

Registered No. 03603234

## **Phoenix Medical Supplies Limited**

### **Report and Financial Statements**

31 January 2016

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## Company information

### Directors

K J Black  
H K Fisher  
F Große-Natrop  
S Herfeld  
K R Hudson  
P J Smith  
O T Windholz

### Secretary

M P Blakeman

### Auditors

Ernst & Young LLP  
100 Barbirolli Square  
Manchester  
M2 3EY

### Registered Office

Rivington Road  
Whitehouse Industrial Estate  
Runcorn  
Cheshire  
WA7 3DJ

## Strategic report

The Directors present their strategic report for the year ended 31 January 2016.

### Business review

The principal activity of the Company is to act as a holding Company of other companies, which supply pharmaceutical products, surgical and medical equipment to retail pharmacies, doctors, health centres and hospitals, operate retail pharmacies, or provide support and marketing activities for customers.

The Company employs a number of staff, including executive directors, who support the group companies. Group companies pay a management fee for the benefit of these services, disclosed within other income.

In addition the Company is responsible for providing financing to the companies in the group, for which it charges interest.

The operating loss for the year ended 31 January 2016 increased by 48.3% to £4,081,000 (2015: £2,752,000), principally due to an increase in personnel costs. The operating loss offset by income from investments of £2,257,000 (2015: £2,074,000 including £2,000,000 profit on disposal of investments) and net interest receivable of £17,566,000 (2015: £16,576,000) results in a profit after tax of £13,539,000 (2015: £12,482,000).

During the year the company transitioned from UK GAAP to FRS 101 and has taken advantage of the reduced disclosure framework allowed under this standard. The company's ultimate parent undertaking, PHOENIX Pharmahandel GmbH & Co KG, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. Transition tables showing material adjustments are disclosed in note 2.6.

### Key performance indicators

Management uses a range of key performance indicators to monitor and manage the business, the most relevant are discussed below.

	2016 £'000	2015 £'000	Change %
Personnel costs	8,089	7,296	10.87
Operating loss	(4,081)	(2,752)	48.29
Profit on ordinary activities after taxation	13,539	12,482	8.47
Average number of employees	178	154	15.58

Management uses a range of key performance indicators to monitor and manage the business, the most relevant are discussed below.

The operating loss has increased by 48.3% or £1,329,000, mainly due to an increase in overall staff costs and pension charges, whilst other inflationary increases in staff costs and expenses, have been passed on in part to other companies in higher management fees. The previous year also included a one off benefit from the sale of freehold property.

Income from shares in group undertakings consists of dividend income from associate companies. In the previous year profits from disposal of investments related to the one-off redemption of loan notes.

The net interest receivable has increased by 6.0% to £17.6 million (2015: £16.6 million) mainly due to higher interest income from group companies and savings in interest charges from changes in the mix of borrowing requirements at improved interest rates.

Profit before tax has fallen by 1.4%, due to the combination of higher operating costs only partly offset by higher income from investments and an improved net financial result.

## Strategic report (continued)

### Key risks and uncertainties

The Company's subsidiaries operate in highly regulated markets, and significant changes to those regulations, whether directly impacting the businesses or the customers, may have a significant impact on those businesses, adverse or otherwise. Examples to changes in regulations which may have a significant impact on subsidiary businesses are changes to the Control of Entry Regulations or changes to the NHS Pharmacy Contract.

Management constantly reviews pending or potential changes to regulations and takes appropriate action to minimise any adverse impact to the businesses.

The key financial risk for the Company is a significant increase in interest rates.

### Financial risk management policies

The directors have reviewed the financial risk management objectives and policies of the Company. The Company does not as a regular policy enter into hedging instruments, as there is not believed to be any material exposure. It also does not enter into any speculative financial instruments. Appropriate trade terms are negotiated with suppliers and customers and management review these terms and the relationships with suppliers and customers and manage any exposure on normal trade terms.

The Company participates in the group's centralised treasury arrangements and so shares financing arrangements with its parent and fellow subsidiaries, which mitigates any liquidity risk in the Company.

By order of the Board



K R Hudson  
Director  
31 March 2016

## Directors' report

### Registered No. 03603234

The directors present their report for the year ended 31 January 2016.

### Directors

The directors who held office during the year were as follows:

K J Black  
H K Fisher  
F Große-Natrop  
S Herfeld  
K R Hudson  
T R Panke (resigned 26 February 2015)  
P J Smith  
O T Windholz

### Dividends

A dividend of £40,800,000 has been paid in the current year (2015: £38,500,000).

### Future developments

The Company intends to continue to act as a holding Company of other companies, which supply pharmaceutical products, surgical and medical equipment to retail pharmacies, doctors, health centres and hospitals, operate retail pharmacies, or provide support and marketing activities for customers.

### Financial risk management policies

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 to set out information related to Financial Risk Management Policies in its Strategic Report.

### Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Going concern

The Company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to note 2 for details.

