

# Barclay Pharmaceuticals Limited

## Annual report and financial statements for the year ended 31 March 2018

Registered number: 02770716

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# Barclay Pharmaceuticals Limited

## Annual report and financial statements for the year ended 31 March 2018

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# Barclay Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2018

The directors present their strategic report of the company for the year ended 31 March 2018.

### Principal activities

The principal activity of Barclay Pharmaceuticals Limited ("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 4.8% (2017: 5.0%). Sales had decreased by 5.3% (2017: decreased by 4.2%) year on year as a result of decreased volume, partly due to increased use of short liners by pharmacies.

With operating costs in line year on year at 5.1% (2017 5.1%) the lower gross margin translated into a lower operating (loss) margin of -0.3% (2017 -0.1%).

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 2018 *(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.



M Hilger  
Director

18 December 2018

# Barclay Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2018

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2018.

### Results

Details of the results for the financial year are set out in the income statement on page 10. There are no significant events to report after the balance sheet date.

### Dividends

The directors do not recommend the payment of a final dividend (2017: £nil). No interim dividend (2017: £nil) was paid during the year.

### Political and charitable contributions

No political or charitable contributions were made during the year (2017: £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 year and up to the date of signing the financial statements were:

N Swift  
H Stables (Resigned 25 May)  
J R Poole  
C McDermott  
M Hilger  
T Anderson (Appointed 1 September 2018)

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 notes to 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 year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

# Barclay Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2018 *(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 and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions.

# Barclay Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2018 *(continued)*

### Financial risk management *(continued)*

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 and
- b) pay in accordance with the agreed terms and any other contractual or legal obligations.

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

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under Company law the directors must not approve the financial statements unless they are satisfied that they give true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# Barclay Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2018 *(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 auditor in connection with preparing their report - of which the company's auditor is unaware and (b) the director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Approved by the board and signed on its behalf by:



M Hilger  
Director

18 December 2018  
Barclay Pharmaceuticals Limited  
Registered number 02770716



# Barclay Pharmaceuticals Limited

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

### Report on the audit of the financial statements

#### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 20.

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

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

#### Other information

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

# Barclay Pharmaceuticals Limited

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

(continued)

### Other information

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

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

We have nothing to report in respect of these matters.

### Responsibilities of directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

# Barclay Pharmaceuticals Limited

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

(continued)

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

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

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

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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.

R Duffy

Ryan Duffy (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom,

18/12/18

# Barclay Pharmaceuticals Limited

## Income statement for the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
<b>Revenue</b>	3	<b>281,372</b>	297,130
Cost of sales		<b>(267,916)</b>	(282,299)
<b>Gross Profit</b>		<u><b>13,456</b></u>	<u>14,831</u>
Distribution costs and administrative expenses	6	<b>(14,310)</b>	(15,076)
<b>Operating (loss)</b>		<u><b>(854)</b></u>	<u>(245)</u>
Finance costs	7	<b>(375)</b>	(372)
<b>Loss before income tax</b>	8	<u><b>(1,229)</b></u>	<u>(617)</u>
Income tax expense	9	<u><b>231</b></u>	<u>119</u>
<b>Loss for the financial year attributable to the equity holder of the parent</b>		<u><u><b>(998)</b></u></u>	<u><u>(498)</u></u>

All of the activities of the company are classified as continuing. There were no other items of comprehensive income.

# Barclay Pharmaceuticals Limited

## Statement of Financial Position as at 31 March 2018

### Statement of Financial Position as at 31 March 2017

	Notes	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Deferred tax asset	9	<u>30</u>	<u>33</u>
		30	33
<b>Current Assets</b>			
Inventories	10	38,679	53,983
Trade and other receivables	11	87,188	73,951
Income tax asset		<u>357</u>	<u>123</u>
		126,224	128,057
<b>Total assets</b>		<u><u>126,254</u></u>	<u><u>128,090</u></u>
<b>Current liabilities</b>			
Trade and other payables	13	30,704	31,351
Other current liabilities	14	<u>282</u>	<u>473</u>
		30,986	31,824
<b>Total assets less current liabilities</b>		95,268	96,266
<b>Total Liabilities</b>		<u><u>30,986</u></u>	<u><u>31,824</u></u>
<b>Net Assets</b>		<u><u>95,268</u></u>	<u><u>96,266</u></u>
<b>Equity</b>			
Issued capital	17	25,000	25,000
Revenue reserves		<u>70,268</u>	<u>71,266</u>
<b>Total equity</b>		<u><u>95,268</u></u>	<u><u>96,266</u></u>

