AAH Pharmaceuticals Limited

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

Registered number: 00123458

AAH Pharmaceuticals Limited

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

Strategic report for the year ended 31 March 2016

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

Principal activities

AAH Pharmaceuticals Limited is one of the leading distributors of pharmaceutical and healthcare products and services in the UK. The company works in partnership with manufacturers to supply pharmacies, hospitals and dispensing doctors.

Transition to FRS101

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 31 March 2016 the company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101'Reduced Disclosure Framework'. The financial statements have therefore been prepared in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

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 revenue, gross profit and operating margin. These are discussed in more detail below.

The pharmaceutical wholesale market remained highly competitive during the year; constraints in government expenditure continue to impose price pressures across the whole market. Market conditions continue to be influenced by suppliers and customers reviewing their costs in their distribution and supply chains. Nevertheless, through continuing to work closely with its partners to arrive at innovative solutions which will support and develop their businesses, AAH Pharmaceuticals Limited remains an important partner for manufacturers and customers.

The significant increase in annual revenue reflects the company's continued focus on its customer proposition and, in principally, the annualisation effect of the MSD solus distribution contract. As a result of the new solus distribution contract the company showed a lower gross profit margin during the reporting period (2016: 8.45%, 2015: 9.19%). Nevertheless, as a result of having that solus contract, the company now has active relationships with customers responsible for all dispensing points across the United Kingdom and we remain convinced that this will provide opportunities to trade more extensively with those customers.

As a result of reduction in other income, and the increases to the cost base triggered by the expansion of solus distribution activity, operating margins decreased from 5.03% to 4.23%. Distribution costs as a percentage of revenue declined from 5.10% to 4.89% as a result of efficiency improvements within the business.

The market continues to evolve at a rapid pace and there remain significant challenges in the short to medium term. To ensure AAH Pharmaceuticals Limited can meet these challenges the directors continue to invest in the business with focus being placed on further automation of processes at both operational and head office level. With this focus in mind there has been continued investment in information technology and further modernisation of the branch network.

The directors are confident that AAH Pharmaceuticals Limited is well placed to deal with any upcoming changes in the market.

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

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

AAH Pharmaceuticals Limited operates in a market which is highly competitive, particularly around price and product availability. There is, as a result, downward pressure on margins with the additional risk that the company will not meet the expectations of customers. To mitigate this risk, the company periodically undertakes market research to understand customer and supplier expectations and identify whether their needs are being met. The sales and commercial teams also 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.

People

The company recognises that the success of AAH 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 ensuring service to customers continues to be core focus of our activities.

Good service can only be delivered by the very best people and there is a continuing 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 continually support and develop the culture of the business to meet the needs of a continually changing environment.

T Beer
Director

20 December 2016

Directors' report for the year ended 31 March 2016

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

Results

The results for the financial year are presented in the income statement on page 8.

Dividends

The directors do not recommend a final dividend (2015: £nil). An interim dividend of £nil (£nil per share) was paid during the year (2015: £635 million, £12.70 per share).

Political and charitable contributions

There were charitable contributions made during the year totalling £nil (2015: £500 charitable donations).

Future developments

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

Directors

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

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

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

Directors' indemnities

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

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 news releases are distributed to employees. These seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company performance.

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

Employment policies *(continued)*

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, with suitable retraining for alternative employment, if practicable.

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.

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 uses instruments to manage its foreign currency risks, including forward currency contracts. The company also has both interest bearing assets and liabilities, these being managed within the UK group, including interest rate hedging contracts.

Financial risk management *(continued)*

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.

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.

Going concern

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.

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

Financial risk management *(continued)*

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 period. In preparing those financial statements, the directors are required to:

(a) select suitable accounting policies and then apply them consistently;
(b) make judgments and accounting estimates that are reasonable and prudent;
(c) state whether applicable 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.

Statement of disclosure of information to auditor

Each person who is a director at the date of approval of this report confirms the following: so far as each director is aware (a) there is no relevant audit information - that is information needed by the company's auditors in connection with preparing their report - of which the company's auditors are 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 auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

By order of the Board

T Beer
Director
20 December 2016

AAH Pharmaceuticals Limited
Registered number: 00123458

Independent auditors' report to the members of AAH Pharmaceuticals Limited

We have audited the financial statements of AAH Pharmaceuticals Limited for the year ended 31 March 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 29. 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 FRS 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 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 the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Mark Doleman FCA