## **Directors' report (continued)**

### **Directors' liabilities**

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

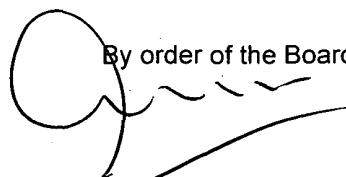
### **Disclosure of information to the auditors**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, consisting of a large, stylized 'B' followed by a series of loops and a long horizontal stroke.

M P Blakeman  
Company Secretary  
31 March 2016

## Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable UK 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 financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# **Independent auditor's report**

## **to the members of Phoenix Medical Supplies Limited**

We have audited the financial statements of Phoenix Medical Supplies Limited for the year ended 31 January 2016 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Statement of Directors' Responsibilities set out on page 7, 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 Strategic report, Directors' report and Financial statements 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 the 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 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# **Independent auditor's report**

**to the members of Phoenix Medical Supplies 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.

*Ernst & Young LLP*

Victoria Venning (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
Manchester  
31 March 2016

## Income statement

for the year ended 31 January 2016

	Notes	2016 £000	2015 £000
Administrative expenses		(12,326)	(11,130)
Other operating income		8,245	8,378
<b>Operating Loss</b>	3	(4,081)	(2,752)
Income from shares in group undertakings	4	2,257	74
Profit from disposal of investments	5	-	2,000
Interest receivable and similar income	6	25,275	25,516
Interest payable and similar charges	7	(7,709)	(8,940)
<b>Profit on ordinary activities before taxation</b>		15,742	15,898
Tax expense	11	(2,203)	(3,416)
<b>Profit for the financial year</b>	22	13,539	12,482

All activities are derived from continuing operations.

## Statement of comprehensive income

for the year ended 31 January 2016

	Notes	2016 £000	2015 £000
<b>Profit for the financial year</b>		13,539	12,482
<b>Other comprehensive income:</b>			
Actuarial gain / (loss) recognised in the pension scheme		2,884	(3,321)
Movement on deferred tax relating to pension liability		(764)	663
<b>Total comprehensive profit for the year</b>		15,659	9,824

**Balance sheet**

at 31 January 2016

	Notes	2016 £000	2015 £000
<b>Fixed assets</b>			
Intangible assets	13	129	28
Tangible assets	14	12,354	12,283
Investments	15	130,584	130,584
		<u>143,067</u>	<u>142,895</u>
<b>Current assets</b>			
Trade and other debtors	16	312,949	295,039
Deferred tax asset	11	1,694	2,458
		<u>314,643</u>	<u>297,497</u>
<b>Creditors: amounts falling due within one year</b>			
Bank overdraft		43	53
Trade creditors	17	184	78
Amounts owed to group undertakings	17	248,539	221,723
Income tax payable		743	1,803
Other taxes and social security		172	167
Other creditors, accruals and deferred income	17	2,431	1,870
		<u>252,112</u>	<u>225,694</u>
<b>Net current liabilities</b>		<u>62,531</u>	<u>71,803</u>
<b>Total assets less current liabilities</b>		205,598	214,698
Amounts owed to group undertakings	18	(90,000)	(70,000)
Pensions and similar obligations	23	(5,227)	(9,365)
Provisions for liabilities	19	(1,328)	(1,149)
<b>Net assets</b>		<u>109,043</u>	<u>134,184</u>
<b>Capital and reserves</b>			
Called up share capital	20	25,861	25,861
Revaluation of employee benefits		(7,721)	(9,841)
Retained earnings	22	90,903	118,164
<b>Total equity</b>	22	<u>109,043</u>	<u>134,184</u>

The financial statements were approved by the board of directors and authorised for issue on 31 March 2016



K R Hudson

Director

Registered no: 03603234

## Statement of changes in equity

at 31 January 2016

	Note	Share capital	Revaluation of employee benefits	Retained earnings	Total equity
		£000	£000	£000	£000
As at 1 February 2014		<b>25,861</b>	<b>(7,183)</b>	<b>144,182</b>	<b>162,860</b>
Profit for the year		-	-	12,482	12,482
Other comprehensive income		-	(2,658)	-	(2,658)
<b>Total comprehensive income for the year</b>		-	(2,658)	12,482	9,824
Dividends paid		-	-	(38,500)	(38,500)
<b>At 31 January 2015</b>		<b>25,861</b>	<b>(9,841)</b>	<b>118,164</b>	<b>134,184</b>
Profit for the year		-	-	13,539	13,539
Other comprehensive income		-	2,120	-	2,120
<b>Total comprehensive income for the year</b>		-	2,120	13,539	15,659
Dividends paid		-	-	(40,800)	(40,800)
<b>At 31 January 2016</b>		<b>25,861</b>	<b>(7,721)</b>	<b>90,903</b>	<b>109,043</b>

## Notes to the financial statements

at 31 January 2016

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Phoenix Medical Supplies Limited for the year ended 31 January 2016 were authorised for issue by the board of directors on 31 March 2016. Phoenix Medical Supplies Limited is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill (see note 2.5).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of PHOENIX Pharmahandel GmbH & Co KG. Accordingly, these financial statements are individual entity financial statements.

The results of Phoenix Medical Supplies Limited are included in the consolidated financial statements of PHOENIX Pharmahandel GmbH & Co KG which are available from Pfingstweidstrasse 10-12, 68199 Mannheim, Germany.

