

# **Barclay Pharmaceuticals Limited**

## **Annual report and financial statements for the year ended 31 March 2022**

**Registered number: 02770716**

# Barclay Pharmaceuticals Limited

## Annual report and financial statements for the year ended 31 March 2022

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# Barclay Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2022

The directors present their strategic report of the company for the year ended 31 March 2022.

### 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. These are discussed in more detail below.

On 31 March, 2022, the Company sold the Trident generic/parallel import pharmaceuticals and Enterprise over-the-counter product businesses and assets to AAH Pharmaceuticals Limited, an associate company. The carrying value of net assets of £35,798,000 was sold in consideration for an inter-company loan.

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.

McKesson Corporation completed the sale of Admenta UK Limited (Barclay Pharmaceuticals Limited is a subsidiary of Admenta UK Limited) to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

### Financial key performance indicators

The board monitors the Group's progress in implementing its strategy by reference to a suite of key performance indicators. The key financial metrics for the Group are provided in the table below:

|                      | 2022    | Change | 2021    |
|----------------------|---------|--------|---------|
|                      | £'000   | %      | £'000   |
| Turnover             | 335,908 | 27%    | 264,438 |
| Profit for the year  | 2,891   | n/a    | (47)    |
| Adjusted EBITDA      | 3,573   | 1,141% | 288     |
| Shareholders' equity | 99,328  | 3%     | 96,437  |

### Turnover

Sales have increased by 27% year on year as a result of increased customer demand.

### Profit for the year

Growth in profit was due to higher revenue.

# Barclay Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2022 *(continued)*

### Adjusted EBITDA

Adjusted earnings before interest, income tax, depreciation and amortization (“EBITDA”) is defined as profit before interest, income tax, depreciation, amortization and exceptional items. Adjusted EBITDA is the measure used for evaluating performance and allocating resources. It has been reconciled to operating profit below:

|   | 2022  | 2021  |
|---|-------|-------|
|   | £'000 | £'000 |
| Adjusted EBITDA                           | 3,573 | 288   |
| Plus restructuring and other exit charges | -     | -     |
| Movement in bad debts provision           | 5     | 52    |
| EBITDA                                    | 3,568 | 236   |
| Depreciation                              | -     | -     |
| Operating profit/(loss)                   | 3,568 | 236   |

### Shareholder's equity

Shareholders' equity has increased to £99.3m (2021: £96.4m) as a result of the profit for the year.

Within the wider group, in March 2021, McKesson Europe AG extinguished £600,000,000 owed to group undertakings due in 2035 in consideration for one ordinary share in Admenta UK Limited. In addition, McKesson Europe AG contributed £600,000,000 in cash in exchange for one ordinary share in Admenta UK Limited.

### Principal risks and uncertainties

The company is 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, within a risk management framework developed by the company's intermediate parent, McKesson Europe AG.

### Regulation and government

The company operates in highly regulated markets; any changes to regulation, or noncompliance with that regulation, could have a negative impact on business performance. For example, we are subject to a range of regulations around pricing and margins, traceability and storage conditions, inflation (including minimum wage requirements), data or privacy regulations, workforce tax arrangements (including those applicable to healthcare providers and the workforce), and health, safety, or environmental standards. We are indirectly impacted by changes that affect our stakeholders including the changes to drug reimbursement levels which impact some of our customers and could adversely impact the Company's profitability. Refer above to the business review section for risks associated with Covid-19.

In addition, the United Kingdom (“UK”) entered into a trading arrangement with the European Union on 31 December 2020. The principal risks we face are around ensuring uninterrupted supply of pharmaceutical and medical products at competitive prices. The risk of fluctuations in exchange rates have the potential to cause business disruption and profitability impacts.

The company continues to seek advice and clarification from the government regarding ongoing negotiations to enhance the trading agreement and mitigate the above risks. Mitigating actions have been implemented including policies, ways of working, and training and monitoring to secure supply and minimise business disruption. 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.

# Barclay Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2022 *(continued)*

### Principal risks and uncertainties *(continued)*

#### Competition

Barclay Pharmaceuticals Limited operates in a market which is highly competitive, particularly around price, product availability with customers and vendors. There is, as a result, ongoing 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 regular basis.

#### Supply chain

The provision of quality service to customers and suppliers is dependent on product availability, supply chain solutions (e.g. warehouse management, supply chain support and customer ordering), favourable pricing and foreign exchange rates, ease of importing products (e.g. customs duties and clearances, transport costs and delays, etc.). The considerations are monitored and assessed on a regular basis, using a variety of diagnostic tools such as benchmarking.

