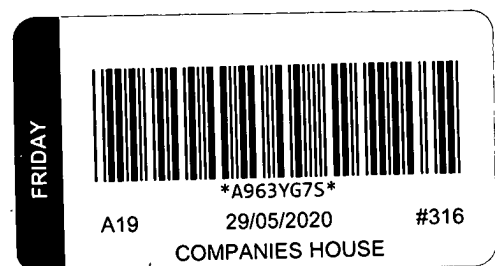


Halcyon Topco Limited

Annual report and consolidated
financial statements
For the year ended 31 October 2019
Registered number 07672785



Contents

Company information	1
Strategic report	2
Directors' report	7
Statement of directors' responsibilities	9
Independent auditor's report to the members of Halcyon Topco Limited	10
Consolidated profit and loss account	12
Consolidated statement of other comprehensive income	13
Consolidated balance sheet	14
Company balance sheet	15
Consolidated statement of changes in equity	16
Company statement of changes in equity	17
Consolidated statement of cash flows	18
Notes	19

Company information

Directors	D Oppenheim Vitruvian Directors I Limited Vitruvian Directors II Limited D Gibson P Nicklin J S Sheridan J-M Richard (appointed 13 February 2020)
Company Secretary	J Bradshaw
Registered Office	107 Station Street Burton-on-Trent Staffordshire United Kingdom DE14 1SZ
Auditor	KPMG LLP Chartered Accountants and Statutory Auditor St Nicholas House 31 Park Row Nottingham United Kingdom NG1 6FQ
Company Number	07672785 Registered in England and Wales

Other Information

These Consolidated Financial Statements are presented for the year ended 31 October 2019 for Halcyon Topco Limited and its subsidiaries ("the Group"), which are set out in note 13. Comparatives are presented for the year ended 31 October 2018.

Strategic report

The Directors present their Strategic Report for the year ended 31 October 2019.

The Directors, in preparing this Strategic Report, have complied with Section 414C of the Companies Act 2006. This Strategic Report has been prepared for the Group as a whole, and therefore gives greater emphasis to those matters which are significant to Halcyon Topco Limited and its subsidiary undertakings when viewed as a whole.

Principal Activities

The principal activities of the Group are the provision of complex home healthcare and speciality pharmacy services, and associated support to patients receiving treatment at home and in the community. The principal activity of the Company is that of a holding company. There have been no significant changes in the activities of the Group or the Company during the year.

The Group's services specifically cover three core areas, early supported hospital discharge, a European medication logistics business principally in Germany and Switzerland and Healthcare at Home Ltd's managed medication services which provide clinical care to more than 186,000 patients each year. Healthcare at Home is the UK's leading full service, clinical provider of healthcare out-of-hospital, at home, at work and in communities.

Business Model

The Group employs over 1,500 people, about half of whom are highly skilled and experienced clinical staff, with the remainder involved in logistical, administrative and commercial functions. As a team of specialists, the Group is committed to enhancing people's healthcare experiences by providing exceptional clinical services that allow people greater and smarter options for access to healthcare.

In such an environment, the Group's products and services remain very well positioned and increasingly attractive to the NHS and health insurers and to the pharmaceutical industry across the UK and Europe.

The Group partners with public, pharmaceutical and private providers to deliver services for patients that are essential for sustainable healthcare.

The Group works with its partners to:

- improve patient flow and relieve capacity measures
- deliver efficiencies and raise standards of care
- safeguard the quality of care for out-of-hospital patients

The Group partners with approximately 50 pharmaceutical companies, managing over 186,000 patients.

For over 25 years, the Group has delivered a high standard of clinical care, covering multiple specialities, consistently working smarter to meet the needs of our patients. We monitor and report our own performance regularly, requesting feedback from our patients.

Strategy and Objectives

Our mission is helping our patients have their best day, everyday. To achieve our mission, we are committed on being patient focused, exceeding expectations, collaborating in our work to provide high standards at pace and being straightforward in our approach to deliver results.

We are experts in our field. Through an in-depth knowledge of patient – medicine behaviour, in particular with biologic medicines, chemotherapy in the home and specialist areas e.g. enzyme replacement therapy and rare and orphan diseases, we focus our expertise on delivering exceptional care and compassion ensuring our patients have their best day, every day. This is augmented by the strength of our partnerships with the NHS and pharmaceutical companies. The virtuous circle of Patients, NHS and Pharmaceutical companies represent our three core stakeholders and form our partnership strategy in identifying issues our partners have, trying to solve them and identify how we can help. Patient care, good governance and doing the ethical thing always comes first.

Our strategy is focused on delivering these core objectives and major investment is being made to improve our patient experience through improving services via digitisation of our services.

Strategic report *(continued)*

Strategy and Objectives

Through digitisation, we plan to facilitate faster access to medication, from prescription to administration as well as allow the patient the ability to manage online the ordering process, providing a flexible service that fits their lifestyle. Central to the digital investment is data. Generating quality data from greater interaction with patients gives us the potential to offer additional advice and information on the patients' illness allowing them to keep abreast with the latest thinking.

The digitisation will improve our ability to measure the engagement of the patients with their treatment. This will help improve the area of supporting adherence and persistence by ensuring patients take their medication when they should, and for as long as they should.

In addition to the digital agenda there is focus on securing more providers in driving the European medication logistics business forward by providing a footprint for organisations that do not already have one for their products.

The strategy and digital vision of the business will allow us to improve our patients' experience, help the NHS relieve the pressure it is under and assist pharmaceutical companies to deliver their products to patients in a more agile way.

Business Review

The financial year ended 31 October 2019 has been an exciting and strong year for the business. Our specialists continually strive for excellent patient care and enable the Group to continue to deliver inspirational healthcare for patients. The Directors would like to thank all of our colleagues for their continued dedication and support.

Financial Review

Our financial results are presented from page 12 onwards.

The Group has performed strongly in the year, despite challenging market conditions. In 2019, the Group continued to grow its range of services and the number of patients receiving service, through growth in existing contracts and by winning new contracts.

Turnover for the year was £1,541.3m having decreased by 18.7% from £1,896.1m with the primary driver of the reduction being selling (and cost) price reductions on products following the expiry of patents.

Excluding amortisation, operating profit was £16.9m (2018: £10.6m) an increase of 58.6%, with the main contributing factors being a 7.5% increase in Gross Profit and adjusted income of £1.3m versus adjusted costs of £3.1m in the prior year.

The focus of the Group in driving efficiencies and being straightforward in its approach has yielded relative cost savings, with overall administrative expenses up marginally to £64.9m (2018: £64.0m). Details of staff numbers and aggregate payroll costs are included in note 6 which shows an increase in costs to £58.7m (2018: £55.9m) or 5.1%.

Improvement in cash generation during the year enabled the Group to repay £22.7m towards its bank borrowings and as a result reduced its interest payable on bank borrowings (further details in note 8). The increase in interest payable noted in the Consolidated Profit and Loss Account was due to the interest on shareholder loan notes.

The Group has incurred net adjusted items with a profit before tax of £1.1m (2018: costs of £3.1m), further detailed in note 4. These predominantly included profits realised on the sale of subsidiary undertakings and a trademark and restructuring costs following a restructure of the business operations and a reduction of hierarchy within the organisation.

The total loss for the financial year after taxation is £40.5m (2018: £44.7m), which has been transferred to consolidated reserves.