The principal accounting policies adopted by the Company are set out in note 2.

### 2. Accounting policies

#### 2.1 Basis of preparation

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 2.6. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2016.

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (f) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- (g) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*; and
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### **2.2 Basis of measurement**

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

#### **2.3 Going concern**

The Company participates in centralised treasury arrangements operated by the ultimate parent company, PHOENIX Pharmahandel GmbH & Co. KG. The parent company raises finance in a number of ways, including syndicated loans and the placement of bonds.

As part of the centralised treasury arrangements the Company has borrowing facilities of £182 million in place with PHOENIX PIB Finance BV, a Dutch subsidiary of the ultimate parent company, and the current facilities expire on 31 January 2017. The facility would also become repayable in the event that the syndicated loan or bonds noted above are declared due and payable under the terms of those agreements. On the basis of enquiries made of the Management Board of the ultimate parent company, the occurrence of such events are considered remote and therefore the facilities from PHOENIX PIB Finance BV should continue until 31 January 2017, at which point they will be refinanced or extended. There are no material uncertainties which cast significant doubt on the ability of the PHOENIX Pharmahandel GmbH & Co. KG Group to continue as a going concern.

The Company is expected to continue to generate positive cash flows (included dividend streams from its subsidiary companies if required) for the foreseeable future. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern of accounting in preparing the annual financial statements.

#### **2.4 Significant accounting judgements, estimates and assumptions**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

#### **Impairment of non-financial assets**

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budget data extrapolated at an assumed growth rate and may not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the assets performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units, including sensitivity analysis, are disclosed in note 13.

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### *2.4 Significant accounting judgements, estimates and assumptions (continued)*

##### ***Taxation***

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

##### ***Pension and other post-employment benefits***

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty

#### *2.5 Significant accounting policies*

##### ***Intangible assets - software***

Software includes IT software that is not integral to hardware purchased together with website development costs. Software is amortised on a straight line basis over 3 years.

##### ***Tangible fixed assets***

Tangible fixed assets, including investment properties, are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold property	2% per annum
Leasehold property	term of lease
Fixtures, fittings and equipment	10%-33% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

##### ***Investments***

Investments in subsidiaries and associates are shown at historic cost less provision for impairment.

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### *2.5 Significant accounting policies (continued)*

##### ***Impairment of non-financial assets***

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets or group of assets. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

##### ***Provisions for liabilities***

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

##### ***Leases***

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statements on a straight-line basis over the lease terms, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight line basis over the period of the lease, and is included within other operating income.

##### ***Trade and other debtors***

Trade and other debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

##### ***Cash at bank and in hand***

Cash comprises cash at banks and in hand and short term deposits with an original maturity of three months or less.

##### ***Dividend income***

Dividend income is recognised when the Company's right to receive payment is established.



## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### *Income taxes*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The Company is part of a UK group and accordingly may utilise the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other group companies in the UK. The group has a policy that payment is made or received for tax losses received from, or surrendered to, other group companies.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### *Pension costs and other post-retirement benefits*

The Company participates in a defined benefit scheme and a defined contribution scheme.

For the defined contribution scheme, the amount charged to the income statement, in respect of pension costs and other post-retirement benefits, is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The defined benefit scheme is a multi-employer scheme, and it is funded, with the assets of the scheme being held separately from those of the Company, in separate trustee administered funds. In accordance with FRS 101, the Company accounts for the contributions to the defined benefit scheme, as if it were a defined contribution scheme, because it is not possible to identify the Company's share of the underlying assets and liabilities on a consistent and reasonable basis. The required disclosures for the entire defined benefit scheme are shown in note 23.

#### **2.6 First time adoption of FRS 101**

For all periods up to and including the year ended 31 January 2015, the Company prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 January 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 February 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 February 2014, the Company's date of transition to IFRS, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 February 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 January 2015.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6 – 33 of IFRS 1 "First-time adoption of International Financial Reporting Standards".

#### *Exemptions applied*

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for January 2016 year ends retrospectively. The Company has taken the following exemptions:

- IFRS 3 Business Combinations has not been applied on any business combinations completed on or before 1 February 2014.
- The deemed cost for Property, plant and equipment, Investments and Intangible assets as at 1 February 2014 has been determined as the depreciated cost under the previously applied UK GAAP.

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### Reconciliation of equity as at 1 February 2014 (date of transition to FRS 101)