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

20 December 2016

AAH Pharmaceuticals Limited

Income Statement for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Revenue	3	**3,246,554**	**3,653,265**
Cost of sales		**(2,972,354)**	**(3,317,452)**
Gross Profit		**274,200**	**335,813**
Other income	6a	**21,910**	**34,143**
Distribution costs and administrative expenses	6b	**(158,626)**	**(186,266)**
Operating profit		**137,484**	**183,690**
Finance costs	8	**(101)**	**(523)**
Finance income	8	**19,366**	**47,110**
Profit before income tax	7	**156,749**	**230,277**
Income tax expense	10	**(31,692)**	**(11,478)**
Profit for the financial year/period attributable to the equity holder of the parent		**125,057**	**218,799**

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

Statement of Comprehensive Income for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Profit for the year/period		**125,057**	**218,799**
Other comprehensive income - items that will not be reclassified to profit or loss			
Actuarial gain/ (loss) on post employment benefit obligations	22	**5,001**	**(2,307)**
Deferred tax (credit)/ charge on actuarial gains/losses	10	**(1,000)**	**462**
Other comprehensive income/(loss) for the year/period net of tax		**4,001**	**(1,845)**
Total comprehensive income for the year/period attributable to the equity holders of the parent		**129,058**	**216,954**

AAH Pharmaceuticals Limited

Balance sheet as at 31 March 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	26,428	26,144
Intangible assets	13	-	431
Finance lease	15	915	1,361
Other financial assets	16	9,134	4,540
Deferred income tax asset	10	426	1,622
		36,903	34,098
Current Assets			
Inventories	14	191,451	184,793
Trade and other receivables	15	511,607	527,010
Derivative financial instruments	27	145	22
Other financial assets	16	3,104	1,976
Cash and cash equivalents	17	205,608	53,613
		911,915	767,414
Total assets		948,818	801,512
Current liabilities			
Trade and other payables	19	552,648	562,473
Income tax liability		35,487	1,560
Other financial liabilities	18	-	123
Provisions	20	1,297	44
Derivative financial instruments	27	28	79
Other current liabilities	21	17,375	23,448
		606,835	587,727
Net current assets		305,080	179,687
Non-current liabilities			
Other financial liabilities	18	-	3
Provisions	20	2,458	2,696
Pension liability	22	-	619
		2,458	3,318
Total liabilities		609,293	591,045
Net Assets		339,525	210,467
Equity			
Issued capital	23	50,000	50,000
Retained earnings		289,525	160,467
Total equity		339,525	210,467

The financial statements of AAH Pharmaceuticals Limited (registered number 00123458) were approved by the board of directors and authorised for issue on 20 December 2016. They were signed on its behalf by:

T Beer
Finance Director

AAH Pharmaceuticals Limited

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

	Issued capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2014	50,000	578,513	628,513
Other comprehensive loss	-	(1,845)	(1,845)
Profit for the period	-	218,799	218,799
Total comprehensive income for the period	-	216,954	216,954
Dividends paid	-	(635,000)	(635,000)
Balance as at 31 March 2015	**50,000**	**160,467**	**210,467**
Other comprehensive income	-	4,001	**4,001**
Profit for the year	-	125,057	**125,057**
Total comprehensive income for the period	-	129,058	**129,058**
Dividends paid	-	-	-
Balance as at 31 March 2016	**50,000**	**289,525**	**339,525**

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

1 General information

AAH Pharmaceuticals Limited is a private company limited by shares and is domiciled in the UK and registered in England and Wales (Number: 00123458). 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 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

2 Summary of significant accounting policies

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 31 March 2016 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101'Reduced Disclosure Framework'. The financial statements have therefore been prepared in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

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 accounts 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 Celesio AG and may be obtained from Celesio AG, Neckartalstrasse 155, 70376 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Going concern
The financial statements have been prepared using the going concern basis of accounting.

Revenue
Revenue originates from the sale of merchandise and from the provision of services. Revenue and other operating income are recognised when the goods or services are delivered provided that the amount can be reliably measured and it is likely that economic benefits will flow to the Company. Any deductions from sales such as returned goods, rebates, discounts allowed and bonuses are deducted from gross revenue. Revenue excludes Value Added Tax.

The Company operates under agency contracts with certain suppliers where the Company collects amounts on behalf of third parties; these do not represent revenue as they do not represent an inflow of economic benefits for the Company. Only the agency fee and not the total proceeds are recognised as revenue of the entity. The Company is only regarded as the principal of such agency transactions if it bears the significant risks and rewards associated with the sale of the goods or the rendering of the services. In that case, the gross amount of merchandise delivered is recognised as revenue.

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

2 Summary of significant accounting policies *(continued)*

Taxes *(continued)*

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 the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Property, plant and equipment
Property, plant and equipment are carried at amortised cost, net of accumulated depreciation and/or accumulated impairment losses, if any. All repair and maintenance costs are recognised in the income statement as incurred.