#### Cost management

The Group may face increased costs through a number of ways including poor management of change programs including separating our applications and processes from our former parent company McKesson Corporation, sub-optimal purchasing from vendors, failure of systems that impact our operations, cost of cybersecurity breaches, hiring and retaining talent. The Group has implemented robust program and talent management, purchasing processes and controls, as well as oversight from our board on strategic matters.

#### People

The company recognises that the success of the Company 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.

#### Covid-19 pandemic

The Covid-19 pandemic has created significant volatility and disruption. Despite this, Barclay Pharmaceuticals Limited is proud to have continued to play a pivotal role in delivering pharmaceutical products and services to communities around the country, with supply challenges communicated and quickly overcome to ensure patients continued to have access to vital medicines throughout the period.

The health and wellbeing of its employees and customers is the Company's cardinal priority. It has invested in resources to implement safety measure in order to remain open to the pharmaceutical wholesale market as access to other healthcare (e.g. GPs, clinics and hospitals) has been restricted.

Future developments may include changes in demand patterns, governmental or business actions to mitigate risk or save costs, availability and effectiveness of vaccines, impacts on our supply chains, working remotely including reliance of applications that are subject to cybersecurity risks.

# Barclay Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2022 *(continued)*

### 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 McKesson 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 (the group of companies based in the UK that sit under Admenta UK Limited), 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.

### **Statement by the directors on the performance of their statutory duties in accordance with s172(1) of the Companies Act 2006**

This statement describes how the Directors complied with section 172(1) (a)-(f) of the Companies Act 2006 to promote the success of the company for the benefit of its stakeholders.

The nature of our highly regulated business requires that we consider the long-term consequences of our decisions. Our shareholders have invested capital to drive shareholder value. The Directors' report describes the Board's role in managing the business, our reputation, risks and balancing stakeholder needs for the long-term. The Board's other key stakeholders are as follows:

#### Customers and Suppliers

We build strong relationships with our customers and suppliers to promote mutually beneficial sustainable long-term profit growth. Engagement with customers and suppliers is primarily through formal reviews as well as regular conferences that bring suppliers and customers together to discuss shared concerns. Key areas of focus include close coordination to ensure availability of product in a safe and secure supply chain (refer to Principal risks and uncertainties that discusses the coronavirus and Brexit), innovation by expanding e-commerce to automate the supply chain and supporting prompt payment. The Board is briefed on customer and supplier metrics and feedback, opportunities and issues through regular board and management meeting reporting.

# Barclay Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2022 *(continued)*

### Statement by the directors on the performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 *(continued)*

#### Colleagues

Our people are the key to enable us to execute our strategy and many of whom serve our customers, suppliers and patients, all living by our ICARE and ILEAD core values.

There are many ways we engage with and listen to our people including pulse surveys, conferences, forums including town hall meetings where colleagues can interact with our Chief Executive Officer and receive updates on strategic initiatives and our business and recognize great performance. We also promote a diverse and inclusive workforce through robust hiring processes, manager training, network groups to foster a sense of community, awareness and celebrations. We also provide opportunities for our colleagues to provide feedback on our policies and processes. The Board reviews, and approves, changes to our talent strategy.

Key areas of focus for our colleagues include reinforcement of our culture through our values, code of conduct, career pathways and development plans. We foster a performance-based culture based on regular and transparent feedback, along with regular performance reviews that are linked to compensation. There are numerous development opportunities, including apprenticeships through to leadership development programs sponsorship for our top talent to attend our European Talent programmes.

The health and wellness of our colleagues are a key priority, and we provide a robust employee assistance program which includes mental health support and free flu vaccinations. In the novel coronavirus environment, the Board has taken appropriate steps to ensure the safety of our colleagues including social distancing, regular cleaning across all sites, screens where appropriate, temperature checking and personal protective equipment. Appropriate measures and protocols are informed by Government guidance.

Colleagues are encouraged to speak up with any concerns they may have. We have in place a Whistleblowing Policy and confidential reporting line, enabling colleagues to raise concerns without fear of retaliation.

The Board receives reports on opportunities and concerns raised by colleagues through regular board, committee and management meeting reporting.

#### Government and regulators

We operate in a highly regulated industry, and patient safety is critical. Government entities, including the Department of Health, determine tariff reimbursement levels and service fees that impact the supply chain, including ourselves, our customers and our suppliers. We engage with the government and regulators through a range of sector organisations such as the Healthcare Distribution Association. We also independently engage with stakeholders by responding to consultations, and participating in forums, meetings and conferences to inform about, educate on and discuss changes to the sector with policy makers relevant to our business.

The United Kingdom ("UK") entered into a trading arrangement with the European Union ("EU") on December 31st, 2020. The principal risks we face are around ensuring uninterrupted supply of pharmaceutical and medical products at competitive prices. The agreement does not guarantee mutual recognition of professional and sector-specific qualifications which will restrict labour mobility and may impact employee retention as well as future recruitment and raise cost. The risk of fluctuations in exchange rates have the potential to cause business disruption and profitability impacts.