		UK GAAP	FRS 101 Reclassification/ Re- measurement	FRS 101
	Notes	£000	£000	£000
<b>Fixed assets</b>				
Intangible assets	a	-	118	118
Tangible assets	b	12,647	(118)	12,529
Investments		130,584	-	130,584
		<u>143,231</u>	<u>-</u>	<u>143,231</u>
<b>Current assets</b>				
Trade and other debtors		302,053	-	302,053
Deferred tax asset	c	-	1,795	1,795
		<u>302,053</u>	<u>1,795</u>	<u>303,848</u>
<b>Creditors: amounts falling due within one year</b>				
Bank overdraft		(98)	-	(98)
Trade creditors		(223)	-	(223)
Amounts owed to group undertakings		(191,551)	-	(191,551)
Income tax payable		(803)	-	(803)
Other taxes and social security		(169)	-	(169)
Other creditors, accruals and deferred income		(2,990)	-	(2,990)
		<u>(195,834)</u>	<u>-</u>	<u>(195,834)</u>
<b>Net current liabilities</b>		<u>106,219</u>	<u>1,795</u>	<u>108,014</u>
<b>Total assets less current liabilities</b>		<u>249,450</u>	<u>1,795</u>	<u>251,245</u>
Amounts owed to group undertakings		(80,000)	-	(80,000)
Pensions and similar obligations	d	-	(7,511)	(7,511)
Provisions for liabilities	e	(265)	(609)	(874)
<b>Net assets</b>		<u>169,185</u>	<u>(6,325)</u>	<u>162,860</u>
<b>Capital and reserves</b>				
Called up share capital		25,861	-	25,861
Revaluation of employee benefits	f	-	(7,183)	(7,183)
Profit and loss account		143,324	858	144,182
<b>Shareholders' funds</b>		<u>169,185</u>	<u>(6,325)</u>	<u>162,860</u>

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### Reconciliation of equity as at 31 January 2015

	Notes	UK GAAP £000	FRS 101 Reclassification/ Re- measurement £000	FRS 101 £000
<b>Fixed assets</b>				
Intangible assets	a	-	28	28
Tangible assets	b	12,405	(122)	12,283
Investments		130,584	-	130,584
		<u>142,989</u>	<u>(94)</u>	<u>142,895</u>
<b>Current assets</b>				
Trade and other receivables		295,039	-	295,039
Deferred tax asset	c	-	2,458	2,458
		<u>295,039</u>	<u>2,458</u>	<u>297,497</u>
<b>Creditors: amounts falling due within one year</b>				
Bank overdraft		(53)	-	(53)
Trade creditors		(78)	-	(78)
Amounts owed to group undertakings		(221,723)	-	(221,723)
Income tax payable		(1,803)	-	(1,803)
Other taxes and social security		(167)	-	(167)
Other creditors, accruals and deferred income		(1,869)	-	(1,869)
		<u>(225,693)</u>	<u>-</u>	<u>(225,693)</u>
<b>Net current liabilities</b>		<u>69,346</u>	<u>2,458</u>	<u>71,804</u>
<b>Total assets less current liabilities</b>		212,335	2,364	214,699
Amounts owed to group undertakings		(70,000)	-	(70,000)
Pensions and similar obligations	d	-	(9,365)	(9,365)
Provisions for liabilities	e	(248)	(902)	(1,150)
<b>Net assets</b>		<u>142,087</u>	<u>(7,903)</u>	<u>134,184</u>
<b>Capital and reserves</b>				
Called up share capital		25,861	-	25,861
Revaluation of employee benefits	f	-	(9,841)	(9,841)
Profit and loss account		116,226	1,938	118,164
<b>Shareholders' funds</b>		<u>142,087</u>	<u>(7,903)</u>	<u>134,184</u>

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### 2.6 First time adoption of FRS 101 (continued)

##### a. Intangible assets

Under previous UK GAAP software was recognised as a tangible asset. In transition to FRS101, software needs to be recognised as an intangible asset. Therefore on transition at 31 January 2014 and 31 January 2015, software has been reclassified from tangible assets to intangible assets.

Under IAS 16, useful economic lives and depreciation methods should be reassessed at least annually. Management have assessed all the useful economic lives and depreciation methods of tangible assets and intangible assets. This has led to a decrease in the carrying value at 31 January 2015 for intangible assets for £92,000 and tangible assets for £2,000.

	2015 £000	2014 £000
Software reclassification from tangible assets to intangible assets	120	118
Depreciation reassessment on software assets	(92)	-
	<u>28</u>	<u>118</u>

##### b. Tangible assets

	2015 £000	2014 £000
Software assets reclassification from tangible assets to Intangible assets	(120)	(118)
Depreciation reassessment on software assets	(2)	-
	<u>(122)</u>	<u>(119)</u>

##### c. Deferred tax asset

The assets and liabilities for the defined benefit plan have been recorded on transition at 31 January 2014 and 31 January 2015 and the associated costs for the pension liability. The actuarial gains and losses on the pension scheme have been recognised in OCI and the deferred tax asset on OCI has been recognised at 31 January 2014 for £1,795,000 and at 31 January 2015 for £2,458,000.

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### 2.6 First time adoption of FRS 101 (continued)

##### d. Pensions and similar obligations

Under UK GAAP, the company had an exemption under the multi employer scheme not to record the assets and liabilities of the pension scheme. The defined benefit scheme was treated like the defined contribution scheme and the pension scheme assets and liabilities were recorded in the group accounts.

Under FRS101, the Company has the responsibility to record the defined benefit plan on the balance sheet of the sponsoring employer which is Phoenix Medical Supplies Limited. Therefore the pension liability has been reflected in Phoenix Medical Supplies and comparatives also restated.