The Group has improved its cash inflow from operating activities during the year to £31.8m (2018: £12.7m), a significant improvement of 149.6% due to trading performance and significant reductions in working capital, in particular in trade and other debtors.

The Company's investment in its digital agenda is progressing well, with significant investment during the year in the Company's major transformation programme. Costs incurred in the year are shown as additions to Assets Under Construction within Tangible Fixed Assets. The programme will become live in 2020 at which point a transfer to intangible software will be made. Additions to Tangible Fixed Assets include £3.3m in respect of the purchase of a new fleet of commercial vehicles, financed via a Finance Lease arrangement.

Strategic report *(continued)*

Principal Risks and Uncertainties

The impact of uncertainties due to the UK exiting the European Union and COVID-19

Brexit poses a risk to the Group as it does to the majority of businesses in the UK that trade with the EU in some form. As a consequence, the Group has had a dedicated team in place for some time to review and monitor the risks to the business and to ensure the required mitigating actions and business continuity plans are in place, so far as possible regardless of how Brexit falls from 31 January 2020. The major risk identified is the potential delay on the importation of medicines to the UK due to imports being held up at ports in EU countries although this has been mitigated by UK Government guidelines issued to suppliers which have required increased inventory levels to be held in the UK. We are working closely with our suppliers, and our partners in both the NHS and Pharmaceutical companies, to understand the actions being taken to address the key risks and ensure continuity of supply, through increased inventory levels on selected products.

In addition, the Group has modelled the financial impacts of Brexit in relation to increased inventories to cover a temporary supply disruption. Taking these impacts into account, the Group's cash flow projections have confirmed that it is able to manage the short term timing issue that could present itself and continue trading within its current banking facilities.

The Group has limited exposure in translation risk due to its European balances being a small proportion of the Group's financial position. It has also mitigated its transaction risk through the review of its organisational structure and ensuring European activities are transacted within the continued Eurozone.

The Group believes it has done everything reasonably possible to prepare for the impact of Brexit in these uncertain times.

The COVID-19 virus poses a risk to the Group as it does to the majority of businesses in the UK and beyond. The Group has put a dedicated team in place to review and monitor the risks to the business and ensure that mitigating actions and business continuity plans are in place. The major risk identified is the inability to deliver medicines to our patients, who depend on a scheduled delivery service. We are working to secure additional delivery resources including the use of alternative delivery routes in order to secure those services. We are also working closely with our suppliers to ensure that we have inventory at appropriate levels to maintain our delivery service.

Taking these impacts into account, the Group's cash flow projections indicate that it is able to manage the short-term timing issue that could present itself and continue trading within its current banking facilities.

Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

The Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and the management of capital are set out below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial risk management is carried out under policies approved by the Board of Directors. The Group identifies, evaluates and hedges financial risks. The Group provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and the investment of excess liquidity. The Integrated Governance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Strategic report *(continued)*

Principal Risks and Uncertainties *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, has less of an influence on credit risk.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and the Group has policies that limit the amount of credit exposure to any one financial institution.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Corporate Social Responsibility

Our Corporate Social Responsibility strategy reflects our commitment to our patients, our customers, our colleagues, the environment, the community, and ethical behaviour.

We have an on-going commitment to operate in a socially responsible way. We conduct our business fairly and honestly, and recognise that the long-term health of our organisation is directly connected to the health of the environment and local communities. We focus on supporting a sustainable society by sourcing where possible environmental solutions that minimise our footprint, and follow our internal environmental policy. We also support and interact with the local community to add value to society, through charitable fundraising, volunteering and community partnerships.

We are committed to ensuring that any business growth or change has minimal environmental impact and that all activities are conducted by well-trained and appropriately qualified employees.

Colleagues

Our colleagues are key to the achievement of our growth plans, objectives and strategies. New and existing colleagues are recruited, selected, developed and promoted on merit, irrespective of race, sex, religion, age, disability or any other status protected by law or not related to job performance, and relevant United Nations guidelines on human rights will be observed. Our policy is to:

- remunerate colleagues, whatever role they perform, based on the value of their work and, where practicable, on the success of the business;
- encourage development of skills through training and development programmes; and
- engagement of colleagues through involvement and effective internal two-way communication to keep them informed about issues which affect them and about the Group's performance, goals and vision through effective local and Group-wide communication channels.

The Group actively encourages colleagues' involvement in the business, developing appropriate channels of communication which includes an annual colleague engagement survey that informs the people strategy. There are regular management and colleague meetings to ensure that there is a regular flow and exchange.

Strategic report *(continued)*

Principal Risks and Uncertainties *(continued)*

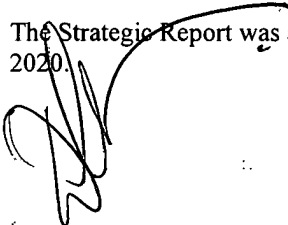
Colleagues *(continued)*

The Group is actively working on addressing any gender pay gap differences. It is working in three main areas towards this:

- Recruitment - ensuring the right person is selected for the job, through fair and balanced assessment
- Development opportunities- develop the capabilities of all employees to further progress and enable promotion from within and to introduce a management development programme for leaders at all levels
- Career opportunities- providing opportunities for people to develop their career at all levels

It is the Group's policy to ensure that all vacancies are open to disabled persons, where the physical requirements of the job permit. In the event of a colleague becoming disabled, the Group offers, if appropriate, retraining or suitable alternative employment.

The Strategic Report was approved and authorised for issue by the Board and was signed on its behalf on 20 April 2020.



D Gibson
Director

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the Financial Statements and independent auditor's report for the year ended 31 October 2019. Under the terms of the Companies Act 2006, the Directors' Report is required to contain certain statutory and other information. The Directors have incorporated the business review by cross-reference, as permitted by the Companies Act 2006.

Directors

The names of the current Directors are set out on page 1. Those who have served in office during the year have been as follows:

D Gibson
S Sheridan
P Nicklin
D Oppenheim
Vitruvian Directors I Limited
Vitruvian Directors II Limited

Results and Dividends

The results of the Group for the year ended 31 October 2019 are set out on page 12 and discussed in the Strategic Report on pages 2 to 3.

The Group has not paid any dividends during the year (2018: £nil). The Directors do not recommend the payment of a final dividend.

Political and Charitable Donations

The Group made no political contributions during the year (2018: £nil). Donations to UK charities amounted to £9,381 (2018: £7,775).

Financial Risk Management

Information on risk objectives and policies and exposure to market, credit, liquidity and market risk can be found on pages 4 to 6 of the Strategic Report.

Going Concern

The Group's principal risks and uncertainties are set out in the Strategic Report on pages 4 to 6. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance (including COVID-19 and Brexit) show that the Group and the Company should be able to operate with its current available facilities, detailed in note 18 and that the Group and the Company have sufficient financial resources including unused loan facilities and assets that are expected to generate cash flow in the normal course of business.

Subsequent to the end of the financial year the Group has agreed an extension of the Asset backed lending facility to May 2022 on the same terms to the existing facility. The Group has also restructured its capital base by converting a significant portion of Shareholder Loans into Preference Shares with a lower rate of interest payable and a one-year interest free period for the Group starting on 1 November 2019. Note 28 outlines the details of the restructuring.

As a consequence, the Directors have a reasonable expectation that the Group and the Company are well placed to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these Financial Statements.