Key areas of engagement include compliance with laws and regulations, health and safety, evolving how we support stakeholders under Covid-19 and Brexit negotiations. The Board is updated on developments through regular board and management meeting reporting and takes these into account when making decisions.

# Barclay Pharmaceuticals Limited

## Strategic report for the year ended 31 March 2022 *(continued)*

### Statement by the directors on the performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 *(continued)*

#### Communities and the Environment

We engage with local communities to build trust and understand the issues that are important to them. Key areas of focus include how we can support local causes and issues, create opportunities to recruit, help to look after the environment (refer to the Directors' report) and engage with communities through social media.

We have an established partnership with the Alzheimer's Society and raise awareness and funds for this cause through corporate events. The Board receives updates through appropriate board and management meeting reporting.

Approved by the board and signed on its behalf by:

DocuSigned by:  
  
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D Bound  
Director

16 February 2023



# Barclay Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2022

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2022.

### Results

Details of the results for the financial year are set out in the statement of comprehensive income on page 16.

### Dividends

The directors do not recommend the payment of a final dividend (2021: £nil). No interim dividend (2021: £nil) was paid during the year.

### Political and charitable contributions

No political or charitable contributions were made during the year (2021: £nil).

### Future developments

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

### Directors' Responsibility under Section 172 and Statement of engagement with suppliers, customers and others in a business relationship with the Company

The Directors welcome the requirements under Section 172 and Sch. 7.11B(1) to Companies Act 2006. Comments on how the Directors have had a regard for the interests of various stakeholders whilst making key decisions are contained in the strategic report.

### Energy and Carbon Reporting

Details of Energy and Carbon reporting can be found in the group accounts of Admenta UK Limited, therefore not presented in this individual company accounts.

### Directors

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

|            |                          |
|------------|--------------------------|
| T Anderson | (resigned 11 May 2022)   |
| J Davies   | (resigned 22 July 2022)  |
| C Keen     | (resigned 18 May 2022)   |
| R L Dargue | (appointed 27 July 2022) |
| W M Hall   | (appointed 27 July 2022) |

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

### Going concern

The directors are required to assess whether adequate resources are available to continue operating for a period of not less than 12 months after the issuance of these statutory financial statements. In making this assessment, the directors considered a number of factors, including our business model, our strategy, risks we are exposed to as well as opportunities in the markets in which we operate.

The directors view the development of the business over the long term, but visibility and granularity of our outlook is greatest in the 12 months ending February 2024, the period most relevant for this going concern assessment. For purposes of the going concern assessment and as an input into impairment assessments, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved.

# Barclay Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2022 *(continued)*

The assumptions include changes to government reimbursement levels, cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

The Company is a subsidiary of Aurelius Elephant Limited and is financed through an asset-backed loan facility taken out by another Group company, Aurelius Elephant Limited, that was modified in December 2022 (the "Group's financing arrangements").

The Company is an obligor, guarantor and material subsidiary to the loan facility and is bound by the Group's financing arrangements. Therefore, although the Company is profitable and has net current assets the directors have considered the financial performance of the Group and its ability to comply with the Group's financing arrangements when assessing going concern.

The facility allows the Aurelius Elephant limited group to borrow up to £358 million to April 6, 2025, in line with the initial term. The modified loan facilities are secured on qualifying accounts receivables of certain operating subsidiaries. The interest rate is determined based on the Bank of England rate plus 3.15%. The average asset-backed loan liquidity headroom is projected to increase from a low of more than £17m in March 2023 to being repaid before December 2023 from proceeds of the Group's retail store optimization program in other Group companies.

Past retail store optimization programs provide evidence around the length of time between initiating a program and the amount and timing of proceeds realized. Recent programs were substantially completed within a year and exceeded budgeted targets. This experience, and agreements for pharmacy disposals received in the year to date, provide the directors with confidence that the forecast proceeds will be realised. If forecast proceeds are achieved in line with the projected timeline, the asset-backed loan would be repaid before December 2023.

In forming their conclusions that the Group is a going concern the Group's directors performed sensitivity analysis considering downside scenarios to reduce expected proceeds per store and timing of disposals. Headroom remains under these scenarios.

The directors considered sensitivities to the cash flow forecasts which included the amount of proceeds realized from retail store disposals. Even assuming a 25% reduction to proceeds, liquidity headroom would not be at risk.

The Group's directors performed a reverse stress test to identify what level of deterioration would be required to breach the liquidity and adjusted EBITDA each covenant.

In relation to liquidity, the tightest point is at March 2023 where, disposal proceeds would need to be 100% lower than expected to be realized in March 2023 to breach the liquidity test. This is not considered likely given the percentage of sales this would represent in March.

