However, the amendments to IFRS 8 <i>Operating Segments</i> - Aggregation of operating segments and IAS 24 <i>Related Party Disclosures</i> - Key management personnel represent changes to existing requirements.</p> <p>The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics.</p> <p>The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.</p> <p>The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.</p> |
| <p><i>Annual Improvements to IFRSs 2011 – 2013 Cycle</i></p> | <p>The Group has adopted the amendments to IFRSs included in the <i>Annual Improvements to IFRSs 2011 – 2013 Cycle</i> for the first time in the current year.</p> <p>The amendments are in the nature of clarifications rather than substantive changes to existing requirements.</p> <p>The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.</p> |

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and *[in some cases]* had not yet been adopted by the EU:

Financial Instruments

IFRS 9

IFRS 15

IFRS 11 (amendments)

IAS 1 (amendments)

IAS 16 and IAS 38
(amendments)

Revenue from Contracts with Customers

Accounting for Acquisitions of Interests in Joint Operations

Disclosure Initiative

Clarification of Acceptable Methods of Depreciation and Amortisation

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

2 Summary of significant accounting policies *(continued)*

Adoption of new and revised Standards *(continued)*

| | |
|--|---|
| IAS 16 and IAS 41 (amendments) | <i>Agriculture: Bearer Plants</i> |
| IAS 27 (amendments) | <i>Equity Method in Separate Financial Statements</i> |
| IFRS 10 and IAS 28 (amendments) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> |
| IFRS 10, IFRS 12 and IAS 28 (amendments) | <i>Investment Entities: Applying the Consolidation Exemption</i> |
| Annual Improvements to IFRSs: 2012-2014 Cycle | <i>Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting</i> |
| Annual Improvements to IFRSs: 2014-2016 Cycle | <i>Amendments to: IFRS 1, IFRS 12, IAS 28</i> |
| IAS 7 | <i>Statement of Cash Flows: Amendments as result of the Disclosure initiative</i> |
| IAS 12 | <i>Income Taxes: Amendments regarding the recognition of deferred tax assets for unrealised losses</i> |
| IFRS 2 | <i>Share-based Payment: Amendments to clarify the classification and measurement of share-based payment transactions</i> |
| IAS 40 | <i>Investment Property: Amendments to clarify transfers of property to, or from, investment property</i> |
| IFRS 16 | <i>Leases</i> |

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

3 Revenue

Revenue represents cash and credit sales predominantly generated in the United Kingdom. Sales to Europe were £284,907,000 in the year to 31 March 2016 (2015: £339,555,000). Sales to the rest of the world were £96,000 in the reporting period (2015: £205,000).

| | 2016 £'000 | 2015 £'000 |
|---------------|----------------|----------------|
| Sale of goods | <u>285,003</u> | <u>339,760</u> |

4 Directors' emoluments

For the year ended 31 March 2016 the directors did not receive any emoluments for their services to the company (2015: Nil). Their emoluments are paid by fellow subsidiaries, AAH Pharmaceuticals Limited and Lloyds Pharmacy Ltd, which has made no recharge to the company in respect of these payments. Emoluments and pension arrangements for the directors are included in the directors' emoluments disclosed in the financial statements of AAH Pharmaceuticals Limited and Lloyds Pharmacy Ltd.

5 Employee information

| By function | 2016 Number | 2015 Number |
|-----------------------|----------------|----------------|
| Distribution | 364 | 379 |
| Administration | <u>47</u> | <u>56</u> |
| | <u>411</u> | <u>435</u> |
| Staff costs | £'000 | £'000 |
| Wages and salaries | 7,492 | 9,660 |
| Social security costs | 577 | 773 |
| Other pension costs | <u>65</u> | <u>89</u> |
| | <u>8,134</u> | <u>10,522</u> |

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

6 Distribution costs and administrative expenses

| | 2016 £'000 | 2015 £'000 |
|----------------|---------------|---------------|
| Staff costs | 8,134 | 10,522 |
| Other expenses | 7,220 | 9,356 |
| | <u>15,354</u> | <u>19,878</u> |