With the exception of land, items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The following rates have been applied to the various asset categories:

Freehold buildings	2% straight line
Short leasehold land and buildings	2% straight line or over the period of the lease
Fixtures, fittings, plant and equipment	5% - 33.3% straight line
Motor vehicles	25% - 33.3% straight line

There is currently no depreciation charged on the 'Assets under construction' as they are not available for use, depreciation will be charged once the assets are fully constructed and are available for use.

Impairment losses are recorded on items of property, plant and equipment when the carrying amount of the asset exceeds the recoverable amount. These are reversed as soon as the reasons for the impairment no longer exist.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Intangible assets
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

2 Summary of significant accounting policies *(continued)*

Intangible assets *(continued)*

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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.

Company as a lessee
Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Company as a lessor
Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Leases where the Company transfers substantially all the risks and benefits of ownership of the assets are classified as finance leases. The present value of the lease payments are recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined on weighted average purchase price 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.

Inventories held under agency agreements do not represent assets for which the Company has all the risks and rewards. Therefore this inventory is not recognised in the Company's financial statements.

2 Summary of significant accounting policies *(continued)*

Financial assets

(i) Initial recognition and measurement

All financial assets are recognised initially at their fair value. The Company's financial assets include cash and cash equivalents, trade receivables, loan and other receivables and derivative financial instruments.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Financial assets at fair value through profit and loss (including derivatives) are carried in the Balance sheet at fair value with changes in fair value recognised in finance income or finance cost in the income statement. The Company has not designated any financial assets upon initial recognition as fair value through profit or loss.

Available for sale financial investments include equity investments which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available for sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in finance costs.

The Company does not have any held-to-maturity investment financial assets.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

(iv) Impairment of financial assets

The Company 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 been 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 at the financial asset's 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.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2 Summary of significant accounting policies *(continued)*

Cash and cash equivalents
Cash and cash equivalents in the balance sheet 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, or as derivatives designated as hedging instruments in an effective hedge. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

The Company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, obligations under finance leases and derivative financial instruments.

(ii) Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings:
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Financial guarantee contracts:
Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as a liability when it is likely there will be an outflow of resources. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(iii) Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs.

Derivative financial instruments
The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement.

2 Summary of significant accounting policies *(continued)*

Provisions
Provision is made in the financial statements for 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 balance sheet 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 exchange rate at the date of the transaction.

Pensions
The Company contributes to group pension schemes operated by Admenta UK Limited, including defined benefit and defined contribution schemes.

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

IAS 19 Employee Benefits (Revised 2011) is mandatory with effect from 1 January 2013; however it was adopted early in 2012. The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit method. This method involves considering the biometric parameters and the respective long-term interest rates on the capital markets as well as the latest assumptions on future salary and pension increases. Re-measurement comprising actuarial gains and losses are recognised immediately on the balance sheet with a charge or credit to other comprehensive income.
The past service costs are recognised as an expense at the earlier of when the plan amendment or curtailment occurs and when the company recognises related restructuring costs or termination benefits. The net interest on the net defined benefit liability is reported within finance costs.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Operating profit
Operating profit is stated after charging restructuring costs but before investment income and finance costs.

2 Summary of significant accounting policies *(continued)*

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

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

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

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

Pension benefits
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Additional information is disclosed in note 22.

Trade receivables and other assets
Allowances for trade receivables and other assets are 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.

Other provisions
Other provisions are made in the financial statements for present obligations arising from past events, where there is a reasonable degree of certainty as to their amount and date of settlement. Key assumptions used in estimating other provisions including occupancy levels for surplus property and discount rates are reviewed at each reporting date.

Key sources of estimation uncertainty – Inventory provisioning

The nature of the stock held consists of a high volume of relatively low value items, some with used by dates and some with seasonal characteristics. The obsolescence calculation is based on the stock holding and anticipated future sales.

2 Summary of significant accounting policies *(continued)*

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

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (The amendments are effective in the EU for accounting periods beginning on or after 1 February 2015. However, earlier application is permitted so that companies applying IFRSs as adopted in the EU are able to adopt the amendments in accordance with the IASB effective date of 1 July 2014)	The Group has adopted the amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* for the first time in the current year. The amendments to IAS 19 clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments require the Group to account for employee contributions as follows: • Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans. • Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Group recognises the reduction in the service cost in the period in which the related services are rendered. These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

Adoption of new and revised Standards *(continued)*

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

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

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRS 11 (amendments)	*Accounting for Acquisitions of Interests in Joint Operations*
IAS 1 (amendments)	*Disclosure Initiative*
IAS 16 and IAS 38 (amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*

2 Summary of significant accounting policies *(continued)*

Adoption of new and revised Standards *(continued)*

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

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

3 Revenue

Revenue is generated wholly in the United Kingdom. The breakdown of revenue is as follows:

	2016 £'000	2015 £'000
Sales of goods	3,236,793	3,635,527
Services	9,761	17,738
	3,246,554	3,653,265

The Directors consider there is one business segment being the distribution of pharmaceutical and healthcare products and services in the UK.