Actual 12-month rolling Group adjusted EBITDA performance could be 30% below forecast before a covenant would be breached. The most sensitive month would be March 2023 where a delay of 2 months in expected proceeds from retail store disposals combined with a reduction of retail EBITDA equivalent to a 11% shortfall of retail revenue for both February and March 2023 result in a breach.

Under this scenario, a number of actions would be available to management including rationalizing overheads such as bonus and staffing costs, adjusting the timing of when we invest in advertising and promotion, and delaying/avoiding discretionary expenditure on property, plant and equipment. Together these mitigating actions would avoid the risk of breaching our covenants. Whilst not directly under our control given our liquidity headroom we could also seek amendment to financial covenant terms.

The Group's directors have not performed sensitivity analysis beyond December 2023 as they expect to repay debt under the asset backed-loan before December 2023.

## **Barclay Pharmaceuticals Limited**

### **Directors' report for the year ended 31 March 2022** *(continued)*

The Group's directors also performed an assessment of the ongoing regulatory proceedings impacting Lloyds Pharmacy Clinical Homecare Limited and whilst uncertainty still exists in relation to the outcome of these proceedings, the Directors do not anticipate the outcome to have a material impact on the group's ability to stay within the requirements of the ABL agreement.

On the basis of these reviews, the directors of the Company consider it is appropriate for the going concern basis to be adopted in preparing the annual report and 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.

#### **Employment of disabled persons**

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.

#### **Engagement with employees**

This is included within s172 statement in the strategic report.

#### **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.

#### **Financial risk management**

This is included in the Strategic Report.

#### **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.

#### **Qualifying third party indemnity provisions**

Liability insurance, a qualifying third party indemnity provision for the purposes of the Companies Act 2006 was provided for the UK directors by Admenta UK Limited, an intermediate parent entity. On the date of approval of the financial statements, liability insurance was also in force.

#### **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 elected to prepare 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".

# Barclay Pharmaceuticals Limited

## Directors' report for the year ended 31 March 2022 *(continued)*

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

- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### 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 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.

### Events after the reporting period

McKesson Corporation closed the sale of Admenta UK Limited (of which this company is a subsidiary) to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

The Company became a party to an asset-backed loan on April 6, 2022 as set out in note 2. The banking arrangements of the Company operate on a pooled basis with certain associate subsidiaries. Under these arrangements participating companies guarantee each other's borrowings. Borrowings were permitted against the Company's qualifying accounts receivable until July 2022. The Company is also contingently liable in the event affiliates default under the asset-backed loan, principally for failure to repay borrowings.

Approved by the board of directors and signed on its behalf by:

DocuSigned by:  
  
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**D Bound**  
**Director**

16 February 2023  
Barclay Pharmaceuticals Limited  
Sapphire Court, Walsgrave Triangle, Coventry, CV2 2TX  
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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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 statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 19.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

# Barclay Pharmaceuticals Limited

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

### 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. The directors are responsible for the other information contained within the annual report.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

# Barclay Pharmaceuticals Limited

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

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation etc and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included regulatory solvency requirements and environmental regulations.

We discussed among the audit engagement team including internal IT audit specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- material misstatement of revenue due to the posting of manual adjustments. We performed substantive testing on a sample of these transactions and agreed our samples through underlying relevant supporting documentation in order to conclude that each transaction was compliant with the accounting standards, was approved before posting, was recognised at the correct amount and related to a genuine transaction for a legitimate adjustment.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports and reviewing correspondence with HMRC.

# Barclay Pharmaceuticals Limited

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

### 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.

#### 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 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.

DocuSigned by:  
  
98A8CA261D104B5...

Kate Hadley FCA Senior statutory auditor  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham  
16 February 2023



# Barclay Pharmaceuticals Limited

## Statement of Comprehensive Income for the year ended 31 March 2022

|   | Notes | 2022<br>£'000    | 2021<br>£'000 |
|---|-------|------------------|---------------|
| <b>Revenue</b>  | 3     | <b>335,908</b>   | 264,438       |
| Cost of sales   |       | <b>(318,271)</b> | (250,951)     |
| <b>Gross Profit</b>   |       | <b>17,637</b>    | 13,487        |
| Distribution costs and administrative expenses  | 6     | <b>(14,069)</b>  | (13,251)      |
| <b>Operating profit</b>   | 8     | <b>3,568</b>     | 236           |
| Finance costs   | 7     | -                | (268)         |
| <b>Profit/(loss) before income tax</b>  |       | <b>3,568</b>     | (32)          |
| Income tax charge   | 9     | <b>(677)</b>     | (15)          |
| <b>Total comprehensive income/(loss) for the year attributable to the owners of the Company</b> |       | <b>2,891</b>     | (47)          |