7 Profit before income tax

Profit before income tax is stated after charging the following:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Auditor's remuneration | - | - |
| Operating lease rentals: | | |
| Land and buildings | 1,092 | 1,365 |
| Motor Vehicles | 1,333 | 1,606 |
| Other | 131 | 148 |
| Staff costs | 8,134 | 10,522 |
| Cost of inventories recognised as an expense in cost of sales including: | 265,340 | 308,688 |
| Write down of inventories to net realisable value | 174 | 173 |

In 2015 and 2016, the auditor's remuneration has been borne by AAH Pharmaceuticals Limited, a fellow subsidiary undertaking. Total auditor's remuneration for both companies for the year was £194,000 (2015: £229,000). No non-audit services were provided by the auditor in 2016 or 2015.

8 Finance costs

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Finance costs | | |
| Interest on amounts owing to affiliated companies | <u>(442)</u> | <u>(589)</u> |

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

9 Income tax expense

The major components of income tax expense for the year ended 31 March 2016 are:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Income statement: | | |
| Current income tax: | | |
| UK corporation tax at 20% (2015: 21.4%) | 787 | 2,231 |
| Adjustment in respect of previous years | (200) | - |
| | <u>587</u> | <u>2,231</u> |
| Deferred tax: | | |
| Relating to origin and reversal of temporary differences | (6) | 41 |
| Impact of change in tax rate | 2 | (3) |
| Adjustment in respect of previous years | (9) | (3) |
| | <u>(13)</u> | <u>35</u> |
| | <u>574</u> | <u>2,266</u> |

The tax assessed on the profit on ordinary activities for the period is lower (2015: lower) than the average rate of corporation tax in the UK of 20% (2015: 21.40%). The difference is reconciled below:

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Profit before tax | <u>3,867</u> | <u>10,605</u> |
| Profit before tax multiplied by the average rate of UK corporation tax of 20% (2015: 21.4%) | 773 | 2,269 |
| Expenses not deductible for tax purposes | 8 | 2 |
| Deferred tax adjustments in respect of previous years | (9) | (3) |
| Impact of change in tax rate | 2 | (2) |
| Current tax adjustments in respect of previous years | (200) | - |
| | <u>574</u> | <u>2,266</u> |

In November 2015, reductions to the rate of corporation tax to 19% (effective 1 April 2017) and 18% (effective 1 April 2020) were enacted. In his budget of 2016, the Chancellor of the Exchequer proposed a further reduction to the rate of corporation tax to 17% (effective 1 April 2020) which was enacted in September 2016.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

9 Income tax expense *(continued)*

The movements in the year in the deferred tax (asset)/liability are as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| At the beginning of the year | (24) | (59) |
| Deferred tax movement in the income statement | (13) | 35 |
| At the end of the year | (37) | (24) |

The deferred taxation (asset)/liability recognised in the financial statements can be analysed as follows:

| | | |
|--------------------------------|------|------|
| Accelerated capital allowances | (34) | (21) |
| Short term timing differences | (3) | (3) |
| | (37) | (24) |

10 Inventories

| | 2016 £'000 | 2015 £'000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | 49,198 | 39,183 |

In the reporting period inventories were written down by £174,000 (2015: £173,000).

11 Trade and other receivables

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Trade receivables from third parties | 21,764 | 25,372 |
| Receivables from affiliated companies: Trade | 2,886 | 79 |
| Receivables from affiliated companies: Intragroup funding | 50,598 | 50,086 |
| Other assets | 4,093 | 2,841 |
| Prepayments and accrued income | 93 | 335 |
| | 79,434 | 78,713 |

The amounts owed by affiliated companies are unsecured, interest free and are without a fixed repayment date and are repayable on demand.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

11 Trade and other receivables *(continued)*

As at 31 March 2016, trade and other receivables at initial value of £181,000 (2015: £272,000) were impaired and fully provided for. The table below presents the allowances on trade receivables, receivables from affiliated companies and the receivables contained in other assets:

| | 2016 £'000 | 2015 £'000 |
|-------------------------------------|---------------|---------------|
| Allowances at the start of the year | 272 | 239 |
| Additions | - | 33 |
| Utilisations | (19) | - |
| Reversals | (72) | - |
| Allowances at the end of the year | <u>181</u> | <u>272</u> |