Directors' report *(continued)*

Disclosure of Information to the Auditor

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 auditor is unaware; and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

The Directors' Report was approved and authorised for issue by the Board and was signed on its behalf 20 April 2020.



D Gibson
Director

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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 group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Halcyon Topco Limited

Opinion

We have audited the financial statements of Halcyon Topco Limited ("the company") for the year ended 31 October 2019 which comprise the consolidated profit and loss account, consolidated other comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Halcyon Topco Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Anthony Hambleton (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

Dated: 20 April 2020

Consolidated profit and loss account
for the year ended 31 October 2019

	Note	Adjusted £000	2019 Adjustments £000	Total £000	Adjusted £000	2018 Adjustments £000	Total £000
Turnover	2	1,541,294	-	1,541,294	1,896,437	(353)	1,896,084
Cost of sales		(1,425,502)	-	(1,425,502)	(1,788,123)	(223)	(1,788,346)
Gross profit		115,792	-	115,792	108,314	(576)	107,738
Distribution costs		(34,019)	-	(34,019)	(33,106)	-	(33,106)
Administrative charges before amortisation of goodwill		(66,007)	1,103	(64,904)	(61,439)	(2,557)	(63,996)
Amortisation of goodwill	11	(19,410)	-	(19,410)	(19,381)	-	(19,381)
Total administrative expense		(85,417)	1,103	(84,314)	(80,820)	(2,557)	(83,377)
Operating profit before amortisation of goodwill		15,766	1,103	16,869	13,769	(3,133)	10,636
Amortisation of goodwill	11	(19,410)	-	(19,410)	(19,381)	-	(19,381)
Operating loss		(3,644)	1,103	(2,541)	(5,612)	(3,133)	(8,745)
Interest receivable and similar income	7	4	-	4	71	-	71
Interest payable and similar expenses	8	(35,408)	-	(35,408)	(33,458)	-	(33,458)
Loss before tax		(39,048)	1,103	(37,945)	(38,999)	(3,133)	(42,132)
Tax on loss	10	(2,345)	(210)	(2,555)	(3,204)	595	(2,609)
Loss after tax		(41,393)	893	(40,500)	(42,203)	(2,538)	(44,741)

Further information in respect of adjusted items is contained in note 4 to the Financial Statements.

There were no discontinued operations in the preceding year.

The attached notes form an integral part of the Financial Statements.

Consolidated statement of other comprehensive income
for the year ended 31 October 2019

	2019	2018
	£000	£000
Loss for the financial year	(40,500)	(44,741)
<i>Other comprehensive (charges)/ income:</i>		
Foreign exchange differences on translation of foreign operations	(83)	292
	<hr/>	<hr/>
Other comprehensive (charges)/ income for the year, net of income tax	(83)	292
	<hr/>	<hr/>
Total comprehensive charges for the year	(40,583)	(44,449)
	<hr/> <hr/>	<hr/> <hr/>

The attached notes form an integral part of the Financial Statements.

Consolidated balance sheet
as at 31 October 2019

	<i>Note</i>	2019		2018	
		£000	£000	£000	£000
Fixed assets					
Intangible fixed assets	<i>11</i>		57,632		73,657
Tangible fixed assets	<i>12</i>		10,208		8,997
			<hr/>		<hr/>
			67,840		82,654
Current assets					
Stock	<i>14</i>	54,180		57,371	
Debtors	<i>15</i>	220,722		258,094	
Cash at bank and in hand		15,122		14,146	
		<hr/>		<hr/>	
Total current assets		290,024		329,611	
Creditors: amounts falling due within one year	<i>16</i>	(320,268)		(347,365)	
		<hr/>		<hr/>	
Net current liabilities			(30,244)		(17,754)
			<hr/>		<hr/>
Total assets less current liabilities			37,596		64,900
Creditors: amounts falling due after more than one year	<i>17</i>		(339,637)		(326,384)
Provisions for liabilities and charges	<i>19</i>		(572)		(546)
			<hr/>		<hr/>
Net liabilities			(302,613)		(262,030)
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	<i>21</i>		12		12
Share premium account	<i>21</i>		390		390
Profit and loss account			(303,015)		(262,432)
			<hr/>		<hr/>
Shareholders' deficit			(302,613)		(262,030)
			<hr/> <hr/>		<hr/> <hr/>

The attached notes form an integral part of the Financial Statements.

These Financial Statements were approved by the board of directors on 20 April 2020 and were signed on its behalf by:



J S Sheridan
Director

Registered number: 07672785

Company balance sheet
as at 31 October 2019

	<i>Note</i>	2019		2018	
		£000	£000	£000	£000
Fixed assets					
Investments	13		2,016		2,016
			<u>2,016</u>		<u>2,016</u>
Current assets					
Debtors	15	852		1,004	
		<u>852</u>		<u>1,004</u>	
Total current assets					
Creditors: amounts falling due within one year	16	(136)		(209)	
Net current assets			716		795
			<u>716</u>		<u>795</u>
Total assets less current liabilities			2,732		2,811
			<u>2,732</u>		<u>2,811</u>
Creditors: amounts falling due after more than one year	17		(6,149)		(5,329)
			<u>(6,149)</u>		<u>(5,329)</u>
Net liabilities			(3,417)		(2,518)
			<u>(3,417)</u>		<u>(2,518)</u>
Capital and reserves					
Called up share capital	21		12		12
Share premium account	21		390		390
Profit and loss account			(3,819)		(2,920)
			<u>(3,819)</u>		<u>(2,920)</u>
Shareholders' deficit			(3,417)		(2,518)
			<u>(3,417)</u>		<u>(2,518)</u>

The attached notes form an integral part of the Financial Statements.

These Financial Statements were approved by the board of directors on 20 April 2020 and were signed on its behalf by:



J S Sheridan
Director

Registered number: 07672785

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance as at 1 November 2017	11	390	(217,983)	(217,582)
Loss for the year	-	-	(44,741)	(44,741)
Other comprehensive income	-	-	292	292
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive charge for the year	-	-	(44,449)	(44,449)
Issue of share capital	1	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 October 2018	12	390	(262,432)	(262,030)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance as at 1 November 2018	12	390	(262,432)	(262,030)
Loss for the year	-	-	(40,500)	(40,500)
Other comprehensive charge	-	-	(83)	(83)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive charge for the year	-	-	(40,583)	(40,583)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 October 2019	12	390	(303,015)	(302,613)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The attached notes form an integral part of the Financial Statements.

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance as at 1 November 2017	11	390	(2,287)	(1,886)
Loss for the year	-	-	(633)	(633)
Total comprehensive charge for the year	-	-	(633)	(633)
Issue of share capital	1	-	-	1
Balance at 31 October 2018	<u>12</u>	<u>390</u>	<u>(2,920)</u>	<u>(2,518)</u>

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance as at 1 November 2018	12	390	(2,920)	(2,518)
Loss for the year	-	-	(899)	(899)
Total comprehensive charge for the year	-	-	(899)	(899)
Balance at 31 October 2019	<u>12</u>	<u>390</u>	<u>(3,819)</u>	<u>(3,417)</u>

The attached notes form an integral part of the Financial Statements.