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 2022

|  | Notes | 2022<br>£'000         | 2021<br>£'000         |
|--|-------|-----------------------|-----------------------|
| <b>Assets</b>                                |       |                       |                       |
| <b>Non-current assets</b>                    |       |                       |                       |
| Deferred tax asset                           | 9     | <u>15</u>             | <u>17</u>             |
|  |       | 15                    | 17                    |
| <b>Current Assets</b>                        |       |                       |                       |
| Inventories                                  | 10    | 7,457                 | 47,678                |
| Trade and other receivables                  | 11    | 132,376               | 86,254                |
| Cash and short term deposits                 | 12    | 2                     | -                     |
|  |       | <u>139,835</u>        | <u>133,932</u>        |
| <b>Total assets</b>                          |       | <u><u>139,850</u></u> | <u><u>133,949</u></u> |
| <b>Current liabilities</b>                   |       |                       |                       |
| Trade and other payables                     | 13    | 40,179                | 37,228                |
| Other current liabilities                    | 14    | 343                   | 284                   |
|  |       | <u>40,522</u>         | <u>37,512</u>         |
| <b>Total assets less current liabilities</b> |       | <b>99,328</b>         | 96,437                |
| <b>Net Assets</b>                            |       | <u><u>99,328</u></u>  | <u><u>96,437</u></u>  |
| <b>Equity</b>                                |       |                       |                       |
| Issued capital                               | 17    | 25,000                | 25,000                |
| Retained earnings                            |       | 74,328                | 71,437                |
| <b>Total equity</b>                          |       | <u><u>99,328</u></u>  | <u><u>96,437</u></u>  |

The financial statements on pages 16 - 31 were approved by the board of directors on 16 February 2023, and were signed on its behalf by:

DocuSigned by:  
David Bound

D Bound

**Director**

Registered number: 02770716

# Barclay Pharmaceuticals Limited

## Statement of Changes in Equity for the year ended 31 March 2022

|                                    | Issued Share<br>Capital<br>£'000 | Retained<br>Earnings<br>£'000 | Total<br>Equity<br>£'000 |
|------------------------------------|----------------------------------|-------------------------------|--------------------------|
| Balance as at 1 April 2020         | 25,000                           | 71,484                        | 96,484                   |
| Total comprehensive loss           | -                                | (47)                          | (47)                     |
| Balance as at 31 March 2021        | <u>25,000</u>                    | <u>71,437</u>                 | <u>96,437</u>            |
| Total comprehensive income         | -                                | 2,891                         | 2,891                    |
| <b>Balance as at 31 March 2022</b> | <b><u>25,000</u></b>             | <b><u>74,328</u></b>          | <b><u>99,328</u></b>     |

Total comprehensive income is equal to the profit/(loss) for the year.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022

### 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.

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.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Admenta UK Limited. The group accounts of Admenta UK Limited are available to the public and can be obtained from Companies House.

### 2 Summary of significant accounting policies

#### Basis of preparation

The financial statements for the year ended 31 March 2022 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. The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

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

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

#### Consolidated financial statements

The financial statements contain information about Barclay Pharmaceuticals Limited as an individual company, rather than consolidated information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as its results and the results of its subsidiaries are included by full consolidation in the financial statements of its ultimate parent, Admenta UK Limited.

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

#### Adoption of new and revised standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

|   |   |
|---|---|
| <p>Covid-19-Related Rent Concessions beyond 30 June 2021<br/>Amendments to IFRS 16.</p>                   | <p>The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.</p> <p>The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continued, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions in the current year and these amendments had no impact on the financial statements of the Company.</p> |
| <p>Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</p> | <p>The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).</p> <p>The amendments include the following practical expedients:</p> <ul style="list-style-type: none"> <li>o A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest</li> <li>o Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued</li> <li>o Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.</li> </ul> <p>These amendments had no impact on the financial statements of the Company.</p>  |

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

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

#### Going Concern

The directors are required to assess whether adequate resources are available to continue operating for a period of not less than 12 months after the issuance of these statutory financial statements. In making this assessment, the directors considered a number of factors, including our business model, our strategy, risks we are exposed to as well as opportunities in the markets in which we operate.

The directors view the development of the business over the long term, but visibility and granularity of our outlook is greatest in the 12 months ending February 2024, the period most relevant for this going concern assessment. For purposes of the going concern assessment and as an input into impairment assessments, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include changes to government reimbursement levels, cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

The Company is a subsidiary of Aurelius Elephant Limited and is financed through an asset-backed loan facility taken out by another Group company, Aurelius Elephant Limited, that was modified in December 2022 (the "Group's financing arrangements").

