

# Sangers (Northern Ireland) Limited

Directors' report and financial statements

Year ended 30 September 2015

Company registration number NI18941



24 MAR 2016

# Sangers (Northern Ireland) Limited

## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Directors' report	2
Strategic report	4
Statement of Directors' responsibilities	6
Independent auditors' report to the members of Sangers (Northern Ireland) Limited	7
Profit and loss account	9
Statement of total recognised gains and losses	10
Balance sheet	11
Notes to the financial statements	12

# Sangers (Northern Ireland) Limited

## Directors and other information

### **Directors**

E Bleakley  
S Coyle  
J Dougan  
L FitzGerald  
D Jackson  
P Lemon  
N Meier  
A Ralph  
P Surgenor

### **Secretary**

P R Surgenor

### **Registered office**

2 Marshalls Road  
Belfast  
BT5 6SR

### **Solicitors**

DAC Beachcroft LLP  
100 Fetter Lane  
London  
EC4A 1BN

### **Bankers**

Northern Bank  
520 Upper Newtownards Road  
Belfast  
BT4 3HD

### **Auditors**

KPMG  
Stokes House  
17/25 College Square East  
Belfast

### **Company registration number**

NI 18941

# Sangers (Northern Ireland) Limited

## Directors' report

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 September 2015.

### Financial Instruments

The financial risk management objectives and policies of the company are detailed in the Strategic Report on pages 4 to 5.

### Results and dividends

The results for the Company show a pre-tax profit of £4,290,573 (2014: £77,642,600). Dividends of £1,000,000 were paid during the period (2014: £76,166,485). Details of the results for the year are set out in the profit and loss account on page 9 and the related notes.

### Directors

The Directors who held office during the year were:

E Bleakley  
S Coyle  
J Dougan  
L FitzGerald  
D Jackson  
P Lemon  
N Meier  
A Ralph  
P Surgenor

### Political Contributions

The Company did not make any political contributions that require disclosure in the financial year (2014: £nil).

### Directors' interests

None of the Directors had a material interest at any time during the year in any contract of significance in relation to the Company's business or any other material interest, required by law to be disclosed, in any transaction or arrangement with the Company.

### Disclosure of information to auditors

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

# Sangers (Northern Ireland) Limited

Directors' report (*continued*)

## **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG will therefore continue in office.

By order of the Board



**N Meier**  
*Director*

10 March 2016

# Sangers (Northern Ireland) Limited

## Strategic report

### Business review

The principal activities of the Company during the year continued to be the wholesale and distribution of pharmaceutical and over the counter products.

Sangers (Northern Ireland) Limited consists of four divisions, each of which has its own specific product and customer framework as follows:

- Wholesale – sells ethical drugs, over the counter products (OTC) and personal hygiene products to pharmacies and hospitals;
- Pemberton – sells health and beauty products to beauty shops, pharmacies and department stores;
- Distribution – sell bulk OTC goods to large pharmacy chains, ethical drugs to hospitals and wholesalers; and
- Commercial – exports ethical drugs to European countries

The results for the year are set out in the profit and loss account on page 9 and in the related notes.

The operating profit of the company was £4,376,186 (2014:£70,455,656). Included within the prior year operating profit was the profit on disposal of a joint venture investment of £65,667,634.

The profit after tax for the period was £3,388,807 (2014: £76,839,551)

It is the intention of the Directors to continue to develop the present activities of the Company. The company continues to follow a strategy of growth by growing its current portfolio of wholesale products. The increase in turnover during the year should underpin this strategy.

At 30<sup>th</sup> September 2015 the Company's net assets were £15,542k (2014: £13,138k). The Company continues to maintain strong working cash flows. The Company incurred minimal bad debt and stock obsolescence charges during the year. The Directors are confident that the Company's investment in assets and staff will enable it to capitalise on the growing number of opportunities in the market.

### Principal risks and uncertainties

The Company has a comprehensive system of risk management and internal controls.

Risk management is an integral part of the Company's business process. A detailed risk register is maintained and plans to address the identified risks are updated and reviewed by the executive Directors on a regular basis.

The risks and uncertainties which are currently judged to have the largest impact on the Company's performance are noted below.

The Company faces competition in its various markets and if it fails to compete successfully market share and profitability may decline.

Distribution of third party products by the Company is currently by agreement. There is no certainty that these agreements will be renewed when they expire, which could lead to declines in sales and profitability.

Changes in government regulations, in the healthcare and pharmaceutical sector, may adversely affect the Company.

# Sangers (Northern Ireland) Limited

## Strategic report *(continued)*

Should the Company not be able to fulfil the demand for its products due to circumstances such as the loss of a storage facility or disruptions to its supply chains, sales volumes and profitability could be affected.