As at the period end the ageing analysis of trade receivables from third parties is as follows:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Carrying amounts of trade receivables that are not impaired | 21,764 | 25,372 |
| Carrying amounts of trade receivables that are not impaired or overdue | 17,257 | 18,114 |
| Carrying amounts of overdue trade receivables that are not impaired | 4,507 | 7,257 |
| of which < 3 months | 4,507 | 6,390 |
| of which 3- 6 months | - | 374 |
| of which 6 - 12 months | - | 493 |
| of which > 12 months | - | - |

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

12 Cash and cash equivalents

| | 2016 £'000 | 2015 £'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | <u>1</u> | <u>45</u> |

For the purpose of the statement of cash flows, cash and cash equivalents comprises of cash at bank and in hand.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

13 Trade and other payables

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Trade creditors | 27,458 | 18,479 |
| Amounts owed to affiliated companies: Trade | 2,677 | 969 |
| Amounts owed to affiliated companies: Intragroup funding | 468 | 468 |
| | <u>30,603</u> | <u>19,916</u> |

Amounts owed to affiliated companies are unsecured and have no fixed repayment date other than that they are payable on demand. The amounts are either interest free or attract interest equivalent to the overall cost of borrowing for the UK group of 4.41% (2015: 0.53%). There are no undrawn borrowing facilities.

14 Other current liabilities

| | 2016 £'000 | 2015 £'000 |
|------------------------------|---------------|---------------|
| Accruals and deferred income | 362 | 173 |
| Sales ledger credit balances | 154 | 1,974 |
| | <u>516</u> | <u>2,147</u> |

15 Pension obligations

The company participates in a defined contribution group pension scheme operated by Admenta UK Limited (a parent company); the scheme is funded and constituted as an independently administered fund with its assets being held separately from those of the company.

AAH Lloyds Pension Scheme

The contributions paid by the company to the scheme during the year amounted to £65,000 (2015: £89,000). Included in other creditors at the statement of financial position date were amounts of £nil in respect of contributions (2015: £nil).

16 Dividends

The amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised are £nil (2015: £nil).

17 Shareholders' Capital

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Authorised, allotted, called and fully paid | | |
| 25,000,000 ordinary shares of £1 each | <u>25,000</u> | <u>25,000</u> |

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

18 Lease commitments

There are no operating lease commitments at the balance sheet date. The company operates out of a site and has interests in motor vehicles which are leased in the name of a fellow group company.

19 Financial risk management and derivative financial instruments

a) Principles of risk management

The company is exposed to risks resulting from changes in exchange rates and interest rates. Based on a risk appraisal, selected hedging instruments are used to limit these risks where appropriate.

The use of derivatives is subject to uniform group guidelines set by the management board, compliance of which is monitored constantly. The company had no derivative contracts in place at 31 March 2016 (2015: nil).

b) Interest rate risks

The company is exposed to certain interest rate risk, i.e. short-term fluctuation in interest rates leading to changes in the interest due or owed.

At 31 March 2016, if interest rates had been 1% higher/lower with all other variables held constant pre-tax profit for the year would have been -£155,000 (2013: -£1,108,000) lower/higher.

c) Foreign currency risk

Foreign currency risks relate to the possible impairment of statement of financial position items and any forward transactions due to fluctuations in exchange rates. The currency risks relate to capital expenditures, financing measures and operating activities. As the company largely settle their operating business in the company's functional currency, the transaction risk from foreign currencies can be classified as low. The major part of the foreign exchange rate risks result from euro (EURO) against Sterling (GBP).

Foreign currency risks relate to capital expenditures, financing measures and operating activities. The major part of the foreign exchange rate risks result from the Euro. The company does not currently hedge its foreign currency exposures as foreign currency purchases of stock are only made where there is a favourable exchange rate.

At 31 March 2016, if the currency had weakened/strengthened by 10% against the Euro the company would have changed its buying relationships and would not have made foreign currency purchases of stock where the movement in the exchange rate had made the purchase commercially unfavourable. However, if these actions were not taken then with all other variables held constant, pre-tax profit would have been £8,551,293 (2015: £9,060,000) lower/higher.