Consolidated statement of cash flows
for the year ended 31 October 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flows from operating activities			
Loss before tax for the year		(37,945)	(42,132)
Tax on loss		(2,555)	(2,609)
		<hr/>	<hr/>
Loss after tax for the year		(40,500)	(44,741)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	11,12	25,491	25,898
Interest receivable and similar income	7	(4)	(71)
Interest payable and similar charges	8	35,408	33,458
Profit on disposal of subsidiaries	4	(1,323)	-
Profit on disposal of trademark	4	(460)	-
Loss on disposal of tangible fixed assets	9	375	373
Decrease in trade and other debtors		25,317	427
Decrease in stocks		3,128	28,381
Decrease in trade and other creditors		(13,830)	(29,821)
Decrease in provisions		(26)	(609)
Tax paid		(1,760)	(547)
		<hr/>	<hr/>
Net cash inflow from operating activities		31,816	12,748
Cash flows from investing activities			
Disposal of subsidiaries (net of cash disposed)		2,311	-
Interest received		4	(4)
Acquisition of tangible fixed assets	12	(2,909)	(1,847)
Acquisition of other intangible assets	11	(5,739)	(1,740)
		<hr/>	<hr/>
Cash used in investing activities		(6,333)	(3,591)
Cash flows from financing activities			
Repayment of borrowings		(22,697)	(10,106)
Repayment of finance leases		(180)	-
Interest paid		(1,630)	(1,915)
		<hr/>	<hr/>
Net cash used in financing activities		(24,507)	(12,021)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		976	(2,864)
Cash and cash equivalents at 1 November		14,146	17,010
		<hr/>	<hr/>
Cash and cash equivalents at 31 October		15,122	14,146
		<hr/> <hr/>	<hr/> <hr/>

The attached notes form an integral part of the Financial Statements.

Notes

(forming part of the financial statements)

1 Accounting policies

(A) Corporate Information

Halcyon Topco Limited is a Company limited by shares and incorporated and domiciled in the United Kingdom. The principal activity of the Company is that of a holding company. The principal activities of the Group are the provision of complex home healthcare and speciality pharmacy services, and associated support to patients receiving treatment at home and in the community. The registered office is located at 107 Station Street, Burton-On-Trent, Staffordshire, DE14 1SZ.

The Group and Parent Company Financial Statements for the year ended 31 October 2019 ("these Financial Statements") were approved for issue by the Board on 20 April 2020.

(B) Basis of preparation

These Financial Statements have been prepared on the historical cost basis.

These Financial Statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard, applicable in the United Kingdom and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

The Parent Company is included in the Consolidated Financial Statements, and is considered to be a qualifying entity under FRS102 in respect of certain disclosures for the Parent Company Financial Statements have been applied: The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time; No separate Parent Company Cash Flow Statement with related notes is included; and Key Management Personnel compensation has not been included a second time; and certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

These Financial Statements are presented in pounds sterling, which is the Group's and Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these Financial Statements are in thousands of pounds sterling ("£000s").

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own Profit and Loss Account. The Company made a loss for the year of £899,000 (2018: £633,000).

(C) Going concern

The Group's principal risks and uncertainties are set out, under the heading 'Principal Risks and Uncertainties' on pages 4 – 6 of the Strategic Report. The Group's forecasts and projections, for 12 months from the signing of these financial statements, and taking into account reasonably possible changes in trading performance (including COVID-19 and Brexit, see below), show that the Group and the Company should be able to operate with its current available facilities, detailed in note 18 and that the Group and the Company have sufficient financial resources including unused loan facilities and assets that are expected to generate cash flow in the normal course of business to manage the reported net current liabilities position of £30,244,000 at 31 October 2019, which is driven by normal trading working capital movements.

The Group has net liabilities of £302,613,000 at 31 October 2019 due to Shareholder Loan Notes and Preference Shares totalling £315,047,000 of which the latter will be repayable on any exit or sale.

Subsequent to the end of the financial year the Group has agreed an extension of the Asset backed lending facility to May 2022 on the same terms to the existing facility. The Group has also restructured its capital base by converting a significant portion of Shareholder Loans into Preference Shares with a lower rate of interest payable and a one-year interest free period for the Group starting on 1 November 2019. Note 28 outlines the details of the restructuring.

COVID-19

The COVID-19 virus poses a risk to the Group as it does to the majority of businesses in the UK and beyond. The Group has put a dedicated team in place to review and monitor the risks to the business and ensure that mitigating actions and business continuity plans are in place. The major risk identified is the inability to deliver medicines to our patients, who depend on a scheduled delivery service. As a critical service provider we are working to secure additional

Notes (continued)

1 Accounting policies (continued)

(C) Going Concern (continued)

delivery resources including the use of alternative delivery routes in order to secure those services. We are also working closely with our suppliers to ensure that we have inventory at appropriate levels to maintain our delivery service.

The Group has modelled the severe but plausible impact of short-term operational disruption from COVID-19 (see Principal Risks and Uncertainties within the Strategic Report on Page 4) potential examples of which include staff absenteeism, changes to delivery scheduling and reduced nurse service provision to patients.

Brexit

The Group has modelled the financial impacts of Brexit in relation to increased inventories to cover a temporary supply disruption.

Evaluation of COVID-19 and Brexit

Taking the impact of COVID-19 and Brexit into account, the Group's cash flow projections have confirmed that it is able to manage the short-term timing issue that could present itself and continue trading within its current banking facilities.

As a consequence of the above, the Directors have a reasonable expectation that the Group and the Company are well placed to manage their business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these Financial Statements.

(D) Basis of consolidation

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings for the year ended 31 October 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the Consolidated Profit and Loss Account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

In the Parent Company Financial Statements, investments in subsidiaries are carried at cost less impairment.

(E) Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognises goodwill as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the Consolidated Balance Sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Notes (continued)

1 Accounting policies (continued)

(F) Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in Other Comprehensive Income.

(G) Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Group or Company are treated as equity only to the extent that they meet the following two conditions:

- (i) they include no contractual obligations upon the Group or Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group or Company; and
- (ii) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these Financial Statements for called up share capital and share premium account exclude amounts in relation to those shares.

(H) Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

(I) Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash generating units or group of cash generating units that are expected to benefit from the synergies of the business combination from which it arose.

Notes (continued)

1 Accounting policies (continued)

(I) Intangible assets and goodwill (continued)

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Costs include amounts capitalised in respect of the purchase of external products or services and the capitalisation of internal labour costs that are considered to be directly attributable to development of the asset.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Goodwill 10 years
- Software 5 years

The amortisation periods and methodology are reviewed when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 of FRS102, Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

(J) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Impairment of tangible fixed assets (including those leased under a finance lease) is reviewed at each reporting date.

Depreciation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Leasehold improvements Life of lease
- Fixture, fittings & equipment 5 years
- Medical equipment 5 years
- Motor vehicles (leased) Over the period of the lease

Assets under construction are transferred to fixed assets once the asset is ready and available for use. Depreciation commences upon transfer.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the consumption of the asset's future economic benefits are expected.

(K) Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes *(continued)*

1 Accounting policies *(continued)*

(K) Impairment excluding stocks and deferred tax assets *(continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit and loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the CGUs that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(L) Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

(M) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an charge in the Profit and Loss Account in the periods during which services are rendered by employees.

(N) Provisions

A provision is recognised in the Balance Sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date, discounted to present value.

Notes *(continued)*

1 Accounting policies *(continued)*

(N) Provisions *(continued)*

Where the Parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company treats the guarantee contract as a commitment in its individual Financial Statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(O) Turnover

Turnover represents the amounts invoiced (excluding value added tax) or accrued for the supply, delivery and administration of medical products. Turnover is recognised on the delivery of medical products and the delivery of nursing care, as the risks and rewards of ownership transfer to the buyer.