The Company's IT facilities could be subject to hacking or viruses, which could result in downtime, which in turn could lead to declines in sales and profitability.

The success of the Company is built upon a strong, effective management team committed to achieving a superior performance. The loss of key personnel could for a time have a significant impact on business performance.

### **Key performance indicators**

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### **Financial risk management**

The management of the financial risks facing the Company is governed by policies reviewed and approved by the Board of Directors. These policies primarily cover liquidity risk, credit risk, interest rate risk and currency risk. The primary objective of the Company's policies is to minimise financial risk at reasonable cost. The Company does not trade in financial instruments. The Company uses cash resources and borrowings at prevailing rates to finance its operations. Trade debtors and creditors arise directly from operations on normal terms. The Company's exposure to price risk of financial instruments is therefore minimal.

The Company ensures that it has sufficient financing facilities available through cash flow generated from operating activities and banking facilities to meet its projected short and medium term funding requirements and avails of market interest rates. It has not entered into any long term borrowing arrangements.

The majority of the Company's activities are conducted in sterling, with the amount of trade in other currencies being minimal. Therefore the currency risk to the Company is minimal.

### **Future outlook**

The Directors consider that both the results for the year and trading prospects are satisfactory and it is the Directors' intention to develop the present activities of the Company.

On 13 October 2015, the Company's parent company, UDG Healthcare plc, proposed the sale of its supply chain services businesses (including Sangers (Northern Ireland) Limited) to McKesson Corporation. This proposed sale was approved at an EGM of UDG Healthcare plc shareholders. As at the date these financial statements were approved, the sale remains subject to competition authority clearance which is anticipated by June 2016. We remain very positive about our future trading prospects.

By order of the Board

**N Meier**  
Director



10 March 2016

# Sangers (Northern Ireland) Limited

## Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' Report, strategic 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

On behalf of the Board



**N Meier**  
*Director*

10 March 2016





**KPMG**  
**Audit**  
Stokes House  
17-25 College Square East  
Belfast BT1 6DH  
Northern Ireland

Telephone +44 28 9024 3377  
Fax +44 28 9089 3893  
Internet [www.kpmg.ie](http://www.kpmg.ie)

## **Independent auditor's report to the members of Sangers (Northern Ireland) Limited**

We have audited the financial statements of Sangers (Northern Ireland) Limited for the year ended 30 September 2015 set out on pages 9 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

### **Opinions and conclusions arising from our audit**

#### ***1 Our opinion on the financial statements is unmodified***

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### ***2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below***

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

#### ***3 We have nothing to report in respect of matters on which we are required to report by exception***

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of the above responsibilities.

A list of Partners' names is available for inspection at the above address.



**KPMG**  
**Audit**  
Stokes House  
17-25 College Square East  
Belfast BT1 6DH  
Northern Ireland

Telephone +44 28 9024 3377  
Fax +44 28 9089 3893  
Internet [www.kpmg.ie](http://www.kpmg.ie)

## **Independent auditor's report to the members of Sangers (Northern Ireland) Limited (*continued*)**

### **Basis of our report, responsibilities and restrictions on use**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. 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 Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) 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 Directors' 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.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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.

**John Poole (Senior Statutory Auditor)**  
**for and on behalf of KPMG, Statutory Auditor**  
*Chartered Accountants*  
17-25 College Square East  
Belfast  
10 March 2016

A list of Partners' names is available for inspection at the above address.

# Sangers (Northern Ireland) Limited

## Profit and loss account

Year ended 30 September 2015

	Note	2015 £	2014 £
<b>Turnover – continuing operations</b>	2	<b>197,296,342</b>	220,885,331
Cost of sales		(182,024,256)	(205,961,497)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>15,272,086</b>	14,923,834
Distribution costs		(2,099,680)	(2,117,939)
Administrative expenses		(10,047,551)	(9,495,904)
Other operating income		1,251,331	1,478,031
		<hr/>	<hr/>
<b>Operating profit – continuing operations</b>		<b>4,376,186</b>	4,788,022
Exceptional Item – Profit on sale of investment in joint venture	3	-	65,667,634
		<hr/>	<hr/>
<b>Operating profit – after exceptional item</b>		<b>4,376,186</b>	70,455,656
Interest receivable and similar income	4	7,387	7,505,971
Other finance income	4	636,000	691,000
Interest payable and similar charges	4	-	(255,027)
Other finance costs	4	(729,000)	(755,000)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,290,573	77,642,600
Tax on profit on ordinary activities	5	(901,766)	(803,049)
		<hr/>	<hr/>
<b>Profit for the financial period</b>	15	<b>3,388,807</b>	76,839,551
		<hr/> <hr/>	<hr/> <hr/>

All reported results arise from continuing operations.