4 Directors' emoluments

Key management are the directors of the Company. Compensation for key management is detailed below.

	2016 £'000	2015 £'000
Aggregate emoluments	1,458	872

Retirement benefits under defined benefit schemes accrued to one individual who was a director of the company during the period (2015: one director).

Highest paid director	2016 £'000	2015 £'000
Aggregate emoluments	953	449

5 Employee information

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

By function	2016 Number	2015 Number
Distribution	2,374	2,387
Administration	396	403
	2,770	2,790

Staff costs	2015 £'000	2015 £'000
Wages and salaries	68,721	81,103
Social security costs	4,821	5,664
Other pension costs	1,915	2,427
	75,457	89,194

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

6a Other income

Other income	**2016** **£'000**	2015 £'000
Operating income from third parties	**20,213**	32,245
Operating income from affiliates	**1,697**	1,898
	21,910	34,143

Other operating income represents income from the provision of services to other group companies, promotional income, income from the rental of properties and also from the sale of data.

6b Distribution costs and administrative expenses

	2016 **£'000**	2015 £'000
Staff costs	**75,457**	89,194
Other expenses	**77,453**	89,599
Depreciation and amortisation	**5,716**	7,473
	158,626	186,266

7 Profit before income tax

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

	2016	2015
	£'000	£'000
Loss/(profit) on disposal of property, plant and equipment	**-**	(206)
Depreciation – property, plant and equipment:		
Charge for the year on owned assets	**5,687**	7,277
Charge for the year on assets held under finance leases	**29**	196
Operating lease rentals	**-**	
Other	**4,194**	7,191
Land, buildings and motor vehicles	**12,776**	15,520
Staff costs	**75,457**	89,194
Cost of inventories recognised within cost of sales	**2,972,354**	3,317,452
Including: - write down of inventories to net realisable value	**676**	1,693
Profit on disposal of investments	**-**	(7,936)
Restructuring costs	**1,823**	-

Services provided by the company's auditor		
Fees payable for the statutory audit	**78**	229
Fees payable for audit related services	**116**	177

Restructuring costs are explained more fully in note 20.

8 Finance income and costs

	2016	2015
	£'000	£'000
Finance costs		
Net interest expense on pensions	**-**	294
Interest expenses on other provisions	**15**	30
Finance charges payable under finance leases and hire purchase agreements	**86**	199
	101	523

	2016	2015
	£'000	£'000
Finance income		
Net interest income on pensions	**60**	-
Interest income on loans and receivables	**19,228**	47,110
Net finance exchange gain	**78**	-
	19,366	47,110
Interest expense on pensions were as follows:		
Interest on plan assets	**4,391**	6,319
Interest on scheme liabilities	**(4,331)**	(6,613)
Net Interest income/(expense)	**60**	(294)

Interest income relates primarily to interest earned on intercompany balances which attracted interest equivalent to the overall cost of borrowing for the UK group of 4.40% (2015: 0.53%).

9 Components of other comprehensive income

	2016 £'000	2015 £'000
Actuarial gain/(loss) on post-employment benefit obligations net of tax	4,001	(1,845)
	4,001	(1,845)

10 Income tax expense

The major components of income tax expense for the year ended 31 March 2016 and the 15 month period ended 31 March 2015 are:

Income statement	**2016 £'000**	**2015 £'000**
Current income tax:		
UK corporation tax at 20% (2015: 21.4%)	31,661	9,746
Adjustment in respect of previous years	(165)	(30)
	31,496	9,716
Deferred tax		
Relating to origination and reversal of temporary differences	703	1,749
Impact of change in tax rate	166	(17)
Adjustment in respect of previous years	(673)	30
	196	1,762
Income tax expense reported in the income statement	31,692	11,478
Statement of other comprehensive income		
Deferred tax related to items credited directly to equity during the year/period	1,000	(462)
Income tax charged/ (credited) directly to equity	1,000	(462)

The above item included directly in equity will not be reclassified subsequently to profit or loss.