The indirect impact of exchange rate effects on the operating business has not been taken into account in the sensitivity analysis. This analysis assumes that the exchange rates change by the percentages stated as at the statement of financial position date. Movements over time and the changes in other market parameters observed in reality are not considered in this analysis.

d) Credit risk

Due to its existing customer structure, the bad debt risk in the company can be classified as low as the large customers are operators of the healthcare systems and therefore in the past enjoyed a very high credit standing. In addition to the large number of business relationships, there is no significant concentration of risk either.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

19 Financial risk management and derivative financial instruments *(continued)*

e) Liquidity risk

Liquidity risk is understood as the risk that the company will not be in the position to meet its ongoing payment obligations at any time. The liquidity risk is managed by means of centralised financial planning by the parent company, Admenta Holdings Limited, which provides the required finance for operations and capital expenditure between Barclay Pharmaceuticals Limited and its sister companies. Liquidity management takes the form of rolling liquidity planning taking into account existing lines of credit. The parent company has a significant amount of unused long-term confirmed lines of credit and bank guarantees, can make use of these at any time and bears the majority of the liquidity risk for the UK operations.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments at the reporting date.

| | On demand £'000 | Less than one year £'000 | 1 to 5 years £'000 | > 5 years £'000 | Total £'000 |
|---------------------------------|--------------------|-----------------------------|-----------------------|--------------------|----------------|
| Year ended 31 March 2016 | | | | | |
| Trade and other payables | 468 | 30,135 | - | - | 30,603 |
| | 468 | 30,135 | - | - | 30,603 |
| Year ended 31 March 2015 | | | | | |
| Trade and other payables | 468 | 19,448 | - | - | 19,916 |
| | 468 | 19,448 | - | - | 19,916 |

f) Capital management

The prime objective of the company's capital management is to ensure that it maintains the financial flexibility needed to allow for value-creating investments as well as healthy statement of financial position ratios.

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

19 Financial risk management and derivative financial instruments *(continued)*

The company monitors its capital structure based on the equity ratio, gearing and the interest coverage ratio. No mandatory external guidelines need to be observed in this respect.

| | 2016 £'000 | 2015 £'000 |
|--------------------------------|---------------|---------------|
| Equity | 96,764 | 93,471 |
| Total Assets | 128,670 | 117,965 |
| Equity ratio | 75% | 79% |
| Net financial debt | 468 | 468 |
| Equity | 96,764 | 93,471 |
| Gearing | 0.00 | 0.01 |
| Operating profit | 4,309 | 11,194 |
| Finance expense | 442 | 589 |
| Interest coverage ratio | 9.7 | 19.0 |

g) Fair values

The carrying amount of the Company's current and non-current assets and liabilities approximate their fair value.

The fair value of the financial assets and liabilities are included at the amount 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.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly;

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The company does not hold any derivative financial instruments measured at fair value at 31 March 2016 (2015: nil).

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2016 *(continued)*

20 Related party transactions

Related parties, as defined by IAS 24, include the management board of Barclay Pharmaceuticals Limited and the ultimate majority shareholder, McKesson Corporation and its subsidiaries, as well as associates. The items from related party transactions are presented below:

| <u>Other related parties</u> | Sales to related parties £'000 | Purchases from related parties £'000 | Amounts owed by related parties £'000 | Amounts owed to related parties £'000 |
|-------------------------------------|-----------------------------------|---|--|--|
| 2016 | 139,007 | 35,411 | 53,484 | 3,145 |
| 2015 | 121,760 | 42,973 | 50,165 | 1,437 |

Key management are directors of the company. For the year ended 31 March 2016 the directors did not receive any emoluments for their services to the company (2015: Nil).

All related party transactions taken place in the year are on an arm's length basis.

21 Ultimate parent undertaking and ultimate controlling party

The immediate parent undertaking is Admenta Holdings Limited.

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 are prepared by McKesson Corporation and may be obtained from McKesson Corporation, One Post Street, San Francisco, CA 94104, United States.

Consolidated financial statements for the smallest group of companies are prepared by Celesio AG and may be obtained from Celesio AG, Neckartalstrasse 155, 70376 Stuttgart, Germany.

22 Events after the reporting period

There are no significant events to report after the balance sheet date.