There is no material difference between the Company's results as reported and on a historical cost basis for the period and the previous year. Accordingly, no note of historical cost profits and losses has been prepared.

The notes on pages 12 to 33 form part of these financial statements.

# Sangers (Northern Ireland) Limited

## Statement of total recognised gains and losses *Year ended 30 September 2015*

	2015 £	2014 £
<b>Profit for the financial year</b>	<b>3,388,807</b>	76,839,551
Actuarial gain/(loss) on pension scheme	<b>19,000</b>	(1,152,000)
Related deferred tax	<b>(4,000)</b>	230,000
	<hr/>	<hr/>
<b>Total recognised gains for the year</b>	<b>3,403,807</b>	75,917,551
	<hr/>	<hr/>

The notes on pages 12 to 33 form part of these financial statements.

# Sangers (Northern Ireland) Limited

## Balance sheet

At 30 September 2015

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Intangible assets	7	32,094	39,500
Tangible assets	8	12,969,297	12,572,664
Investments	9	779,771	777,907
		<u>13,781,162</u>	<u>13,390,071</u>
<b>Current assets</b>			
Stocks	10	11,295,743	11,543,361
Debtors	11	34,704,499	40,930,297
Cash at bank and in hand		15,604,537	11,599,844
		<u>61,604,779</u>	<u>64,073,502</u>
<b>Creditors:</b> Amounts falling due within one year	12	(57,917,926)	(62,305,062)
		<u>3,686,853</u>	<u>1,768,440</u>
<b>Net current assets</b>			
		<u>17,468,015</u>	<u>15,158,511</u>
<b>Net assets excluding pension liabilities</b>			
<b>Pension liabilities</b>			
Total of defined benefit schemes: with net liabilities	19	(1,926,110)	(2,020,500)
		<u>15,541,905</u>	<u>13,138,011</u>
<b>Net assets including pension liabilities</b>			
		<u>15,541,905</u>	<u>13,138,011</u>
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Capital contribution	16	405,073	404,986
Profit and loss account	15	15,136,732	12,732,925
		<u>15,541,905</u>	<u>13,138,011</u>
<b>Shareholders' funds</b>	17		
		<u>15,541,905</u>	<u>13,138,011</u>

These financial statements were approved by the Board of Directors on 10 March 2016 and signed on their behalf by:



**N Meier**

Director

Company registration number: NI18941

The notes on pages 12 to 33 form part of these financial statements.

# Sangers (Northern Ireland) Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The Company has applied the transitional rules contained within FRS 15 'Tangible fixed assets' to retain previous valuations as the basis on which certain assets are held.

Under Financial Reporting Standard No. 1 the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

#### ***Consolidated financial statements***

The Company does not prepare consolidated financial statements as consolidated financial statements are prepared by the parent undertaking, UDG Healthcare plc, of which the Company is a 100% subsidiary undertaking.

#### ***Going concern***

The Directors consider, having taken into account all the information that could reasonably be expected to be available, that the Company will have sufficient cash flow to enable it to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

#### ***Turnover***

Turnover is stated net of trade discounts, value added tax and similar taxes and derives from the provision of goods falling within the Company's ordinary activities.

#### ***Goodwill***

Goodwill is the difference between the fair value of the consideration given on the acquisition of a business and the aggregate fair value of the separate net assets acquired.

Goodwill arising on acquisitions prior to 31 December 1997 was either set off directly against reserves or amortised through the profit and loss account over the Directors' estimate of its useful life. (In all cases this was deemed to be less than 20 years). Goodwill previously eliminated against reserves has not been reinstated on implementation of Financial Reporting Standard No.10.

In all other cases goodwill is being amortised through the profit and loss account in equal instalments over its estimated economic life of up to a maximum of 20 years on a straight-line basis.

Goodwill is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill, whether written off directly to reserves, or amortised through the profit and loss account, is taken into consideration, when that part of the business which caused the initial entry is subsequently sold or closed, in determining the profit or loss on the disposal.

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 1 Accounting policies (continued)

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

##### ***Land and buildings***

Land and buildings are stated at cost. The Company has adopted the transitional arrangements under FRS 15 'Tangible fixed assets' and has decided to retain the carrying value of land and buildings at the existing valuation figure. A review of the carrying value of land and buildings will continue to be undertaken every five years, with any impairment in value recognised in the year. Freehold land and buildings are depreciated over their expected useful life of 50 years.

##### ***Other fixed assets and depreciation***

All other tangible fixed assets are initially recorded at historic cost.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	10% - 20%
Motor vehicles	-	20% - 25%

The interest cost incurred on land and buildings during their development is capitalised and included within the cost of the relevant asset, where the purchase is financed by specific borrowings.