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

The tax assessed on the profit on ordinary activities for the period is higher (2015: lower) than the average rate of corporation tax in the UK of 20.0% (2015: 21.4%). The difference is reconciled below

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

10 Income tax expense *(continued)*

	2016	2015
	£'000	£'000
Profit before tax	**156,749**	230,277
Profit before tax multiplied by the average rate of UK corporation tax of 20.0% (2015: 21.4%)	**31,350**	49,279
Income offset by group losses	**-**	(36,980)
Expenses not deductible for tax purposes	**1,014**	(804)
Current tax adjustments in respect of previous years	**(165)**	(30)
Impact of change in tax rate	**166**	(17)
Deferred tax adjustments in respect of previous years	**(673)**	30
Income tax expense reported in the income statement	**31,692**	11,478

Deferred taxation

	2016	2015
	£'000	£'000
The movements in the total deferred tax asset are as follows:		
At the beginning of the year/period	**(1,622)**	(2,922)
Deferred tax movement in the income statement	**196**	1,762
Deferred tax movement in the statement of comprehensive income	**1,000**	(462)
At the end of the year/period	**(426)**	(1,622)

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

	2016	2015
	£'000	£'000
Decelerated capital allowances	**(1,089)**	(531)
Short term timing differences	**(845)**	(967)
Deferred tax on pension liability	**1,508**	(124)
Total deferred taxation asset	**(426)**	(1,622)

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

11 Dividends

	2016	2015
	£'000	£'000
Equity Ordinary		
Interim dividend: nil (2015: £12.70 per £1 share)	-	(635,000)

12 Property, plant and equipment

	Freehold land and buildings	Short leasehold land and buildings	Fixtures, fittings, plant and equipment	Motor vehicles	Assets Under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2014	483	12,524	75,505	2,512	1,606	92,630
Additions	-	4271	3,831	264	1,798	10,164
Transfers	-	-	3,177	-	(3,177)	-
Disposals	-	(114)	(686)	(12)	-	(812)
At 1 April 2015	483	16,681	81,827	2,764	227	101,982
Additions	-	621	4,569	76	303	5,569
Transfers	-	9	521	-	(530)	-
Transfers from intangible fixed assets	-	-	431	-	-	431
Disposals	-	-	(770)	-	-	(770)
At 31 March 2016	483	17,311	86,578	2,840	-	107,212
Accumulated depreciation						
At 1 January 2014	173	5,607	61,284	1,724	-	68,788
Charge for the year	3	2,433	4,734	303	-	7,473
Disposals	-	(21)	(394)	(8)	-	(423)
At 1 April 2015	176	8,019	65,624	2,019	-	75,838
Charge for the year	3	1,252	4,255	206	-	5,716
Disposals	-	-	(770)	-	-	(770)
At 31 March 2016	179	9,271	69,109	2,225	-	80,784
Net book value						
At 31 March 2016	304	8,040	17,469	615	-	26,428
At 31 March 2015	307	8,662	16,203	745	227	26,144

Property, plant and equipment shown above include assets held under finance leases that have a cost of £1,043,000 (2015: £1,043,000) and a net book value of £nil (2015: £22,000). There were additions of £nil during the year/period (2015: £nil) of property, plant and equipment held under finance leases and hire purchase and disposals of £nil (2015: £3,000). Leased assets and assets under hire purchase and hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

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

13 Intangible assets

	Software £'000
Cost	
At 1 January 2014	**3,434**
Additions	236
Transfers	-
At 1 April 2015	**3,670**
Additions	-
Transfers to tangible fixed assets	(431)
Disposals	(3,239)
At 31 March 2016	-
Accumulated depreciation	
At 1 January 2014	**3,239**
Transfers to assets held for sale	-
Impairment	-
At 1 April 2015	**3,239**
Disposals	**(3,239)**
At 31 March 2016	
At 31 March 2016	**-**
At 31 March 2015	**431**

14 Inventories

	2016 £'000	2015 £'000
Finished goods and goods for resale	**191,451**	184,793

In the reporting year inventories were written down by £676,000 (2015: £1,693,000).

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

15 Trade and other receivables

	2016	2015
	£'000	£'000
Current		
Trade receivables from third parties	**280,050**	318,618
Receivables from affiliated companies: Trade	**177,208**	198,668
Other assets	**49,037**	2,253
Prepayments and accrued income	**4,536**	6,929
Finance leases	**776**	542
	511,607	527,010
Non - current		
Finance leases	**915**	1,361

Trade receivables are non-interest bearing and generally on 30 day terms.

Receivables from affiliated companies: Intragroup funding balance related to amounts receivable from other entities in the Celesio AG group associated with the Celesio AG group treasury funding arrangements. These balances are unsecured and have no fixed repayment date, other than that they are payable on demand. The balances were either interest free or attracted interest equivalent to the overall cost of borrowing for the Celesio related companies in the UK, of 4.4% (2015: 0.53%).

Other assets include supplier claims and rebates, creditors with debit balances, receivables from employees and other short-term receivables from customers.