(P) Leased assets

Finance lease costs

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Operating lease costs

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease charge.

(Q) Interest receivable and interest payable

Interest receivable and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

(R) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in Equity or Other Comprehensive Income, in which case it is recognised directly in Equity or Other Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and charges in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or charge are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or charge.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

1 Accounting policies (continued)

(S) Adjusted items

The Group considers adjusted items to be those which derive from events or transactions which are significant for separate disclosure by virtue of their size or incidence in order for the user to obtain a full understanding of the Group's financial performance.

(T) Accounting estimates and judgements

Key sources of estimation uncertainty

In applying the Group's accounting policies, the Directors are required to make estimates, judgements and assumptions that affect amounts reported in these Financial Statements. The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions and other factors that are believed to be reasonable under the circumstances and are reviewed on a regular basis. Actual results may differ from these estimates.

The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are included in the following notes to the Financial Statements:

- Note 19 – Provisions

Provisions are inherently subjective and require management judgement in their calculation.

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 and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the Group's Accounting Policies

Revenue Recognition

The key judgement made by the Directors is that the Group acts as principal within its sales contracts since it procures and holds stock, takes the risk of stock loss and is responsible entirely for order fulfilment and invoicing, while taking on full credit risk. Turnover is therefore recognised on a gross basis in the financial statements.

Repayment of shareholder loan notes

The key judgement applied by the Directors is that the shareholder loan notes will be settled using the proceeds of a future sale of the Group. If a sale has not been transacted by the settlement date of those loan notes of 1 February 2022, the Directors are of the view that the loan notes will be renewed on similar terms to the current loan agreement as renegotiated subsequent to the end of the financial year (see note 29).

The Directors opinion is also that the current value of the Group, both on a value in use basis and an earnings multiple basis would be in excess of the current carrying value of the Shareholder loan notes.

2 Turnover

Turnover is derived from the Group's principal activities carried out in the following regions:

	2019	2018
	£000	£000
United Kingdom	1,243,888	1,590,371
Rest of Europe	295,899	305,713
Rest of World	1,507	-
	1,541,294	1,896,084
	1,541,294	1,896,084

The Directors have chosen not to disclose and state turnover by class of business, as in their opinion, it is considered to be seriously prejudicial to the interests of the Company.

Notes (continued)

3 Profit on disposal of subsidiary undertakings

On 14 August 2019, the Group disposed of its entire shareholdings in Healthcare at Home Europe B.V., Healthcare at Home Deutschland GmbH and Medizinische Handels-und Service GmbH for a collective consideration of £1,683,000, realising a profit on disposal of £1,323,000. On the same date it also sold a trademark in connection with the disposal of these subsidiary undertakings, recognising a profit on disposal of £460,000.

The sale of these operations has not been disclosed as discontinued on the face of the Profit and Loss Account as it is not considered to represent a separate major line of business or geographical area of operations.

4 Adjusted items

A summary of adjusted items in respect of the current and prior year is set out below:

	2019	2018
	£000	£000
<i>Sales:</i>		
Irrecoverable contract income	-	353
<i>Cost of sales:</i>		
Other	-	223
<i>Administrative (income)/ charges:</i>		
Profit on disposal of subsidiary undertakings	(1,323)	-
Profit on disposal of trademark	(460)	-
Professional fees in connection with group structure rationalisation and debt restructure	232	-
GDPR	-	439
Restructuring of support functions	397	1,275
Business transformation	51	-
Other	-	843
Taxation charge/ (credit) relating to adjusted items	210	(595)
	(893)	2,538

Further detail of adjusted items incurred during 2019 financial year is below:

On 14 August 2019, the Group disposed of its entire shareholdings in Healthcare at Home Europe B.V., Healthcare at Home Deutschland GmbH and Medizinische Handels-und Service GmbH and a trademark realising profits on disposal of £1,323,000 and £460,000 respectively.

During the year, the group rationalised its Group structure removing 12 non-trading entities. This exercise was completed on 6 November 2019 and as this was within the 7-day period allowed by the Companies Act 2006, these transactions have been reflected in these Financial Statements. Since the year end, the Group has also restructured the shareholder loan notes (as disclosed in note 29) and the costs associated with this have been included within non-recurring costs.

Restructuring costs of £397,000 (2018: £1,275,000) were incurred following a restructure of the business operations and a reduction of hierarchy within the organisation.

The Group has embarked on a business transformation journey incurring non-recurring, non-capital costs of £51,000.

The General Data Protection Regulation ("GDPR") came into effect in May 2018, the one-off implementation costs of this legislation were £nil (2018: £439,000).

Other adjusted items incurred in 2018 related to contractual termination payment following the decision to bring the procurement function in-house and irrecoverable balances held in overseas subsidiaries.

Notes (continued)

5 Remuneration of directors

	2019 £000	2018 £000
Directors' emoluments	1,323	1,177
Directors' compensation for loss of office	-	251
Group contributions to money purchase pension schemes	28	33
	1,351	1,461
	1,351	1,461

The aggregate emoluments of the highest paid Director were £362,558 (2018: £277,815) and Group pension contributions of £nil (2018: £nil) were made to a money purchase scheme on their behalf. Retirement benefits are accruing to 2 (2018: 4) Directors under money purchase schemes.

Fees paid to Vitruvian Partners LLP are disclosed separately in note 25: Related Party Transactions.

The Directors received no remuneration for their services to the Company during the year (2018: £nil). Costs are borne by another Group company and no recharge is made.

6 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	2019 Number	2018 Number
Distribution and nursing	907	864
Administration	645	601
	1,552	1,465
	1,552	1,465

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	51,262	48,057
Social security costs	5,719	6,082
Other pension costs (note 24)	1,766	1,761
	58,747	55,900
	58,747	55,900

7 Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable for other creditors	4	71
	4	71
	4	71

Notes (continued)

8 Interest payable and similar expenses

	2019	2018
	£000	£000
Interest on bank loans	1,630	1,915
Interest on shareholders' loans	32,130	29,838
Dividends accrued on preference shares classed as liabilities (note 21)	814	709
Amortisation of debt issue costs	640	671
Interest on finance leases	57	-
Interest on unwinding of discounted provision	137	45
Other	-	280
	35,408	33,458
	35,408	33,458

9 Loss before tax

	2019	2018
	£000	£000
<i>Loss before tax is stated after charging:</i>		
Loss on disposal of tangible fixed assets	375	373
Loss on foreign exchange	230	419
	605	792
	605	792
<i>Auditor's remuneration</i>		
<i>Audit services</i>		
Audit of Company financial statements	30	30
Audit of Halycon Midco Limited (Listed debt)	10	10
Audit of subsidiaries financial statements	114	89
	154	129
	154	129
<i>Non-audit services:</i>		
Tax compliance services (ie related to assistance with corporate tax returns)	112	93
Tax advisory services	65	84
	177	177
Services relating to taxation	177	177
Other assurance services	2	2
	179	179
	179	179
Total non-audit services	179	179
	179	179
Total fees paid to auditors	333	308
	333	308

Notes (continued)