#### ***Investments***

Investments are shown at cost less provision for permanent diminution in value. Income from investments, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

#### ***Stock***

Stocks are valued at the lower of current replacement cost and net realisable value. Current replacement cost does not differ materially from historic cost.

#### ***Taxation***

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

#### ***Pension costs***

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Equity settled share based payment transactions*

The Company's ultimate parent, UDG Healthcare plc, operates share option schemes which allow employees of the Group to acquire shares in UDG Healthcare plc. They are all equity settled arrangements under FRS 20 'Share-based payments'. Where UDG Healthcare plc grants options over its shares to employees of a subsidiary company, the fair value of share entitlements granted is recognised as an employee expense in the profit and loss account with a corresponding increase in a capital contribution reserve. The fair value is determined by an external valuer using a binomial model. Share entitlements granted by UDG Healthcare plc are subject to certain non-market based vesting conditions. Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for the share entitlements shown in the profit and loss account is based on the fair value of the total number of entitlements expected to vest and is allocated to accounting periods on a straight line basis over the vesting period. The cumulative charge to the profit and loss account is only reversed where entitlements do not vest because all non-market performance conditions have not been met or where an employee in receipt of share entitlements leaves the Company before the end of the vesting period.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

### 2 Turnover and segmental information

Turnover represents sales of pharmaceutical and OTC products within Northern Ireland.

### 3 Notes to the profit and loss account

#### *Profit on ordinary activities before taxation is stated after charging:*

	2015 £	2014 £
Auditors' remuneration		
- for audit of these financial statements	24,603	8,790
- for other services	-	-
Depreciation and other amounts written off		
tangible fixed assets:	1,165,747	1,126,000
Amortisation of goodwill	7,406	7,406
Hire of motor vehicles - operating leases	391,946	386,528
Profit on sale of fixed assets	(2,984)	(1,562)
Exceptional item – Profit on sale investment in joint venture	-	(65,667,634)
	<hr/>	<hr/>



# Sangers (Northern Ireland) Limited

## Notes (continued)

### 4 Interest payable/receivable and similar charges

#### *Other interest receivable and similar income*

	2015 £	2014 £
Bank interest	7,387	5,971
Dividend income	-	7,500,000
	<u>7,387</u>	<u>7,505,971</u>

#### *Other finance income*

	2015 £	2014 £
Expected return on pension scheme assets	636,000	691,000
	<u>636,000</u>	<u>691,000</u>

#### *Interest payable and similar charges*

	2015 £	2014 £
Bank interest on loans and overdrafts wholly repayable within five years	-	977
Loan interest	-	254,050
	<u>-</u>	<u>255,027</u>

#### *Other finance costs*

	2015 £	2014 £
Interest on pension scheme liabilities	729,000	755,000
	<u>729,000</u>	<u>755,000</u>

# Sangers (Northern Ireland) Limited

Notes (continued)

## 5 Tax on profit on ordinary activities

<i>(a) Analysis of charge in period</i>	2015 £	2014 £
<i>UK corporation tax:</i>		
Current tax on profit for the period	739,682	939,902
Adjustments in respect of prior years	(15,139)	(124,439)
	<hr/>	<hr/>
<b>Total current tax</b>	<b>724,543</b>	<b>815,463</b>
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	142,117	49,848
Adjustments to the estimated recoverable amount of deferred tax liabilities arising in previous periods	4,496	(99,262)
	<hr/>	<hr/>
	<b>146,613</b>	<b>(49,414)</b>
Other timing differences	<b>30,610</b>	<b>37,000</b>
	<hr/>	<hr/>
<b>Total deferred tax</b>	<b>177,223</b>	<b>(12,414)</b>
	<hr/>	<hr/>
<b>Tax charge on profit on ordinary activities</b>	<b>901,766</b>	<b>803,049</b>
	<hr/>	<hr/>

# Sangers (Northern Ireland) Limited

## Notes *(continued)*

### 5 Tax on profit on ordinary activities *(continued)*

#### *(b) Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2014: lower) than the standard rate of corporation tax in the UK 20.5% (2014: 22%). The differences are explained below:

	2014 £	2013 £
<b><i>Current tax reconciliation</i></b>		
Profit on ordinary activities before tax	4,290,572	77,642,600
	<hr/>	<hr/>
Current tax at 20.5% (2014: 22%)	1,105,067	17,081,372
<b><i>Effects of:</i></b>		
Expenses not deductible for tax purposes	(4,901)	35,280
Capital allowances in excess of depreciation	(112,926)	(40,256)
Other timing differences	(22,058)	(39,614)
Adjustments to tax charge in respect of previous periods	(15,139)	(124,439)
Non-taxable income	(225,500)	(16,096,879)
	<hr/>	<hr/>
<b>Total current tax charge</b>	<b>724,543</b>	<b>815,464</b>
	<hr/>	<hr/>

#### *(c) Factors affecting tax charge for future years*

The main rate of UK corporation tax was reduced to 20% with effect from 1 April 2015. It is expected that this graduated fall in the main corporation tax rate will result in a reduction of the company's future current tax charge.