##### Pensions and similar obligations

	2015	2014
	£000	£000
Fair value of plan assets	(43,667)	(35,213)
Present value of funded obligations	34,302	27,702
	<u>(9,365)</u>	<u>(7,511)</u>

##### e. Provisions for deferred tax liabilities

FRS101 defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement, adjustments are required to recognise a number of items for which no deferred tax was recognised under UK GAAP as follows.

Provisions for deferred tax liabilities	2015	2014
	£000	£000
Deferred tax on rollover relief claims	316	316
Deferred tax on pension deficit	586	293
	<u>902</u>	<u>609</u>

##### f. Revaluation of employee benefits

	2015	2014
	£000	£000
Actuarial gains and losses on pensions	(12,299)	(8,978)
Deferred tax on actuarial gains and losses	2,458	1,795
	<u>(9,841)</u>	<u>(7,183)</u>

## Notes to the financial statements

at 31 January 2016

### 2. Accounting policies (continued)

#### 2.6 First time adoption of FRS 101 (continued)

#### Reconciliation of total comprehensive income for the year ended 31 January 2015

			FRS 101 Reclassification/Re- measurement	FRS 101
	Notes	UK GAAP £000	£000	£000
Administrative expenses	g	(12,784)	1,654	(11,130)
Other operating income		8,378	-	8,378
<b>Operating Profit</b>		<b>(4,406)</b>	<b>1,654</b>	<b>(2,752)</b>
Income from shares in subsidiary undertakings		74	-	74
Income from investments		2,000	-	2,000
Interest receivable and similar income		25,517	-	25,517
Interest payable and similar charges	h	(8,660)	(281)	(8,941)
<b>Profit on ordinary activities before taxation</b>		<b>14,525</b>	<b>1,373</b>	<b>15,898</b>
Tax expense	i	(3,123)	(293)	(3,416)
<b>Profit for the financial year and total comprehensive income for the year</b>		<b>11,402</b>	<b>1,080</b>	<b>12,482</b>

Notes to the reconciliation of equity as at 1 February 2014 and 31 January 2015 and total comprehensive income for the year ended 31 January 2015

#### g. Administrative expenses

Under IAS 19 the pension employer contributions relating to the defined benefit scheme of £2,280,000 net of current service costs of (£532,000) is reflected in the profit and loss statement. This is to reflect the contributions that have been paid by other companies that are part of the defined benefit scheme.

Under IAS 16 the group has reassessed its useful economic lives and depreciation methods. The group has elected to align the depreciation rates to in accordance with IFRS across all the assets. This has led to an additional charge of £94,000 at 31 January 2015.

#### h. Interest payable

The interest relates to the IAS 19 pension.

#### i. Tax expense

The tax expense relates to the recognition of the pension deficit on the balance sheet.

## Notes to the financial statements

at 31 January 2016

### 3. Operating loss

This is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets: owned	381	369
Amortisation of intangible assets	20	111
Profit on disposal of tangible fixed assets	-	(451)
Operating lease rentals - minimum lease payments	452	503

### 4. Income from shares in group undertakings

The amounts received from group undertakings in both current and previous year relate to dividends from subsidiaries and associates.

### 5. Profit from disposal of investments

The profit of disposal of investments relates to the redemption of loan notes issued as deferred consideration on the disposal of an investment in the prior year.

### 6. Interest receivable and similar income

	2016 £000	2015 £000
Other interest income	107	724
Interest receivable from group undertakings	25,168	24,792
	<u>25,275</u>	<u>25,516</u>

### 7. Interest payable and similar charges

	2016 £000	2015 £000
Bank loans and overdrafts	633	604
Interest payable to group undertakings	6,820	8,060
Interest on pensions	256	281
Exchange gains or losses	-	(5)
	<u>7,709</u>	<u>8,940</u>



## Notes to the financial statements

at 31 January 2016

### 8. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements.

	2016 £000	2015 £000
Audit of the financial statements	18	16

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its parent, PHOENIX Pharmahandel GmbH & Co, KG.

### 9. Directors' remuneration

	2016 £000	2015 £000
Emoluments	1,741	1,448
Company contributions to defined contribution pension schemes	-	10
	<u>1,741</u>	<u>1,458</u>

3 directors had retirement benefits accruing under the company's defined benefit scheme at the period end. (2015: 3 directors).

There were no directors with retirement benefits accruing under the company's money purchase scheme during the year. (2015: 1 director).

The above amounts for remuneration include the following in respect of the highest paid director:

	2016 £000	2015 £000
Emoluments	<u>647</u>	<u>420</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 January 2016 was £108,394 (2015: £104,489).