10 Taxation

	2019 £000	2018 £000
<i>Current tax:</i>		
Current tax on income for the period	2,088	618
Adjustments in respect of prior periods	7	516
	<hr/>	<hr/>
Total current tax charge	2,095	1,134
	<hr/>	<hr/>
<i>Deferred tax:</i>		
Current year	464	1,419
Adjustments in respect of prior periods	(4)	56
	<hr/>	<hr/>
Total deferred tax charge	460	1,475
	<hr/>	<hr/>
Total tax charge	2,555	2,609
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Loss after tax	(40,500)	(44,741)
Tax on loss	2,555	2,609
	<hr/>	<hr/>
Loss before tax	(37,945)	(42,132)
	<hr/> <hr/>	<hr/> <hr/>
Current tax at 19% (2018: 19%)	(7,210)	(8,005)
	<hr/>	<hr/>
<i>Effects of:</i>		
Non-deductible charges for tax purposes	4,050	4,461
Interest disallowable on shareholder loan notes	6,105	5,669
Deferred tax not recognised	(661)	(1)
Difference tax rates of overseas subsidiaries	323	81
Adjust opening deferred tax to reconciliation rate	-	(168)
Adjustments to deferred tax asset due to tax rate changes	(55)	-
Adjustment in respect of prior periods – current tax	7	516
Adjustment in respect of prior periods – deferred tax	(4)	56
	<hr/>	<hr/>
	2,555	2,609
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on 26 October 2016, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 October 2019 has been calculated based on these rates.

Notes (continued)

10 Intangible fixed assets

	Software	Goodwill	Assets Under Construction	Total
	£000	£000	£000	£000
Cost				
At 1 November 2018	18,840	193,297	-	212,137
Additions	22	-	5,717	5,739
Disposals	(1,203)	(2,707)	-	(3,910)
Movement in foreign exchange translation	(12)	14	-	2
Reclassification from tangible fixed assets	1,745	-	-	1,745
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2019	19,392	190,604	5,717	215,713
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated amortisation				
At 1 November 2018	10,537	127,943	-	138,480
Charge for the year	2,978	19,410	-	22,388
Disposals	(763)	(2,030)	-	(2,793)
Movement in foreign exchange translation	(7)	13	-	6
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2019	12,745	145,336	-	158,081
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 October 2019	6,647	45,268	5,717	57,632
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 October 2018	8,303	65,354	-	73,657
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The goodwill is being amortised over a life of 10 years. The amortisation charge is recognised in administrative charges in the Profit and Loss Account.

Notes (continued)

11 Tangible fixed assets

	Leasehold improvements £000	Fixtures and fittings £000	Medical equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost						
At 1 November 2018	7,030	12,446	3,535	8	496	23,515
Additions	-	613	62	3,286	2,336	6,297
Disposals	(575)	(1,505)	(26)	-	-	(2,106)
Movement in foreign exchange translation	-	16	1	-	-	17
Reclassification to intangible fixed assets	-	-	-	-	(1,745)	(1,745)
Reallocations	315	169	120	-	(604)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2019	6,770	11,739	3,692	3,294	483	25,978
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation						
At 1 November 2018	2,539	9,550	2,421	8	-	14,518
Charge for the year	669	1,720	499	215	-	3,103
Disposals	(438)	(1,393)	(25)	-	-	(1,856)
Movement in foreign exchange translation	-	5	-	-	-	5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2019	2,770	9,882	2,895	223	-	15,770
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 October 2019	4,000	1,846	797	3,071	483	10,208
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2018	4,491	2,896	1,114	-	496	8,997
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net carrying amount of assets held under finance leases included in motor vehicles is £3,071,000 (2018: £nil). Depreciation charged on those leased assets was £214,481 (2018: £nil)

Notes (continued)

12 Investments

Company	Total £000
Cost	
At beginning and end of the year	<u>2,016</u>

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

Subsidiary	Aggregate of capital and reserves £000	Profit/ (loss) for the year £000	Country of incorporation	Principal activity	Class of share held	% of share held
<i>Direct subsidiaries</i>						
Halcyon Midco Limited	(3,042)	(4,800)	England (A)	Holding company	Ordinary	100%
<i>Indirect subsidiaries</i>						
Halcyon Financing Limited	2,016	-	England (A)	Holding company	Ordinary	100%
Halcyon Acquisitions Limited	(115,524)	28,084	England (A)	Holding company	Ordinary	100%
HAH Holding (Europe) B.V.	-	(28,453)	Netherlands (A)	Holding company	Ordinary	100%
Medicines Intelligence Limited (formerly Hospice at Home Limited)	-	-	England (A)	Dormant company	Ordinary	100%
Healthcare at Home (Europe) Limited	(104)	85	England (A)	Holding company	Ordinary	100%
HTHC High Tach Homecare AG	6,083	(13)	Switzerland (B)	Nursing services	Ordinary	100%
Lerchengarten Apotheke AG	517	103	Switzerland (B)	Distribution of medical supplies	Ordinary	100%
Novo Supply AG	713	661	Switzerland (B)	Wholesale of pharmaceuticals	Ordinary	100%
Healthcare at Home (Netherlands) B.V. (formerly ABC Logistics B.V)	2,323	591	Netherlands (E)	Distribution of pharmaceutical products	Ordinary	100%
Healthcare at Home Italia SRL	9	1	Italy (D)	Dormant company	Ordinary	100%
Argonaut Topco Limited	(13,574)	66,018	England (A)	Holding company	Ordinary	100%
Argonaut Midco Limited	285,080	(2,099)	England (A)	Holding company	Ordinary	100%
Argonaut Bidco Limited	-	(193,982)	England (A)	Holding company	Ordinary	100%
EGX Limited	-	(34,864)	England (A)	Holding company	Ordinary	100%
EGX Group Limited	-	(6,462)	England (A)	Holding company	Ordinary	100%
Healthcare at Home Speciality Pharmaceuticals Limited	-	(4,371)	England (A)	Dormant company	Ordinary	100%
HAH Deutschland GmbH	27	(1)	Germany (C)	Dormant company	Ordinary	100%
Healthcare at Home Ltd	149,068	13,483	England (A)	Provision of healthcare services and the distribution of medical supplies	Preference	100%
Inventive Solutions Limited	-	(655)	England (A)	Dormant company	Ordinary	100%
Healthcare at Home Trustees Limited	-	-	England (A)	Dormant company	Ordinary	100%
Applied Dispensary Services Limited	-	(543)	England (A)	Dormant company	Ordinary	100%
Medical Visits Limited	-	-	England (A)	Dormant company	Ordinary	100%
Medihome Limited	393	4	England (A)	Provision of healthcare services	Ordinary	100%
Sciensus2 Limited (formerly Sciensus Ltd)	-	(107)	England (A)	Dormant company	Ordinary	100%
Sciensus Ltd (formerly Sciensus2 Limited)	-	-	England (A)	Dormant company	Ordinary	100%
Intellimedica Limited (formerly InterMed Limited)	-	-	England (A)	Dormant company	Ordinary	100%
Refer2Us Limited	-	(669)	England (A)	Dormant company	Ordinary	100%

- (A) The registered office is located at 107 Station Street, Burton-On-Trent, Staffordshire, DE14 1SZ.
 (B) The registered office is located at Buonaserstrasse 30, CH-6343 Rotkreuz, Switzerland.
 (C) The registered office is located at Bergstraße 31, 69469 Weinheim, Germany
 (D) The registered office is located at Via Rossetti 9, Milan, Italy.
 (E) The registered office is located at Bijsterhuizen 3142, 6604LV Wijchen

Notes (continued)

13 Investments (continued)

On 14 August 2019, the Group disposed of its entire holdings in Healthcare at Home Europe B.V., Healthcare at Home Deutschland GmbH and Medizinische Handels-und Service GmbH for a collective consideration of £1,683,000, realising a profit on disposal of £1,323,000.