# Sangers (Northern Ireland) Limited

Notes (continued)

## 6 Directors and employees

- (i) The average number of persons employed (FTE's) by the Company (including executive Directors) during the year, analysed by category, was as follows:

	2015 No.	2014 No.
Warehouse & Selling	112	127
Delivery	54	56
Administration	50	46
	<hr/>	<hr/>
	216	223
	<hr/>	<hr/>

- (ii) The aggregate payroll costs of these persons were as follows:

	2015 £	2014 £
Wages and salaries	6,053,400	5,634,073
Social security costs	480,673	504,919
Share based payment expense (Note 20)	87	5,531
Other pension costs		
Defined Benefit Scheme (Note 19)	266,000	205,000
Defined Contributions Scheme	142,304	94,987
Fees	210,866	137,388
	<hr/>	<hr/>
	7,153,330	6,581,898
	<hr/>	<hr/>

- (iii) Remuneration of Directors:

	2015 £	2014 £
Directors' emoluments (excluding pension contributions)	724,583	589,316
	<hr/>	<hr/>

The emolument of the highest paid Director was £261,958 (2014: £156,772).

Retirement benefits are accruing to the following number of Directors under:

	2015 No.	2014 No.
Defined Benefit Schemes	5	5
	<hr/>	<hr/>

# Sangers (Northern Ireland) Limited

## Notes *(continued)*

### 7 Intangible assets

	Goodwill £	Total £
<b><i>Cost</i></b>		
At beginning of year	181,362	181,362
Additions	-	-
	<hr/>	<hr/>
<b>At end of year</b>	<b>181,362</b>	<b>181,362</b>
	<hr/>	<hr/>
<b><i>Amortisation</i></b>		
At beginning of year	141,862	141,862
Charged in year	7,406	7,406
	<hr/>	<hr/>
<b>At end of year</b>	<b>149,268</b>	<b>149,268</b>
	<hr/>	<hr/>
<b>Net book value</b>		
<b>At 30 September 2015</b>	<b>32,094</b>	<b>32,094</b>
	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2014	39,500	39,500
	<hr/> <hr/>	<hr/> <hr/>

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 8 Fixed assets

	<i>Freehold land £</i>	<i>Freehold buildings £</i>	<i>Plant and machinery £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
<b>Cost</b>					
At beginning of year	23,500	11,012,999	10,737,619	180,781	21,954,899
Additions	-	129,125	1,393,351	64,470	1,586,946
Disposals	(23,500)	-	(662,627)	(35,964)	(722,091)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>-</b>	<b>11,142,124</b>	<b>11,468,343</b>	<b>209,287</b>	<b>22,819,754</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At beginning of year	-	2,179,996	7,086,889	115,350	9,382,235
Charge for year	-	177,445	956,296	32,006	1,165,747
On disposals	-	-	(661,559)	(35,966)	(697,525)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>-</b>	<b>2,357,441</b>	<b>7,381,626</b>	<b>111,390</b>	<b>9,850,457</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
<b>At 30 September 2015</b>	<b>-</b>	<b>8,784,683</b>	<b>4,086,717</b>	<b>97,897</b>	<b>12,969,297</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2014	23,500	8,833,003	3,650,730	65,431	12,572,664
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the net book value of motor vehicles is £Nil (2014: £Nil) in respect of leased assets. Depreciation for the year on these assets was £Nil (2014: £Nil).

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 9 Investments

	2015 £	2014 £
Investments in joint ventures	1	1
Investments in subsidiary undertakings	779,770	777,906
	<hr/>	<hr/>
	779,771	777,907
	<hr/>	<hr/>

The principal companies in which the Company's interests at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<b><i>Subsidiary undertakings</i></b>			
Blackstaff Pharmaceuticals Limited	United Kingdom	Dormant	100% ordinary
J Bradbury Surgical Limited	Northern Ireland	Dormant	100% ordinary
Prima Brands Limited	Northern Ireland	Wholesale distribution of pharmaceutical products	100% ordinary
<b><i>Participating interests</i></b>			
Pharma Services (NI) Limited	Northern Ireland	Installation of PMR systems into pharmaceutical retail outlets	50% ordinary**

\*\* Joint venture between Sangers (Northern Ireland) Limited and McLernons Computers (NI) Limited.