The Company is an obligor, guarantor and material subsidiary to the loan facility and is bound by the Group's financing arrangements. Therefore, although the Company is profitable and has net current assets the directors have considered the financial performance of the Group and its ability to comply with the Group's financing arrangements when assessing going concern.

The facility allows the Aurelius Elephant limited group to borrow up to £358 million to April 6, 2025, in line with the initial term. The modified loan facilities are secured on qualifying accounts receivables of certain operating subsidiaries. The interest rate is determined based on the Bank of England rate plus 3.15%. The average asset-backed loan liquidity headroom is projected to increase from a low of more than £17m in March 2023 to being repaid before December 2023 from proceeds of the Group's retail store optimization program in other Group companies.

Past retail store optimization programs provide evidence around the length of time between initiating a program and the amount and timing of proceeds realized. Recent programs were substantially completed within a year and exceeded budgeted targets. This experience, and agreements for pharmacy disposals received in the year to date, provide the directors with confidence that the forecast proceeds will be realised. If forecast proceeds are achieved in line with the projected timeline, the asset-backed loan would be repaid before December 2023.

In forming their conclusions that the Group is a going concern the Group's directors performed sensitivity analysis considering downside scenarios to reduce expected proceeds per store and timing of disposals. Headroom remains under these scenarios.

The directors considered sensitivities to the cash flow forecasts which included the amount of proceeds realized from retail store disposals. Even assuming a 25% reduction to proceeds, liquidity headroom would not be at risk.

The Group's directors performed a reverse stress test to identify what level of deterioration would be required to breach the liquidity and adjusted EBITDA each covenant.

In relation to liquidity, the tightest point is at March 2023 where, disposal proceeds would need to be 100% lower than expected to be realized in March 2023 to breach the liquidity test. This is not considered likely given the percentage of sales this would represent in March.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

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

Actual 12-month rolling Group adjusted EBITDA performance could be 30% below forecast before a covenant would be breached. The most sensitive month would be March 2023 where a delay of 2 months in expected proceeds from retail store disposals combined with a reduction of retail EBITDA equivalent to a 11% shortfall of retail revenue for both February and March 2023 result in a breach.

Under this scenario, a number of actions would be available to management including rationalizing overheads such as bonus and staffing costs, adjusting the timing of when we invest in advertising and promotion, and delaying/avoiding discretionary expenditure on property, plant and equipment. Together these mitigating actions would avoid the risk of breaching our covenants. Whilst not directly under our control given our liquidity headroom we could also seek amendment to financial covenant terms.

The Group's directors have not performed sensitivity analysis beyond December 2023 as they expect to repay debt under the asset backed-loan before December 2023.

The Group's directors also performed an assessment of the ongoing regulatory proceedings impacting Lloyds Pharmacy Clinical Homecare Limited and whilst uncertainty still exists in relation to the outcome of these proceedings, the Directors do not anticipate the outcome to have a material impact on the group's ability to stay within the requirements of the ABL agreement.

On the basis of these reviews, the directors of the Company consider it is appropriate for the going concern basis to be adopted in preparing the annual report and financial statements.

#### Revenue

Revenue originates from the sale of merchandise. The contract with the customer generally relates to a confirmed purchase order, which is to be completed under the agreed terms or the general terms and conditions of the company. Revenue is recognised when control of the goods is transferred to the customer, provided that the amount of revenue can be reliably measured, and it is likely that economic benefits will flow to the company.

For the sale of goods, the customer obtains control at the point in time at which the goods are delivered. The transfer of control is not tied to the transfer of legal ownership. Deliveries of goods where past experience shows that returns should be expected are not recognised in income until the deadline for the return has expired. For expected returns a refund liability is recognized as well as a corresponding asset for the right to recover goods from customers.

#### Taxes

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *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.

##### *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.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

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

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.

#### 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.

#### Inventories

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

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

#### Financial assets

##### *(i) Initial recognition and measurement*

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

##### *(ii) Subsequent measurement*

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

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



# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

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

#### *(iii) Derecognition*

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

#### *(iv) Impairment of financial assets*

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have 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.

#### *(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.

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

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.

### 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 directors do not believe there are any critical judgements or key sources of estimation uncertainty in applying the company's accounting policies in the current year.

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

### 3 Revenue

Revenue represents cash and credit sales predominantly generated in the United Kingdom. Sales to Europe were £16,000 in the year to 31 March 2022 (2021: £498,000). Sales to the rest of the world were £nil in the year (2021: £81,000).

|               | <b>2022</b><br><b>£'000</b> | 2021<br>£'000  |
|---------------|-----------------------------|----------------|
| Sale of goods | <u><b>335,908</b></u>       | <u>264,438</u> |

### 4 Directors' emoluments

From 1 April 2020 all directors are paid by a fellow subsidiary company, Lloyds Pharmacy Limited, which makes no recharge to the company. All directors of this company are directors of a number of fellow subsidiary companies and it is impossible to make an accurate apportionment of their time and therefore their emoluments in respect of each of these companies. Accordingly, no emoluments in respect of these directors are disclosed. The directors received total remuneration of £2,951,000 from AAH Pharmaceuticals limited and Lloyds Pharmacy Ltd during the year.