The Company indirectly acquired 100% of Intellimedica Limited (formerly IntelMed Limited) on 10 October 2019 and Sciensus Ltd (formerly Sciensus2 Limited) on 28 October 2019.

On 20 November 2019, Argonaut Topco Limited, Argonaut Midco Limited, Argonaut Bidco Limited, EGX Limited and EGX Group Limited, all being indirect subsidiaries of the Company, incorporated in England, were put into Members Voluntary Liquidation.

On 23 November 2019, Applied Dispensary Limited, Inventive Solutions Limited, Sciensus2 Limited, Medical Visits Limited, Healthcare at Home Trustees Limited, Healthcare at Home Specialty Pharmaceuticals Limited and Refer2Us Limited, all being indirect subsidiaries of the Company, incorporated in England, were put into Members Voluntary Liquidation.

On 28 November 2019, HAH Holding (Europe) B.V., an indirect subsidiary of the Company, incorporated in Netherlands, was put into Members Voluntary Liquidation.

13 Stock

	2019 £000	2018 £000
Medical supplies and consumables	54,180	57,371
	54,180	57,371

Medical supplies and consumables recognised as cost of sales in the year amounted to £1,428,693,000 (2018: £1,788,123,000). The write-down of stocks to net realisable value amounted to £630,000 (2018: £1,385,000). The reversal of write-downs amounted to £nil (2018: £nil). The write-down and reversal are included in cost of sales

14 Debtors

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade debtors	159,230	214,779	-	-
Amounts owed by Group undertakings	-	-	852	930
Deferred tax asset (note 20)	663	1,123	-	-
Other debtors	55,318	35,134	-	74
Prepayments and accrued income	5,511	7,058	-	-
	220,722	258,094	852	1,004

There are no debtors falling due after more than one year (2018: £nil).

Notes (continued)

15 Creditors: amounts falling due within one year

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade creditors	310,015	336,895	-	-
Finance leases (note 18)	899	-	-	-
Amounts owed to Group undertakings	-	-	-	209
Corporation tax	964	657	-	-
Taxation and social security	1,041	1,881	-	-
Other creditors	91	502	-	-
Accruals and deferred income	7,258	7,430	136	-
	<u>320,268</u>	<u>347,365</u>	<u>136</u>	<u>209</u>

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Secured bank loan (note 18)	22,225	44,713	-	-
Finance leases (note 18)	2,365	-	-	-
Shareholder loans (note 18)	308,898	276,342	-	-
Preference shares classified as debt (note 18,21)	6,149	5,329	6,149	5,329
	<u>339,637</u>	<u>326,384</u>	<u>6,149</u>	<u>5,329</u>

17 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Creditors: amounts falling due after one year				
Secured bank loan	22,225	44,713	-	-
Shareholder loans	308,898	276,342	-	-
Preference share classified as debt	6,149	5,329	6,149	5,329
Finance leases	3,264	-	-	-
	<u>340,536</u>	<u>326,384</u>	<u>6,149</u>	<u>5,329</u>
Creditors: amounts falling due within one year				
Amounts owed to Group undertakings	-	-	-	209

Notes (continued)

18 Interest bearing loans and borrowings (continued)

Group – terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Secured bank loan	GBP/ EUR	LIBOR + 2.25% -2.75%	2021	Due at maturity	22,225	44,713
Shareholder loans		LIBOR + 8.25% -12%	2022	Due at maturity	308,898	276,342
Preference shares classified as debt	GBP	15.25%	Earlier	of redemption or exit event	6,149	5,329
Finance leases	GBP	7.5%	2022	Monthly instalments	3,264	-
					340,536	326,384

Company – terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Preference shares classified as debt	GBP	15.25%	Earlier	of redemption or exit event	6,149	5,329
Amounts due to Group undertakings	GBP/EUR	LIBOR + 8.5% 12%	At call	At call	-	209
					6,149	5,538

Asset backed lending facility (included in secured bank loan above)

On 1 February 2012, the Group drew down against a multi-currency asset backed lending facility, which is secured against certain trade debtors of the Group. The facility expires in 2021 and interest is payable at a rate of 2.25% - 2.75% above LIBOR. Subsequent to the end of the financial year the Company has agreed an extension of the Asset backed lending facility to May 2022 on the same terms to the existing facility.

Shareholder loans

The shareholders invested £132,641,055 of loan notes on 1 February 2012. The loans are repayable in full on 1 February 2022 or earlier upon the occurrence of a sale or listing of the Company, in which case the redemption amount is reduced pro rata. Interest is accruing on the loans at rates between 8.5% above LIBOR and 12.0%.

On 18 December 2019 as part of a restructuring of its Capital base £263,417,149 of Shareholder loans were discharged in exchange for new Preference Shares equivalent to 65% of the face value of those Shareholder Loan Notes. Interest will be payable on the new Preference Shares at 10% after the completion of a one-year interest free period starting on 1 November 2019.

Preference shares

The non-equity cumulative preference shares have been presented as liabilities. The classification as a liability was on the basis that the cumulative preference shares had a contracted right to a fixed cumulative dividend at a rate of 15.25% per annum. The fixed dividend is rolled up and compounded annually to be paid on the earlier of redemption or an exit event. On 18 December 2019 the interest rate payable reduced from 15.25% to 10%, payable after the completion of a one-year interest free period starting on 1 November 2019.

Notes (continued)

18 Interest bearing loans and borrowings (continued)

Finance leases

The finance leases primarily relate to transportation equipment used in the Group's distribution operations and are secured against the assets subject to the agreement. There are no contingent rental, renewal or purchase option clauses. The future minimum finance lease payments are as follows:

	2019 £000	2018 £000
Group		
No later than one year	1,057	-
Later than one year and not later than five years	2,473	-
Deferred tax not recognised		
Total gross payments	3,530	-
Less: finance charges	(266)	-
Carrying amount of liability	3,264	-

19 Provisions for liabilities and charges

	£000
Lease dilapidations	
At 1 November 2018	546
Utilised	(36)
Charge in the year	8
Interest unwinding	54
At 31 October 2019	572

The provision for lease dilapidations represents the Directors' estimate of the cost of restoring leasehold properties to their original state at the end of the leases, and is expected to be utilised between 2020 and 2036.

20 Deferred tax asset

Deferred tax assets and liabilities are attributable to the following:

Group	2019			2018		
	Assets £000	Liabilities £000	Total £000	Assets £000	Liabilities £000	Total £000
Accelerated capital allowances	595	-	595	901	-	901
Other timing differences	68	-	68	58	-	58
Losses	-	-	-	164	-	164
	663	-	663	1,123	-	1,123

The Group has an unrecognised deferred tax asset of £50,000 at 17% (2018: £956,000 at 17%) which arose on losses carried forward. The future use of these losses is uncertain.