As at 31 March 2016, trade receivables of £3,215,000 (2015: £4,466,000) were impaired and fully provided. The table below presents the movement on allowances for trade receivables in the year.

	2016	2015
	£'000	£'000
Allowances brought forward	**(4,466)**	(7,344)
Additions	**(238)**	(2,175)
Utilisations	**1,489**	5,053
Allowances carried forward	**(3,215)**	(4,466)

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

16 Other financial assets

	2016	2015
	£'000	£'000
Current		
Other assets	**3,104**	1,976

	2016	2015
	£'000	£'000
Non – current		
Available-for-sale financial assets	**-**	52
Pension plan asset (note 22)	**8,377**	-
Other assets	**757**	4,488
	9,134	4,540

Other assets include loans receivable from customers.

17 Cash and cash equivalents

	2016	2015
	£'000	£'000
Cash at bank and in hand	**205,608**	53,613
Bank loans and overdraft	**-**	(75)
	205,608	53,538

18 Other financial liabilities

	2016 £'000	2015 £'000
Current financial liabilities		
Bank loans and overdraft	-	75
Obligations under finance leases and hire purchase agreements	-	48
	-	123
Non – current financial liabilities		
Obligations under finance leases and hire purchases agreements	-	3

19 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	**467,090**	472,715
Amounts owed to affiliated companies: Trade	**9,651**	13,851
Amounts owed to affiliated companies: Intragroup funding	**75,907**	75,907
	552,648	562,473

Amounts owed to affiliated companies: intragroup funding shown above as falling due within one year are unsecured and are repayable within one month of the balance sheet date. These balances are either interest free or incur interest equivalent to the overall cost of borrowing for the UK group of 4.40% (2015: 0.53%). There are no undrawn borrowing facilities.

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

20 Provisions

	Dilapidations / ARO	Guarantee obligations	Restructuring	Total
	£'000	£'000	£'000	£'000
At 1 April 2015	1,539	563	638	**2,740**
Charged to the income statement	22	-	1,823	**1,845**
Utilised during the period	-	(260)	(570)	**(830)**
At 31 March 2016	**1,561**	**303**	**1,891**	**3,755**

Analysis of total provisions	**2016**	**2015**
Non-current	**£'000**	**£'000**
Restructuring	2,154	2,132
Guarantee obligations	304	564
	2,458	**2,696**
Current	**£'000**	**£'000**
Restructuring	1,297	44
	1,297	**44**

The dilapidations / ARO provision relates to the dilapidation (asset retirement obligations) costs associated to the warehouses and properties leased.

The provision for guarantee obligations relates to the exposure of AAH Pharmaceuticals Limited on guarantees provided by the Company relating to bank loans to pharmacy customers. It is expected that the provision will be utilised over the periods in which the guarantees are in force, which can be up to 8 years.

The opening position on the restructuring provision represents costs associated with the restructuring programme of the Company head office and Network functions. The utilisation in the year represents the costs related to the restructure during the financial period. The closing balance is predominantly made up of the provision for costs related to the closure of the defined contribution pension scheme.

21 Other current liabilities

	2016	2015
	£'000	£'000
Other taxation and social security liabilities	**3,970**	**9,156**
Accruals and deferred income	**4,391**	**7,525**
Other liabilities	**5,001**	**1,806**
Sales ledger credit balances	**4,013**	**4,961**
	17,375	**23,448**

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

22 Pension obligations

AAH Lloyds Pension Scheme
The Company participates in the AAH Lloyds Pension Scheme, which is a defined contribution scheme.

The contributions paid by the Company to the scheme during the year to 31 March 2016 amounted to £1,915,000 (15 month period to 31 March 2015: £2,427,000). Included in other creditors at the balance sheet date were amounts of £nil in respect of contributions (2015: £nil).

Admenta Pension Scheme
The Company also participates in the Admenta Pension Scheme, which is operated by Admenta UK Limited (a parent company in the Celesio group in the UK). This is a final salary defined benefit scheme with members of the scheme employees of the Company or Lloyds Pharmacy Limited. The defined benefit liability is allocated between the Company and Lloyds Pharmacy Limited based on the sponsoring employer for each member of the scheme. The defined benefit disclosures in these financial statements relate to the Company's share of the schemes assets and liabilities the remaining assets and liabilities of the scheme are disclosed in the Lloyds Pharmacy Limited financial statements. Through this scheme the Company is exposed to a number of risks, the most significant of which are as follows:

Asset volatility:
The Scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if Scheme assets underperform this yield, this will create a deficit. The UK plans hold a significant proportion of assets in return seeking assets such as equities, property and diversified growth funds, which are expected to outperform corporate bonds in the long-term while providing more volatility and risk in the short-term.