### 5 Employee information

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

| <b>By function</b>    | <b>2022</b><br><b>Number</b> | 2021<br>Number |
|-----------------------|------------------------------|----------------|
| Distribution          | <b>269</b>                   | 270            |
| Administration        | <b>47</b>                    | 48             |
|                       | <u><b>316</b></u>            | <u>318</u>     |
| <b>Staff costs</b>    | <b>£'000</b>                 | £'000          |
| Wages and salaries    | <b>5,632</b>                 | 5,592          |
| Social security costs | <b>470</b>                   | 470            |
| Other pension costs   | <b>247</b>                   | 211            |
|                       | <u><b>6,349</b></u>          | <u>6,273</u>   |

### 6 Distribution costs and administrative expenses

|                | <b>2022</b><br><b>£'000</b> | 2021<br>£'000 |
|----------------|-----------------------------|---------------|
| Staff costs    | <b>6,349</b>                | 6,273         |
| Other expenses | <b>7,720</b>                | 6,978         |
|                | <u><b>14,069</b></u>        | <u>13,251</u> |

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

### 7 Finance costs

|  | 2022<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| <b>Finance costs</b>                               |               |               |
| Interest on amounts owing to other group companies | -             | 268           |

### 8 Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

|   | 2022<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Staff costs   | 6,349         | 6,273         |
| Cost of inventories recognised as an expense in cost of sales | 318,271       | 250,951       |
| Write down of inventories to net realisable value             | 608           | 2,373         |
| Net forex loss charged to the profit and loss account         | -             | -             |

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 the year was £64,000 (2021: £64,000). No non-audit services were provided by the auditor in the current year or prior year.

### 9 Income tax credit

The major components of income tax charge/(credit) for the year ended 31 March 2022 are:

|  | 2022<br>£'000 | 2021<br>£'000 |
|--|---------------|---------------|
| <b>Income statement:</b>                                 |               |               |
| <b>Current income tax:</b>                               |               |               |
| UK corporation tax at 19% (2021: 19%)                    | 676           | (9)           |
| Adjustment in respect of previous years                  | -             | 21            |
|  | <u>676</u>    | <u>12</u>     |
| <b>Deferred tax:</b>                                     |               |               |
| Relating to origin and reversal of temporary differences | 2             | 3             |
| Adjustment in respect of previous years                  | -             | -             |
|  | <u>2</u>      | <u>3</u>      |
|  | <u>678</u>    | <u>15</u>     |

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

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

The tax assessed on the profit/(loss) on ordinary activities for the year is lower (2021: lower) than the average rate of corporation tax in the UK of 19% (2021: 19%). The difference is reconciled below:

|  | 2022<br>£'000     | 2021<br>£'000    |
|--|-------------------|------------------|
| Profit/(Loss) before tax   | <u>3,568</u>      | <u>(32)</u>      |
| Profit/(Loss) before tax multiplied by the average rate of UK corporation tax of 19% (2021: 19%) | 678               | (6)              |
| Adjustment in respect of previous years  | -                 | 21               |
| Impact of change in tax rate   | <u>-</u>          | <u>-</u>         |
|  | <u><u>678</u></u> | <u><u>15</u></u> |

An increase in the main UK corporation tax rate from 19% to 25%, applicable from 1 April 2023, was enacted on 10 June 2021 in Finance Act 2021. The deferred taxes in these financial statements have therefore been calculated at 19%.

The movement on deferred tax balances in the year is as follows:

|   | 2022<br>£'000    | 2021<br>£'000    |
|---|------------------|------------------|
| At the beginning of the year                  | 17               | 20               |
| Deferred tax movement in the income statement | <u>(2)</u>       | <u>(3)</u>       |
| At the end of the year                        | <u><u>15</u></u> | <u><u>17</u></u> |

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

|                                | 2022<br>£'000    | 2021<br>£'000    |
|--------------------------------|------------------|------------------|
| Accelerated capital allowances | <u>15</u>        | <u>17</u>        |
|                                | <u><u>15</u></u> | <u><u>17</u></u> |

A deferred tax asset has been recognised due to forecast profits against which these timing differences are expected to reverse.