### 10. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	7,040	6,477
Social security costs	776	732
Other pension costs (note 20)	<u>273</u>	<u>87</u>
	<u>8,089</u>	<u>7,296</u>

## Notes to the financial statements

at 31 January 2016

The average monthly number of employees (excluding executive directors) during the year was made up as follows:

	2016 No.	2015 No.
Administration	178	154

### 11. Taxation

#### (a) Tax charged in the income statement

	2016 £000	2015 £000
<b>Current income tax:</b>		
UK corporation tax	2,523	3,125
Adjustments in respect of previous years	(499)	16
Total current income tax	2,023	3,141
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	239	309
Impact of change in rate of UK corporation tax	(121)	-
Adjustments in respect of prior years	62	(34)
Total deferred tax	180	275
<b>Tax expense in the profit and loss account</b>	<b>2,203</b>	<b>3,416</b>

#### (b) Tax relating to items charged or credited to other comprehensive income

	2016 £000	2015 £000
<b>Deferred tax:</b>		
Actuarial gains and losses on defined benefit plans	518	(663)
Change in tax rates	246	-
Total deferred tax	764	(663)

## Notes to the financial statements

at 31 January 2016

### 11. Taxation (continued)

#### (c) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 20.16% (2015: 21.33%). The differences are explained below:

	2016 £000	2015 £000
Loss on ordinary activities before tax	15,742	15,968
Tax calculated at UK standard rate of corporation tax of 20.16% (2015: 21.33%)	3,173	3,406
<i>Effects of:</i>		
Expenses not deductible for tax purposes	72	77
Depreciation in excess of capital allowances	(1)	4
IAS 19 pension adjustments	(27)	(20)
Adjustments in respect of previous years	(438)	(18)
Loss on disposal of fixed assets	-	(17)
Impact of change in rate of UK corporation tax	(121)	-
UK dividend income	(455)	(16)
<b>Total tax expense reported in the income statement</b>	<b>2,203</b>	<b>3,416</b>

#### (d) Change in Corporation Tax rate

The UK Corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015.

In the budget held on 8 July 2015 the Chancellor of the Exchequer announced tax changes, which will have an effect on the company's future tax position. The Chancellor announced the main rate of corporation tax will be further reduced to 19% from 1 April 2017, and further reduced to 18% from 1 April 2020. The proposed rate changes had been substantively enacted at the balance sheet date and as such, in accordance with accounting standards, this change has been reflected in the company's financial statements as at 31 January 2016.

Any deferred tax expected to reverse in future years has been remeasured using the rates substantively enacted at 31 January 2016.

During the budget on 16 March 2016, after the balance sheet date, a further reduction in Corporation Tax rate, to 17% from 1 April 2020, was announced. This change, if enacted, will lead to a further reduction in the companies tax and deferred tax liabilities in future years.

## Notes to the financial statements

at 31 January 2016

### 11. Taxation (continued)

#### (e) *Deferred tax*

The deferred tax included in the balance sheet is as follows:

	2016	2015
	£000	£000
<b><i>Deferred tax asset</i></b>		
Deferred tax on other comprehensive income pension movement	<u>1,694</u>	<u>2,458</u>
<b><i>Deferred tax liability</i></b>		
Accelerated capital allowances	(279)	(281)
Other timing differences	<u>(1,049)</u>	<u>(868)</u>
	<u>(1,328)</u>	<u>(1,149)</u>

The deferred tax in the income statement is as follows:

	2016	2015
	£000	£000
<b><i>Deferred tax in the income statement</i></b>		
Origination and reversal of temporary differences	239	309
Impact of change in rate of UK corporation tax	(121)	-
Adjustments in respect of prior years	<u>62</u>	<u>(34)</u>
Deferred tax expense	<u>180</u>	<u>275</u>

### 12. Dividends

	2016	2015
	£000	£000
Ordinary dividend of £1.58 (2015: £1.49) paid per share	<u>40,800</u>	<u>38,500</u>

## Notes to the financial statements

at 31 January 2016

### 13. Intangible fixed assets

	<i>Software</i> <i>£000</i>
Cost or valuation:	
At 1 February 2015	305
Additions	121
At 31 January 2016	<u>426</u>
Depreciation:	
At 1 February 2015	277
Charge for the year	20
At 31 January 2016	<u>297</u>
Net book value:	
At 31 January 2016	<u>129</u>
At 31 January 2015	<u>28</u>

### 14. Tangible fixed assets

	<i>Freehold land and property</i> <i>£000</i>	<i>Leasehold property</i> <i>£000</i>	<i>Investment property</i> <i>£000</i>	<i>Fixtures, fittings and equipment</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost or valuation:					
At 1 February 2015	4,339	269	10,117	1,730	16,455
Additions	-	4	251	197	452
At 31 January 2016	<u>4,339</u>	<u>273</u>	<u>10,368</u>	<u>1,927</u>	<u>16,907</u>
Depreciation:					
At 1 February 2015	529	17	2,546	1,080	4,172
Charge for the year	20	19	202	140	381
At 31 January 2016	<u>549</u>	<u>36</u>	<u>2,748</u>	<u>1,220</u>	<u>4,553</u>
Net book value:					
At 31 January 2016	<u>3,790</u>	<u>237</u>	<u>7,620</u>	<u>707</u>	<u>12,354</u>
At 31 January 2015	<u>3,810</u>	<u>252</u>	<u>7,571</u>	<u>651</u>	<u>12,283</u>

The company's investment properties were valued by Bilfinger GVA at 31 Jan 2016, on the basis of fair value supported by market evidence in accordance with the valuation manual. The fair value of the properties at 31 January 2016 was £11,275,000.