As the Scheme matures, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Scheme has gradually increased its corporate bond holdings over time to the current level of 65%. The Company believes that due to the long term nature of the Scheme liabilities and the strength of the supporting Company a level of continuing investment in return seeking assets is appropriate.

Changes in bond yields:
A decrease in corporate bond yields will increase Scheme liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk:
The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, restrictions on the level of inflationary increases are in place to protect the Scheme against extreme inflation). The majority of the Scheme's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy:
The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Scheme's liabilities.

All schemes are funded and constituted as independently administered funds with their assets being held separately from those of the Company. The operating costs for the schemes were borne by the relevant fund.

22 Pension obligations (continued)

Admenta Pension Scheme

A full actuarial valuation was carried out as at 6 April 2014 and was updated to 31 March 2016 by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2016	**2015**
Rate of increase in salaries	**3.30%**	4.00%
Rate of increase in pensions in payment	**2.90%**	3.00%
Discount rate	**3.40%**	3.10%
Inflation assumption	**2.90%**	3.00%
Assumed life expectancies on retirement at age 65:		
Retiring today – males	**87.7**	87.6
Retiring today – females	**89.4**	89.3
Retiring in 20 years – males	**89.4**	89.3
Retiring in 20 years – females	**91.3**	91.2

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is shown in the table below. The value of the defined benefit obligation after adjusting the assumption by the amount stated is as follows:

Value of defined benefit obligation

	2016 £'000	2015 £'000
Increase in discount rate of 0.5%	**122,724**	132,804
Decrease in discount rate of 0.5%	**141,703**	153,343
Increase in rate of pension progression of 0.5%	**136,289**	147,484
Decrease in rate of pension progression of 0.5%	**127,391**	137,856
Increase in rate of increase in salaries of 0.5%	**132,338**	143,208
Decrease in rate of increase in salaries of 0.5%	**131,024**	141,745
Increase in mortality of retiree of 10%	**127,446**	137,914
Decrease in mortality of retiree of 10%	**136,427**	147,634

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The contributions, excluding expenses, paid by the company in the year amounted to £4,638,000 (2015: £7,531,000), which includes £4,050,000 (2015: £6,848,500) in respect of reducing the Trustee's funding deficit.

The Company expects to contribute £533,000 to its defined benefit plan over the 12 months to 31 March 2017.

22 Pension obligations (continued)

Admenta Pension Scheme *(continued)*

Every three years a formal actuarial valuation is carried out for the Scheme. As part of the valuation the funding position of the Scheme will be assessed and the Trustees and Company will agree the contributions payable by the Company in respect of any funding deficit.

The last funding valuation was carried out as at 6 April 2014 which resulted in a new funding plan agreed from 15 December 2014. The Company had no remaining commitment in relation to deficit funding contributions as part of this new funding plan (2015: £4,950,000). Contributions towards benefit accrual and the expenses of running the Scheme are payable in addition. The next funding valuation will be carried out as at 6 April 2017 after which a new contribution agreement will be put in place. The results of the valuation are expected to be available for the 2017 financial statements.

The agreed contribution rate of the Company for the coming year is 29% per annum of pensionable salaries (2015: 29.0%). In addition, £23,750 is payable per month to finance the expected expenses and levies incurred by the Scheme. There is currently no agreed allocation of a deficit or rights on wind up of the Scheme.

The pension plan is closed to new entrants so the average age of the membership is expected to increase over time. The projected unit method is used to calculate the current service cost. This calculates the value of the following years' pension accrual and expresses it as a percentage of pensionable pay. This percentage will increase as the members of the scheme approach retirement. Surpluses and deficits are dealt with over the expected working lifetime of the members by appropriate adjustments to the contribution rates. The weighted average duration of the defined benefit obligation is 14 years (2015: 15 years).

Plan assets are comprised as follows:

	2016	2015
	£'000	£'000
Equity Instruments (Quoted)		
- UK	**11,891**	11,452
- European	**5,477**	6,529
- Japan	**2,520**	4,358
- Pacific Basin	**1,723**	701
- US	**4,579**	5,230
Debt Instruments (Quoted)		
- AAA	**11,381**	9,957
- AA	**4,694**	7,214
- A	**5,962**	5,770
- BBB	**16,631**	15,936
- BB	**17,725**	14,694
- B	**2,988**	3,490
- CCC / CC	**1,029**	-
- Unknown/unrated	**23,586**	27,748
Real Estate (Quoted)	**6,281**	7,306
Insurance Contracts (Unquoted)	**1,198**	1,325
Cash and Cash Equivalents	**879**	821
Standard Life Global Absolute Return Fund (Quoted)	**21,493**	19,325
Total Plan Assets	**140,037**	141,856