### 10 Inventories

|                                     | 2022<br>£'000       | 2021<br>£'000        |
|-------------------------------------|---------------------|----------------------|
| Finished goods and goods for resale | <u><u>7,457</u></u> | <u><u>47,678</u></u> |

In the reporting period inventories were written down by £608,000 (2021: £2,373,000). Reversals of impairment losses in 2022 of £194,000 (2021: £115,000).

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

### 11 Trade and other receivables

|                                      | <b>2022</b><br><b>£'000</b> | 2021<br>£'000        |
|--------------------------------------|-----------------------------|----------------------|
| Trade receivables from third parties | <b>25,206</b>               | 18,846               |
| Amounts owed by other group entities | <b>101,209</b>              | 63,616               |
| Other assets                         | <b>5,940</b>                | 3,790                |
| Prepayments and accrued income       | <b>22</b>                   | <b>2</b>             |
|                                      | <b><u>132,377</u></b>       | <b><u>86,254</u></b> |

All amounts are due within one year. The amounts owed by other group companies are unsecured, interest free and are without a fixed repayment date and are repayable on demand.

As at 31 March 2022, trade and other receivables at initial value of £9,000 (2021: £14,000) 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:

|                        | <b>2022</b><br><b>£'000</b> | 2021<br>£'000    |
|------------------------|-----------------------------|------------------|
| Allowances at 1 April  | <b>14</b>                   | 66               |
| Additions              | <b>13</b>                   | 12               |
| Reversals              | <b>(18)</b>                 | (64)             |
| Utilisations           | <b>-</b>                    | -                |
| Allowances at 31 March | <b><u>9</u></b>             | <b><u>14</u></b> |

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

|                          | <b>2022</b><br><b>£'000</b> | 2021<br>£'000   |
|--------------------------|-----------------------------|-----------------|
| Cash at bank and in hand | <b><u>2</u></b>             | <b><u>-</u></b> |

# Barclay Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 March 2022 *(continued)*

### 13 Trade and other payables

|                                      | 2022<br>£'000 | 2021<br>£'000 |
|--------------------------------------|---------------|---------------|
| Trade creditors                      | 32,262        | 28,423        |
| Amounts owed to other group entities | 6,784         | 7,775         |
| Amounts owed to direct parent        | 468           | 468           |
| Corporation Tax group relief payable | 665           | 562           |
|                                      | <u>40,179</u> | <u>37,228</u> |

Amounts owed to parent and other group 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 0.64% (2021: 2.69%). There are no undrawn borrowing facilities.

### 14 Other current liabilities

|                              | 2022<br>£'000 | 2021<br>£'000 |
|------------------------------|---------------|---------------|
| Accruals and deferred income | 74            | 74            |
| Other liabilities            | 269           | 210           |
|                              | <u>343</u>    | <u>284</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.

#### Admenta UK Limited Pension Scheme

The contributions paid by the company to the scheme during the year amounted to £247,000 (2021: £211,000). Included in other creditors at the statement of financial position date were amounts of £nil in respect of contributions (2021: £nil).

### 16 Dividends

The amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised are £nil (2021: £nil).

### 17 Shareholders' Capital

|  | 2022<br>£'000 | 2021<br>£'000 |
|--|---------------|---------------|
| <b>Authorised, allotted, called and fully paid</b> |               |               |
| 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 2022** *(continued)*

#### **18 Ultimate parent undertaking and ultimate controlling party**

##### **During the financial year**

The immediate parent undertaking is Admenta Holdings Limited a company registered in England and Wales.

The ultimate parent undertaking and controlling party of the Company is McKesson Corporation, a company registered in the United States of 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, 6555 State Hwy 161, Irving, TX 75039, USA.

Consolidated financial statements for the smallest group of companies are prepared by Admenta UK Limited and may be obtained from Companies House.

##### **After the sale of Admenta UK Limited to Aurelius Elephant Limited**

Effective with the closing of the sale by McKesson Corporation of Admenta UK Limited (of which this Company is a subsidiary) to Aurelius on April 6, 2022, the ultimate parent undertaking and controlling party of the Company is AURELIUS European Opportunities IV, S.C.A. SICAV RAIF, a company registered in Luxembourg. The Global Ultimate Parent (GUP) is an entity with a greater than 50% shareholding in the client that is not itself controlled by another entity.

#### **19 Events after the reporting period**

McKesson Corporation closed the sale of Admenta UK Limited (of which this company is a subsidiary) to Aurelius Elephant Limited, an entity owned by Aurelius asset management group, on April 6, 2022.

The Company became a party to an asset-backed loan on April 6, 2022 as set out in note 2. The banking arrangements of the Company operate on a pooled basis with certain associate subsidiaries. Under these arrangements participating companies guarantee each other's borrowings. Borrowings were permitted against the Company's qualifying accounts receivable until July 2022. The Company is also contingently liable in the event affiliates default under the asset-backed loan, principally for failure to repay borrowings.