Notes (continued)

21 Capital and reserves

Group and Company

	2019 £	2018 £
8,750,000 'A' ordinary shares of £0.001 each	8,750	8,750
1,520,580 'B' ordinary shares of £0.001 each	1,521	1,521
160,061 'C' ordinary shares of £0.001 each	160	160
1,100,000 deferred shares of £0.001 each	1,100	1,100
2,048,084 cumulative preference shares of £1 each	2,048,084	2,048,084
	2,059,615	2,059,615
	2,059,615	2,059,615
Shares classified as Shareholders' Funds	11,531	11,531
Shares classified as Liabilities	2,048,084	2,048,084
	2,059,615	2,059,615
	2,059,615	2,059,615

On incorporation, 8,750,000 'A' and 1,100,000 'B' ordinary shares each with a nominal value of 0.1p were authorised. One ordinary share was allotted and fully paid. On 1 February 2012, the authorised share capital was amended to that shown above. The shares were purchased at a premium of £291,250 for the 'A' ordinary shares, £92,900 for the 'B' ordinary shares and £5,850 for the 'C' ordinary shares. In June 2012, a further 150,000 'C' ordinary shares with a nominal value of 0.01p were allocated and fully paid.

On 4 August 2016 the rights attaining to 1,100,000 issued 'B' shares of nominal value 0.1p were varied by the re-designation of these shares as 1,100,000 deferred shares of 0.1p each. These shares do not allow the holder to vote or to receive dividends or distributions. The deferred shares are liable to be redeemed at the option of the Company.

On 17 August 2016 the Company allotted 800,306 'B' ordinary shares at a nominal value of 0.1p and 10,061 'C' ordinary shares at a nominal value of 0.1p.

On 14 September 2017 and 22 December 2017, the Company allotted 80,031 and 640,243 'B' ordinary shares respectively at a nominal value of 0.1p.

Reconciliation of shares classified as liabilities to creditors due after more than one year:

	2019 £000	2018 £000
Nominal value of preference shares	2,048	2,048
Interest accrued	4,115	3,301
Unamortised finance charges	(14)	(20)
	6,149	5,329
	6,149	5,329

Preference shares

The non-equity cumulative preference shares have been presented as liabilities. The classification as a liability was on the basis that the cumulative preference shares had a contracted right to a fixed cumulative dividend at a rate of 15.25% per annum. The fixed dividend is rolled up and compounded annually to be paid on the earlier of redemption or an exit event.

Share premium account

The balance classified as share premium relates to the aggregate net proceeds less nominal value of shares on issue of the Company's equity share capital.

Notes (continued)

22 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2019 £000	2018 £000
Assets measured at amortised cost	15,122	14,146
Amounts measured at cost less impairment	159,230	214,779
Liabilities measured at amortised costs	649,652	663,279
	<u> </u>	<u> </u>

23 Operating leases

Non-cancellable operating leases rentals are payable as follows:

Group	2019		2018	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<i>Operating leases which expire:</i>				
Within one year	1,445	1,519	1,392	2,432
In the second to fifth years inclusive	4,105	2,086	4,790	2,257
Over five year	4,144	-	9,879	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	9,694	3,605	16,061	4,689
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the year £4,889,000 (2018: £4,992,000) was recognised as a charge in the Profit and Loss Account in respect of operating leases.

24 Employee benefits

The Group operates a number of defined contribution pension schemes. The pension cost charged in the Profit and Loss Account represents contributions payable by the Group to the schemes and amounted to £1,766,000 (2018: £1,761,000).

25 Related party transactions

Transactions with key management personnel

Total compensation of key management personnel (including the Directors) in the year amounted to £1,407,000 (2018: £1,461,000). Included in the Financial Statements are the following costs for services provided by key management, Group shareholders and their affiliates (as at 31 October 2019):

Directors' services

	2019 £000	2018 £000
Vitruvian Partners LLP	85	73
Palladian Investment Partners LLP	37	-
Estera Trust (Jersey) Limited	11	7
Hutton Collins Partners LLP	-	14
Fram Investment Partners Limited	-	21
	<u> </u>	<u> </u>
	133	115
	<u> </u>	<u> </u>

During the year the company incurred management charges from the above Group shareholders and their affiliates. At year-end £18,000 (2018: £8,000) was outstanding and included within Creditors. On 31 December 2018, Hutton Collins Partners LLP sold their investment in Halcyon Topco Limited to Erebus Holdings LP. The services of D Oppenheim are provided by Palladian Investment Partners LLP (2018: From Investment Partners Limited).

Notes (continued)

26 Commitments

	2019	2018
	£000	£000
Contracted but not provided for		
Tangible fixed assets	2,589	-
Intangible fixed assets	4,281	-
	6,870	-
	6,870	-

Cross-guarantees in respect of the Group's bank borrowings, which amounted to £22,225,000 at 31 October 2019 (2018: £44,713,000) have been provided by a number of companies within the Group. The Group's bank borrowings are secured against certain trade debtors of the Group. The bank borrowings are further secured by a fixed and floating charge over the assets of the companies providing the cross-guarantee.

27 Ultimate control

The Company is the ultimate Parent Company of the Group, and is incorporated in England and Wales. The majority of the issued share capital of the Company is ultimately held by VIP I Nominees Limited on behalf of investors in the Vitruvian Investment Partnership I. The Vitruvian Investment Partnership I is managed by Vitruvian Partners LLP and is deemed to be the ultimate controlling party. No other Group Financial Statements include the results of the Company.

28 Post balance sheet events

Restructuring

On 18 December 2019 as part of a restructuring of its Capital base £263,417,149 of Shareholder loans were discharged in exchange for new Preference Shares equivalent to 65% of the face value of those Shareholder Loan Notes. Interest will be payable on the new Preference Shares at 10% after the completion of a one-year interest free period starting on 1 November 2019. All Preference Shares are repayable on an exit or sale.

On 18 December 2019 the Company purchased at nil consideration all existing 'B' and 'C' ordinary shares. The 'B' and 'C' ordinary shares were then cancelled. The Company then issued 1,579,269 new 'B' ordinary shares of nominal value 0.1p and 59,411 new 'C' ordinary shares of nominal value 0.1p. The 'B' ordinary shares were allotted at a value of 41p each and the 'C' ordinary shares were allotted at a value of 28p each. The excess over nominal value was added to Share Premium.

Impact of Covid-19

The Financial Statements are prepared based on circumstances as at 31 October 2019, with recent developments as a result of COVID-19 considered a non-adjusting subsequent event.

The Group plays a significant role in the UK and other markets in the provision of medicines and nursing services to more than 190,000 patients.

The Group continues to monitor ongoing COVID-19 developments and the potential impact to the business. Whilst the timing and extent of the impact of the virus is uncertain, the Group has activated its Disaster Recovery and Business Continuity plans and a dedicated team is in place to review and monitor the risks to the business and ensure that mitigating actions are in place. The key requirement for the business is maintaining its delivery to patients, who otherwise would increase the burden on the NHS.

The Group remains committed to ensuring the ongoing service delivery to its patient base.

The financial impact of COVID-19 to the business is limited to date and there has been little impact on patient service delivery. The Group expects to incur additional costs in the short term to ensure that delivery but the level of those

Notes *(continued)*

28 Post balance sheet events *(continued)*

costs is not expected to impact the meeting of its banking covenants and liquidity is expected to remain above the levels required to support the Group's day to day activities.

The Directors have not made a formal evaluation of the impact of COVID-19 on the recoverability of assets held as reported in the Balance Sheet as at 31 October 2019, but as at the date of signing the financial statements do not expect an adverse effect on those assets to arise. However, further escalation of the COVID-19 pandemic has the potential to impact the carrying value of Intangible assets, Tangible assets and Investments in Subsidiary companies.