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 10 Stock

	2015 £	2014 £
Finished goods and goods for resale	11,295,743	11,543,361

In the opinion of the Directors, the replacement value of stocks is not materially different from the above amounts.

### 11 Debtors

	2015 £	2014 £
Trade debtors	29,823,362	34,469,578
Amounts owed by parent undertakings	287,891	274,408
Amounts owed by subsidiary undertakings	1,036,839	1,065,249
Amounts owed by undertakings in which the Company has a participating interest	1,088	400
Amounts owed by related undertakings	1,811,076	2,691,001
Other debtors	970,936	1,710,103
Prepayments and accrued income	773,307	687,436
Deferred tax asset (see note 13)	-	32,122
	<u>34,704,499</u>	<u>40,930,297</u>

### 12 Creditors: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	29,472,354	31,366,153
Amounts owed to parent undertaking	24,473,863	24,473,863
Amounts owed to related undertakings	233,171	272,447
Other taxes and social security	1,777,843	2,159,933
Accruals and deferred income	1,467,005	2,375,070
Other creditors	114,763	647,037
Corporation tax	264,436	1,010,559
Deferred tax (see note 13)	114,491	-
	<u>57,917,926</u>	<u>62,305,062</u>



# Sangers (Northern Ireland) Limited

## Notes (continued)

### 13 Deferred taxation

The amounts recognised for deferred taxation are set out below:

	2015 £	2014 £
Balance at 1 October	(32,122)	17,292
Charge / (credit) for year (Note 5)	146,613	(49,414)
	<hr/>	<hr/>
<b>Balance at 30 September</b>	<b>114,491</b>	<b>(32,122)</b>
	<hr/>	<hr/>
<i>Elements of deferred taxation</i>		
Difference between accumulated depreciation and amortisation and capital allowances	120,066	(9,806)
Other timing differences	(5,575)	(22,316)
	<hr/>	<hr/>
<b>Deferred tax liability/(asset)</b>	<b>114,491</b>	<b>(32,122)</b>
	<hr/>	<hr/>

### 14 Share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 15 Profit and loss account

	2015 £	2014 £
At beginning of year	12,732,925	12,981,859
Profit for the financial year	3,388,807	76,839,551
Dividend paid during the financial year	(1,000,000)	(76,166,485)
Actuarial gain / (loss)	19,000	(1,152,000)
Deferred tax on pension movement	(4,000)	230,000
	<hr/>	<hr/>
<b>Balance at 30 September</b>	<b>15,136,732</b>	<b>12,732,925</b>
	<hr/>	<hr/>

### 16 Capital contribution reserve

	2015 £	2014 £
At beginning of year	404,986	399,455
Capital contribution during the year	87	5,531
	<hr/>	<hr/>
<b>Balance at 30 September</b>	<b>405,073</b>	<b>404,986</b>
	<hr/>	<hr/>

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 17 Reconciliation of movement in shareholders' funds

	2015 £	2014 £
Opening shareholders' funds	13,138,011	13,381,414
Profit for the financial year	3,388,807	76,839,551
Dividend paid during the financial year	(1,000,000)	(76,166,485)
Actuarial gain/(loss)	19,000	(1,152,000)
Deferred tax on pension movement	(4,000)	230,000
Capital contribution during year	87	5,531
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>15,541,905</b>	<b>13,138,011</b>
	<hr/>	<hr/>

### 18 Commitments

The Directors have authorised capital expenditure, which has been contracted for at the year end of £nil (2014: £nil).

Annual commitments under non-cancellable operating leases are as follows:

	2015 £	2014 £
Operating leases which expire:		
within one year	279,026	276,116
within two to five years	308,942	367,249
	<hr/>	<hr/>

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 19 Pension scheme

The disclosures below have been prepared for Sangers (Northern Ireland) Limited (“the Employer”) in relation to benefits payable from the Sangers (Northern Ireland) Limited Pension Fund (“the Fund”). The fund is a funded scheme of the defined benefit type providing retirement benefits based on career average revalued earnings. It is closed to new entrants.

Regular employer contributions to the Fund for the year starting 1 October 2015 are estimated to be £390k

The valuation used for IAS19 disclosures has been based on a full assessment of the liabilities of the fund as at 1 April 2013. The present values of the defined benefit obligation, the related current service cost and any past service cost were measured using the projected unit credit method.

The disclosure note includes balance sheet and assumption details for three years. Please note that the details for two years ago ie at the 2013 balance sheet date, are not required for IAS 19 disclosure purposes. They are included for completeness only.

Actuarial gains and losses have been recognised in the period in which they occur, but outside the profit and loss account, through Other Comprehensive Income (OCI).