## Notes to the financial statements

at 31 January 2016

### 15. Fixed asset investments

#### *Investments in subsidiaries*

	<i>Subsidiary undertakings £000</i>	<i>Associates £000</i>	<i>Total £000</i>
Cost or valuation:			
At 1 February 2015 and 31 January 2016	<u>165,908</u>	<u>1,415</u>	<u>167,323</u>
Provision for impairment:			
At 1 February 2015 and 31 January 2016	<u>36,739</u>	<u>-</u>	<u>36,739</u>
Net book value:			
At 31 January 2016	<u>129,169</u>	<u>1,415</u>	<u>130,584</u>
At 31 January 2015	<u>129,169</u>	<u>1,415</u>	<u>130,584</u>

The Company's investment in subsidiary undertakings represents the share capital in a number of companies, which are incorporated in England, Wales and Scotland, and are summarised below.

<i>Name</i>	<i>Class of shares</i>	<i>Holding</i>	<i>Nature of business</i>
Phoenix Healthcare Distribution Limited*	ordinary	100%	Pharmaceutical wholesale
L Rowland & Company Limited*	ordinary	100%	Holding Company
L Rowland & Company (Retail) Limited	ordinary	100%	Pharmaceutical retail
Numark Limited**	ordinary	86%	Provision of marketing and support services to retail chemists
Numark Trading limited	ordinary	50%	Dormant

\*denotes subsidiaries held directly by the Company

\*\*86% of Numark is held directly by the Company and the remaining 14% is held by L Rowland & Company (Retail) Limited

#### *Investments in associates*

The company has a 21.1% interest in RX systems Limited. The principle activity of the company is the development and delivery of Pharmacy software applications.

The company has a 49% interest in Buttercups Training Limited. The principle activity is to provide high quality training courses for Pharmacists, Technicians and dispensing assistants.

## Notes to the financial statements

at 31 January 2016

### 16. Trade and other debtors

	2016 £000	2015 £000
Amounts due from group undertakings	306,780	294,700
Other debtors	5,750	-
Prepayments and accrued income	419	339
	<u>312,949</u>	<u>295,039</u>

Other debtors represent a loan to a third party which carries an interest rate of 3.5% and is repayable in full no later than 31 March 2018.

### 17. Creditors: amounts falling due within one year

The amounts owed to group undertakings are repayable on demand. The balance consists of £42,696,000 (2015: £23,967,000) due to trading balances with other group companies and the remainder of £205,843,000 (2015: £197,756,000) is due to subsidiary companies.

Trade creditors are non-interest bearing and are normally settled between 7 and 35 days.

Other creditors are non-interest bearing and have an average term of 1 month.

### 18. Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
<b>Due between two and five years</b>		
Amounts owed to group undertakings	<u>90,000</u>	<u>70,000</u>

### 19. Provisions

	Deferred tax (note 11) £000
At 1 February 2015	1,149
Profit and loss account	<u>179</u>
At 31 January 2016	<u>1,328</u>

### 20. Authorised and issued share capital

	2016 £000	2015 £000
<b>Allotted, called up and fully paid</b>		
28,861,200 Ordinary shares of £1 each	<u>25,861</u>	<u>25,861</u>

## Notes to the financial statements

at 31 January 2016

### 21. Financial commitments

Future minimum commitments under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
Not later than one year	372	298
After one year but not more than five years	1,093	968
After five years	1,250	1,440
	<u>2,715</u>	<u>2,706</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

### 22. Reserves

	Share premium account £000	Retained earnings £000
At 1 February 2014	-	144,182
Profit for the year	-	12,482
Dividend paid	-	(38,500)
At 31 January 2015	-	118,164
Profit for the year	-	13,539
Dividend paid	-	(40,800)
At 31 January 2016	-	<u>90,903</u>



## Notes to the financial statements

at 31 January 2016

### 23. Pension and other post-employment benefits

#### Defined contribution scheme

The principal scheme is a defined contribution scheme. The assets of the scheme are held separately from those of the Company, in an independently administered fund. The pension costs amounted to £145,000 (2015: £138,000).

#### Defined benefit scheme

The Company has made contributions to a defined benefit scheme – The Phoenix Medical Supplies Limited Pension Scheme. The scheme is a multi-employer scheme, with the assets and liabilities of the scheme being held separately from those of the Company in separate trustee administered funds. The assets and liabilities of the scheme are recognised within the financial statements of the company as the principal employer of the scheme. The value of the Company's contributions to the pension scheme was £1,636,000 (2015: £1,697,000).