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

22 Pension obligations (continued)

Admenta Pension Scheme *(continued)*

	2016 £'000	2015 £'000
Total benefit asset/(liability)		
Fair value of scheme assets	**140,037**	141,856
Present value of funded defined benefit obligation	**(131,660)**	(142,475)
Net defined benefit asset/ (liability)	**8,377**	(619)

The amounts charged to the income statement can be analysed as follows:

	2016 £'000	2015 £'000
Current service cost	**703**	893
Past service costs & curtailments	**-**	(869)
Interest on scheme assets	**(4,391)**	(6,185)
Interest on scheme liabilities	**4,331**	6,479
Net defined benefit expense	**643**	318

Of the total charge, a credit of £60,000 (2015: charge of £294,000) was included in 'finance costs' respectively.

The amounts charged to the statement of comprehensive income can be analysed as follows:

	2016 £'000	2015 £'000
Experience adjustments of defined benefit obligation	**1,411**	753
Experience adjustments of plan assets	**(4,259)**	16,639
Effects from changes in financial assumptions	**7,849**	(19,699)
Net actuarial gain/(loss)	**5,001**	(2,307)

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

22 Pension obligations (continued)

Admenta Pension Scheme *(continued)*

Movements in the present value of the defined benefit obligation are as follows:

	2016	2015
	£'000	£'000
Defined benefit obligation as at the beginning of the year/period	142,475	124,749
Movement in year:		
Current service cost	703	893
Past service cost and curtailments	-	(869)
Contributions by employees	44	76
Interest cost	4,331	6,479
Benefits paid	(6,633)	(7,799)
Actuarial (loss)/gain arising from changes in demographic assumptions	(1,411)	(753)
Actuarial loss arising from changes in financial assumptions	(7,849)	19,699
Defined benefit obligation as at end of the year/period	131,660	142,475

Movements in the fair value of plan assets are as follows:

	2016	2015
	£'000	£'000
Fair value of plan assets at the beginning of the year/period	141,856	119,225
Movement in year/period:		
Interest on scheme assets	4,391	6,185
Return on plan assets in excess of interest on scheme assets	(4,259)	16,639
Contributions by employer	4,638	7,530
Contributions by employee	44	76
Benefits paid	(6,633)	(7,799)
Fair value of plan assets at the end of the year/period	140,037	141,856

The actual return on scheme assets in the year was £132,000 (2015: £22,824,000).

Included in other creditors at the balance sheet date were amounts of £nil accrued in respect of Admenta Pension Scheme contributions (2015: £nil).

23 Issued share capital

	2016	2015
	£'000	£'000
Authorised, allotted, called and fully paid		
50,000,000 ordinary shares of £1 each	50,000	50,000

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

24 Capital commitments

The Company had capital commitments at 31 March 2016 of £nil (2015: £49,000).

25 Lease commitments

Operating leases
At 31 March 2016, as lessee, the future minimum rentals payable under non-cancellable operating leases are as follows:

	31 March 2016		31 March 2015	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Within 1 year	**6,246**	**6,425**	5,868	5,780
After 1 year but not more than 5 years	**20,327**	**10,722**	17,835	5,407
More than 5 years	**19,662**	**-**	16,527	-
	46,235	**17,147**	40,230	11,187

Other non-cancellable leases comprises of motor vehicles.

Finance leases – Lessor
The Company has finance lease arrangements with customers for pharmacy equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payment receivables under finance lease contracts are as follows:

	2016	2015
	£'000	£'000
Within 1 year	**776**	542
In more than 1 year, but no more than 5 years	**915**	1,361
Present value	**1,691**	1,903

The minimum lease payments receivable at the end of the reporting period closely represent the gross investment in the lease at the end of the reporting period.

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

26 Contingent liabilities

	2016 £'000	2015 £'000
Guarantee of loans for pharmacy customers	**18,835**	34,211
	18,835	34,211

The Company has guaranteed bank loans to independent retail pharmacist customers. The guarantees are conditional upon the retail pharmacists remaining customers of the Company. In the opinion of the directors no material unprovided loss will arise in connection with these arrangements. The Company has also guaranteed a part of the trade debt of pharmacy customers. The provision for guarantee obligations is presented in note 20.

27 Derivative financial instruments

	2016 Asset £'000	2016 Liability £'000	2015 Asset £'000	2015 Liability £'000
Forward currency contracts	**145**	**28**	**22**	**79**

28 Events after the reporting period

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

29 Ultimate parent undertaking and ultimate controlling party

The immediate parent undertaking is Admenta Holdings Limited.

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

Consolidated financial statements for the largest group of undertakings are prepared by McKesson Corporation and may be obtained from McKesson Corporation, One Post Street, San Francisco, CA 94104, United States.

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