The principal assumptions used by the independent qualified actuary to calculate the liabilities under IAS19 are set out below:

	2015	2014	2013
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase in pensions in payment (pre April 1997)	3.0%	3.0%	3.0%
Rate of increase in pensions in payment (post April 1997)	3.3%	3.3%	3.4%
Rate of increase in pensions in payment (post July 2010)	1.8%	1.9%	2.0%
Discount rate applied to scheme liabilities	4.00%	4.00%	4.80%
Inflation assumption (CPI)	2.50%	2.50%	2.90%
Inflation assumption (RPI)	3.50%	3.50%	3.60%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 22.2 years if they are male and for a further 24.3 years if they are female.

For a member who retires in 2035 at age 65 the assumptions are that they will live on average for a further 24.1 years after retirement if they are male and for a further 26.2 years after retirement if they are female.

# Sangers (Northern Ireland) Limited

## Notes (continued)

### *(Pension scheme continued)*

#### ***Scheme assets***

Since 30 September 2013 the expected return assumption has been set equal to the discount rate in line with the revised IAS 19 standard.

#### **Value of Assets by Class**

	<b>Value at 30/09/15 £</b>	<b>Value at 30/09/14 £</b>	<b>Value at 30/09/13 £</b>
Equities	<b>7,051,000</b>	7,329,000	6,551,000
Bonds	<b>8,071,000</b>	7,345,000	6,722,000
Cash	<b>92,000</b>	20,000	39,000
Property	<b>1,355,000</b>	1,198,000	1,038,000
Fair value of fund assets	<b>16,569,000</b>	15,892,000	14,350,000
Present value of pension scheme liabilities	<b>(18,977,000)</b>	(18,430,000)	(15,921,000)
Deficit in pension schemes	<b>(2,408,000)</b>	(2,538,000)	(1,571,000)
Related deferred tax asset	<b>481,890</b>	517,500	323,500
Net pension liability	<b>(1,926,110)</b>	(2,020,500)	(1,247,500)

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 19 Pension scheme (continued)

#### Analysis of profit and loss charge:

	2015 £	2014 £
Current service cost	173,000	141,000
Other finance costs	93,000	64,000
	<u>266,000</u>	<u>205,000</u>

#### Changes to the present value of the defined benefit obligation;

	2015 £	2014 £
Opening Defined Benefit obligation	18,430,000	15,921,000
Current service cost	173,000	141,000
Interest cost	729,000	755,000
Contributions by fund members	94,000	95,000
Financial assumptions	(14,000)	1,942,000
Actuarial (gains)/losses on fund liabilities – experience	(2,000)	(23,000)
Net benefits paid	(433,000)	(401,000)
<b>Closed defined benefit obligation</b>	<u><b>18,977,000</b></u>	<u><b>18,430,000</b></u>

#### Changes to the fair value of fund assets:

	2015 £	2014 £
Opening fair value of fund assets	15,892,000	14,350,000
Interest on fund assets	636,000	691,000
Actuarial gains on fund assets	3,000	767,000
Contributions by employer	376,000	391,000
Contributions by members	94,000	95,000
Net benefits paid	(433,000)	(401,000)
	<u>16,568,000</u>	<u>15,892,000</u>

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 19 Pension scheme (continued)

#### *Actual return on fund assets:*

	2015 £	2014 £
Interest on fund assets	636,000	691,000
Actuarial gain on fund assets	3,000	767,000
Actual return on fund assets	<u>639,000</u>	<u>1,458,000</u>

#### *Analysis of amounts recognised in statement of total recognised gains and losses :*

	2015	2014
Experience gains on Fund assets	3,000	767,000
Change in Actuarial assumptions	14,000	(1,942,000)
Experience gains on Fund Liabilities	2,000	23,000
Total actuarial gains/(losses) on fund Liabilities	<u>19,000</u>	<u>(1,152,000)</u>

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 20 Share-Based Payment

The Company's Executive Share Option Plan (ESOP) was established during 2010. Under the ESOP share options may be granted to management which may entitle them to purchase shares in the Company so as to provide an incentive to perform strongly over an extended period and to encourage alignment of their interests with those of shareholders. Share options granted under the ESOP are exercisable for a period of four years from the third anniversary of the grant date, if adjusted diluted EPS growth is not less than the movement in the Irish Consumer Price Index, plus 3% compounded, over the performance period. During the year 310,671 (2014: 1,330,000) share options were granted under the ESOP. In accordance with the terms of the ESOP, share options granted are exercisable at the market price of the underlying share on the last dealing day preceding the date of grant.

The terms of the former Executive Share Option Scheme (ESOS) are set out in the UDG Healthcare plc annual report for the year ended 30 September 2015.