The latest full actuarial valuation for The Phoenix Medical Supplies Limited Pension Scheme was carried out as at 31 March 2013. This valuation has been updated to 31 January 2016 by an independent actuary, using revised assumptions, which are consistent with the requirements of IAS 19. The major assumptions used for the actuarial value were:

	2016	2015
Rate of increase in salaries	4.30%	4.00%
LPI pension increase (RPI)	3.30%	3.00%
LPI pension increase (CPI)	2.30%	2.00%
Discount rate	3.80%	3.10%
Inflation assumption (RPI)	3.30%	3.00%
Inflation assumption (CPI)	2.30%	2.00%
Life expectancy on retirement at age 65		
-Male – age 65 as at 31 January 2016	22.5 years	22.5 years
-Male – age 45 as at 31 January 2016	24.3 years	24.2 years
-Female – age 65 as at 31 January 2016	25.1 years	25.0 years
-Female – age 45 as at 31 January 2016	27.0 years	26.9 years

The discount rate is based on a nominal AA corporate bond spot yield curve at a duration in line with the Scheme liabilities. The assumptions for inflation and for increases in pensions are based on the implied inflation from the Bank of England implied inflation curve at the appropriate duration for the Scheme. Mortality rates are based on S1N[M/F]A03 year of birth tables with 2012 CMI projections and long term rates of mortality improvements of 1.25% pa.

## Notes to the financial statements

at 31 January 2016

### 23. Pension and other post-employment benefits (continued)

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation as at 31 January 2016 and 2015 is as shown below:

	<i>Increase/(decrease) in defined benefit obligation</i>	
	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
<i>Discount rate</i>		
Plus 0.5%	(3,761)	(5,340)
Minus 0.5%	4,350	4,540
<i>RPI and CPI inflation</i>		
Plus 0.5%	2,646	2,450
Minus 0.5%	(2,348)	(2,680)
<i>Salary increase</i>		
Plus 0.5%	1,474	1,470
Minus 0.5%	(1,352)	(1,350)
<i>Life expectancy</i>		
Plus 10%	2,193	1,820
Minus 10%	(2,135)	(1,880)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

## Notes to the financial statements

at 31 January 2016

### 23. Pension and other post-employment benefits (continued)

#### Scheme assets and liabilities as at 31 January

Scheme assets have been taken at their market value. The assets in the scheme and the expected rates of return as well as the present value of the scheme liabilities at the balance sheet date were:

	2016		2015	
	%	£000	%	£000
Investment funds	7.2	34,147	7.0	31,580
Equities	7.3	-	7.0	1,026
Bonds	3.8	-	3.1	1,126
Property	7.1	-	6.8	283
Cash	1.5	37	1.5	287
		<hr/>		<hr/>
Total fair value of assets		34,184		34,302
Present value of scheme liabilities		(39,411)		(43,667)
		<hr/>		<hr/>
Deficit in the scheme		(5,227)		(9,365)
Related deferred tax asset		940		1,873
Net pension deficit		<hr/> (4,287) <hr/>		<hr/> (7,492) <hr/>

#### Movements in present value of defined benefit obligation

	2016	2015
	£000	£000
At 1 February 2015	43,667	35,213
Current service cost	718	532
Contributions by members	73	75
Interest cost	1,336	1,534
Benefits paid	(1,240)	(829)
Actuarial (gains)/losses	(5,143)	7,142
At 31 January 2016	<hr/> 39,411 <hr/>	<hr/> 43,667 <hr/>

## Notes to the financial statements

at 31 January 2016

### 24. Pension and other post-employment benefits (continued)

#### Movements in fair value of plan assets

	2016	2015
	£000	£000
At 1 February 2015	34,302	27,702
Expected return on plan assets	1,080	1,253
Contributions by members	73	75
Contributions by employer	2,228	2,280
Benefits paid	(1,240)	(829)
Actuarial (losses)/gains	(2,259)	3,821
At 31 January 2016	<u>34,184</u>	<u>34,302</u>

The amounts recognised in the Income Statement and in the Statement of Comprehensive income for the year is analysed as follows

	2016	2015
	£000	£000
<b>Recognised in the Income Statement</b>		
Current service cost	<u>126</u>	<u>(51)</u>

Of the total charge/(credit), £126,000(2015:£51,000) was included in Administrative expenses.

Net interest on defined benefit deficit	<u>256</u>	<u>281</u>
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#### Taken to the Statement of comprehensive income

	2016	2015
	£000	£000
Loss/(gain) on scheme assets in excess of interest	2,259	(3,821)
Experience gains on liabilities	(597)	-
(Loss)/gain from changes to financial assumptions	(4,546)	7,142
Recognised in the Statement of comprehensive income	<u>(2,884)</u>	<u>3,321</u>

## Notes to the financial statements

at 31 January 2016

### 25. Contingent liabilities

The Company participates in the centralised treasury arrangements of the ultimate parent company, PHOENIX Pharmahandel GmbH & Co. KG. These arrangements are set out in the basis of preparation note in these financial statements.

During the year ended 31 January 2015 and during the period under review up to 17 December 2015, the Company, together with other fellow subsidiary companies across Europe, provided guarantees in respect of the treasury arrangements noted above. This guarantee was released on 17 December 2015.

### 26. Ultimate parent undertaking and controlling party

The immediate parent company is PHOENIX PIB Dutch Holding BV. The ultimate parent company and controlling party is PHOENIX Pharmahandel GmbH & Co KG, a company incorporated in Germany. Its principal place of business is Pfingstweidstrasse 10-12, 68199 Mannheim, Germany.

The largest and smallest group of undertakings, for which group financial statements have been drawn up, is that headed by PHOENIX Pharmahandel GmbH & Co KG, which prepares consolidated financial statements that are available to the public from the aforementioned address.