The financial statements on pages 10 - 25 were approved by the board of directors on 18 December 2018, and were signed on its behalf by:



M Hilger  
Director

Registered number: 02770716

# Barclay Pharmaceuticals Limited

## Statement of Changes in Equity for the year ended 31 March 2018

	Issued Share Capital £'000	Revenue Reserves £'000	Total Equity £'000
Balance as at 1 April 2016	25,000	71,764	96,764
Total comprehensive income	-	(498)	(498)
Balance as at 1 April 2017	<u>25,000</u>	<u>71,266</u>	<u>96,266</u>
Total comprehensive income	-	(998)	(998)
<b>Balance as at 31 March 2018</b>	<u><u>25,000</u></u>	<u><u>70,268</u></u>	<u><u>95,268</u></u>

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018

### 1 General information

Barclay Pharmaceuticals Limited is a private company limited by shares and is domiciled in the UK and registered in England and Wales (Companies Act registered number: 02770716). The registered office address is Sapphire Court, Walsgrave Triangle, Coventry CV2 2TX.

The nature of the company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

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

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

### 2 Summary of significant accounting policies

#### Basis of preparation

The financial statements for the year ended 31 March 2018 have been prepared on a going concern basis.

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

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

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

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 McKesson Europe AG and may be obtained from McKesson AG Europe, Stockholmer Platz 1, 70173 Stuttgart, Germany.

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

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

#### Going Concern

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

The directors have 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 basis in preparing the annual financial statements.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

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

#### 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.

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.



# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

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

#### 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.

##### *(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.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

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

#### Financial assets *(continued)*

##### *(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.

#### 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 2018 *(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 reporting 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.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

#### Management estimates and judgements

The preparation of the company's financial statements requires management to make judgements, 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.

##### *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.

# Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 March 2018 *(continued)*

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

### 2.1 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### ***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.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 3 Revenue

Revenue represents cash and credit sales predominantly generated in the United Kingdom. Sales to Europe were £281,117,000 in the year to 31 March 2018 (2017: £297,050,000). Sales to the rest of the world were £255,000 in the year (2017: £80,000).

	2018 £'000	2017 £'000
Sale of goods	<u>281,372</u>	<u>297,130</u>

### 4 Directors' emoluments

For the year ended 31 March 2018 the directors did not receive any emoluments for their services to the company (2017: 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

The average monthly number of persons (including executive directors) employed during the year was:

By function	2018 Number	2017 Number
Distribution	301	338
Administration	<u>37</u>	<u>38</u>
	<u>338</u>	<u>376</u>
<b>Staff costs</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	6,789	7,133
Social security costs	394	546
Other pension costs	<u>37</u>	<u>71</u>
	<u>7,220</u>	<u>7,750</u>

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 6 Distribution costs and administrative expenses

	2018 £'000	2017 £'000
Staff costs	7,220	7,750
Other expenses	<u>7,090</u>	<u>7,326</u>
	<u>14,310</u>	<u>15,076</u>

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 7 Finance costs

	2018 £'000	2017 £'000
<b>Finance costs</b>		
Interest on amounts owing to affiliated companies	<u>375</u>	<u>372</u>

### 8 (Loss) before income tax

(Loss)/ Profit before income tax is stated after charging the following:

	2018 £'000	2017 £'000
Operating lease rentals:		
Land and buildings	1,092	1,092
Motor Vehicles	1,099	1,229
Other	137	164
Staff costs	7,220	7,750
Cost of inventories recognised as an expense in cost of sales	267,916	282,299
Write down of inventories to net realisable value	3,637	1,610

In the current year and prior year, 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 £232,000 (2017: £194,000). No non-audit services were provided by the auditor in the current year or prior year.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 9 Income tax credit

The major components of income tax credit for the year ended 31 March 2018 are:

	2018 £'000	2017 £'000
<b>Income statement:</b>		
<b>Current income tax:</b>		
UK corporation tax at 19% (2017: 20%)	<u>(234)</u>	<u>(123)</u>
<b>Deferred tax:</b>		
Relating to origin and reversal of temporary differences	<u>3</u>	<u>4</u>
	<u>(231)</u>	<u>(119)</u>

The tax assessed on the (loss) on ordinary activities for the year is lower (2017: lower) than the average rate of corporation tax in the UK of 19% (2017: 20%). The difference is reconciled below:

	2018 £'000	2017 £'000
Profit/(loss) before tax	<u>(1,229)</u>	<u>(617)</u>
Profit/(loss) before tax multiplied by the average rate of UK corporation tax of 19% (2017:20%)	(234)	(123)
Impact of change in tax rate	<u>3</u>	<u>4</u>
	<u>(231)</u>	<u>(119)</u>

Reductions to the rate of corporation tax to 19% (effective 1 April 2017) and 17% (effective 1 April 2020) have now been enacted. The impact of any resulting changes to the valuation of any deferred tax assets and liabilities is reflected within the financial statements.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

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

The movement in the year deferred tax asset are as follows:

	2018 £'000	2017 £'000
At the beginning of the year	(33)	(37)
Deferred tax movement in the income statement	3	4
At the end of the year	<u>(30)</u>	<u>(33)</u>

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

	2018 £'000	2017 £'000
Accelerated capital allowances	<u>(30)</u>	<u>(33)</u>
	<u>(30)</u>	<u>(33)</u>

### 10 Inventories

	2018 £'000	2017 £'000
Finished goods and goods for resale	<u>38,679</u>	<u>53,983</u>

In the reporting year inventories were written down by £3,637,000 (2017: £1,610,000).

### 11 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables from third parties	15,307	13,872
Receivables from affiliated companies: Trade	2,675	2,994
Receivables from affiliated companies: Intragroup funding	65,344	54,607
Other assets	3,810	2,411
Prepayments and accrued income	52	67
	<u>87,188</u>	<u>73,951</u>

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 2018 *(continued)*

### 11 Trade and other receivables *(continued)*

As at 31 March 2018, trade and other receivables at initial value of £118,000 (2017: £117,000) 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:

	2018 £'000	2017 £'000
Allowances at 1 April / 1 January	117	181
Additions	73	-
Utilisations	(72)	(64)
Allowances at 31 March	<u>118</u>	<u>117</u>

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

	2018 £'000	2017 £'000
Cash at bank and in hand	<u>-</u>	<u>-</u>

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2018 *(continued)*

### 13 Trade and other payables

	2018 £'000	2017 £'000
Trade creditors	27,718	28,269
Amounts owed to affiliated companies: Trade	2,518	2,614
Amounts owed to affiliated companies: Intragroup funding	468	468
	<u>30,704</u>	<u>31,351</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 3.85% (2017: 3.71%). There are no undrawn borrowing facilities.

### 14 Other current liabilities

	2018 £'000	2017 £'000
Accruals and deferred income	148	319
Sales ledger credit balances	134	154
	<u>282</u>	<u>473</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 £37,000 (2017: £71,000). Included in other creditors at the statement of financial position date were amounts of £nil in respect of contributions (2017: £nil).

### 16 Dividends

The amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised are £nil (2017: £nil).

### 17 Shareholders' Capital

	2018 £'000	2017 £'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 2018** *(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 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 its registered address McKesson Corporation, One Post Street, San Francisco, CA 94104, United States.

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

### **20 Events after the reporting period**

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