The measurement requirements of IFRS 2 Share-Based Payment, have been implemented in respect of share options that were granted after 7 November 2002.

The total expense for share options recognised in the profit & loss account is

	2015	2014
Administration Expenses	87	5,531

A summary of the detail in respect of share options granted under the ESOP during the year is set out below.

	2015	2014
Grant date	28 Sept 2015	28 February 2014
Fair value at grant date	€1.74	€1.02
Share price at grant date	€6.94	€4.51
Exercise price	€6.94	€4.51
Expected volatility	26.3%	26.3%
Expected life	4.5 years	4.38 years
Risk-free interest rate	1.873%	0.8%
Valuation model	Black Scholes	Binomial
Performance period	3 years	3 years
Vesting period	3 years	3-5 years



# Sangers (Northern Ireland) Limited

## Notes (continued)

### Share Based Payment (continued)

The number and weighted average exercise price of outstanding share options under the ESOP/ESOS are as follows:

	Weighted average exercise price 2015 €	Number of share options 2015 '000	Weighted average exercise price 2014 €	Number of share options 2014 '000
Outstanding at beginning of year	3.24	6,732	2.90	6,844
Forfeited during the year	3.72	(378)	2.75	(702)
Exercised during the year	2.34	(2,178)	2.99	(740)
Lapsed during the year	3.48	(607)	-	-
Granted during the year	6.94	311	4.55	1,330
Outstanding at end of year	4.15	3,880	3.24	6,732
Exercisable at end of year	2.24	724	3.40	500

The weighted average share price at the date of exercise of share options during the year was €5.27 (2014: €4.16). The weighted average remaining contractual life for the share options outstanding at 30 September 2015 was 4.26 years (2014: 4.73 years).

At 30 September 2015, the range of exercise prices of outstanding share options was from €2.09 to €6.94 (2014: €2.09 to €4.51).

### Analysis of ESOP/ESOS share options outstanding at year end

Share option by exercise price:

	Exercise price £	Number of options 2015 '000	Number of options 2014 '000
	5.13	311	-
	2.68	243	312
	3.73	1,210	1,330
Total - sterling denominated		1,764	1,642

# Sangers (Northern Ireland) Limited

## Notes *(continued)*

### Share Based Payment *(continued)*

	Exercise price €	Number of Options 2015 '000	Number of options 2014 '000
	2.09	634	2,492
	3.32	495	695
	3.48	-	871
	4.06	987	1,032
Total - euro denominated		2,116	5,090
Total options outstanding		3,880	6,732

## 21 Guarantees

The company has guaranteed certain bank loans, loan notes and other bank facilities of UDG Healthcare plc and subsidiaries (the Group) by way of composite cross guarantees. At 30 September 2015, the total amount of Group borrowings and facilities so guaranteed amounted to €379.6m (2014: €390.7m).

## 22 Group affiliation

At 30 September 2015, the Company's entire share capital was owned by Alchem plc, a company incorporated in Northern Ireland.

The largest group in which the results of the Company are consolidated is that headed by UDG Healthcare plc, a company incorporated in the Republic of Ireland. The Directors regard UDG Healthcare plc as the ultimate parent company. The consolidated financial statements of this group are available to the public and may be obtained from the following addresses:

The Secretary  
UDG Healthcare plc  
UDG Healthcare House  
Magna Business Park  
Magna Drive  
Citywest Road  
Dublin 24

# Sangers (Northern Ireland) Limited

## Notes (continued)

### 23 Related party transactions

Since more than 90% of the Company's voting rights are controlled within the UDG Healthcare plc group of companies, of which it is a member, the Company has taken advantage of the exemption not to disclose transactions with entities that are part of the group.

The Company pays the administration costs of the main pension scheme, Sangers (Northern Ireland) Limited Pension Fund. In the year ended 30 September 2015 these costs amounted to £122,866 (2014: £137,388).

During the year the Company made the following related party transactions with joint ventures of Sangers (NI) Limited.

	2015	2014
Purchases - Pharma Services Limited	360,275	450,123
- Unidrug Group Distribution Limited	-	5,952,417
The balance owed to (by) Sangers (NI) Limited in respect of the above transactions at the year end		
- Pharma Services Limited	-	-
- Unidrug Group Distribution Limited	-	(341,818)
	<u>          </u>	<u>          </u>

### 24 Events after the balance sheet date.

On 13 October 2015, the Company's ultimate parent, UDG Healthcare plc, proposed the sale of its supply chain services businesses (including Sangers (Northern Ireland) Limited) to McKesson Corporation.

This proposed sale remains subject to competition authority clearance which is anticipated by June 2016.