Halcyon Topco Limited

Annual report and consolidated financial statements
For the period ended 31 March 2021
Registered number 07672785

Contents

Company information

Directors	G Reyes D Oppenheim Vitruvian Directors I Limited Vitruvian Directors II Limited D Gibson J S Sheridan P Nicklin FAH Harvey J M Richard
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 17 months ended 31 March 2021 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 2019.

Strategic report

The Directors present their Strategic Report for the period ended 31 March 2021. The previous year end was 31 October but the accounting period was extended both to align the business with one of its largest stakeholders, the NHS, and to ensure the newly implemented accounting system was fully embedded. The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal Activities

The principal activities of the Group are the provision of complex pharmacy services, serving the medication needs of over 200,000 chronically ill patients in their homes, end to end solutions for Biotech companies seeking access to the fast-growing European rare disease medicines market and privately funded home cancer treatment, from in-house aseptic compounding to chemotherapy nursing.

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 period.

Business Model

The Group employs over 1,600 people, over 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 dedicated to helping each and every patient make the most of their medicine. The Group uses unparalleled insights, cutting-edge research and smart, intuitive technology to connect with patients digitally and personally support their needs.

In such an environment, the Group's products and services remain very well positioned and increasingly attractive to the Pharmaceutical sector, NHS, and Health Insurers across the UK and Europe.

The Group works with its partners to:

- improve patient outcomes
- improve capacity in health systems
- provide insight to improve patient experience

The Group partners with approximately 60 pharmaceutical companies, managing over 200,000 diverse patients.

With 30 years of experience, the Group has delivered a high standard of patient support, 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 to empower patients by giving them control of their health through knowledge, choice, convenience and connection.

To achieve our mission, the Group has created a set of values which shape who we are, what we stand for

- we are Passionate about every patients health
- we are Ambitious to be the best
- Together we win

In July 2021 Healthcare at Home rebranded to Sciensus to better reflect how we leverage our unique data platform with 30 years of experience and more than 70 million patient interactions, to give an unrivalled understanding of the relationship between patients and their medicine.

At Sciensus, as a leading Pharma Services Company, we have built our strategy on three key pillars. Firstly, and most importantly we believe that Patient Centricity is key to all stakeholders within the life sciences sector and as a result we are striving to increase patient empowerment through knowledge, choice and convenience. Our second pillar is all about doing the basics brilliantly and consequently we have made a considerable investment in staff and infrastructure, including an enterprise-wide IT re-platforming. The resulting KPI performance then licences us to have meaningful

Strategic report *(continued)*

Strategy and Objectives *(continued)*

negotiations on how Sciensus might Add Value, the third pillar of our strategy. Examples include the provision of full turn-key solutions for US Bio-techs looking to enter the European Rare Disease market or the use of our new best in class aseptic compounding unit for our Home Chemotherapy service, as well as for Pharma companies seeking to add value to their oncology offer to the NHS. Perhaps most exciting is the digital bridge that we are building with the more than 200 thousand patients we serve - generating insight, engagement and guidance with an offering that will reach far beyond this population.

Business Review

The extended financial period of 17 months ended 31 March 2021 has been another exciting period for the business. We continually strive to deliver excellent and inspirational support that empowers our patients utilising the latest technologies for all of our 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 15 onwards.

The Group has performed strongly in the period, despite exceptional challenging conditions being Covid-19 pandemic and go live of part of our transformation programme, transitioning to a complete holistic new financial operational system for the business. Despite this during the 17 month period 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.

Based on recurring figures, turnover for the period was £2,305.5m, compared to the prior year turnover of £1,541.3m. When annualising the 17 month figures for a 12 month comparison, this shows an increase in turnover of £86m (6%).

Gross Profit for the period was £163.3m compared to the prior year of £115.8m. Annualising this for a 12 month comparison shows margin has remained stable as turnover grows.

Operating profit before goodwill and adjusted items was £21.1m (2019: £15.8m) with an annualised figure slightly below 2019 levels due to increased distribution and administrative costs. Distribution costs were £39.8m (2019: £34.0m). As a 12 month comparative these have improved by £5.9m. Administrative expenses were £103.9m (2019: £66.0m) whilst the 12 month comparison shows an increase of £7.4m. The overall increase largely relates to additional costs incurred attributable to Covid 19.

A continued improvement in cash generation during the period enabled the Company to repay £4.7m towards its bank borrowings and as a result comparatively reduced its interest payable on bank borrowing (further details in note 7), as well as achieving a positive net cash position for the busines.

The Company has incurred one off adjustments which increased the loss before tax by £7.0m (2019: reduced loss before tax by £1.1m) with further details provided in note 3. These predominantly included the impact of the Business transformation programme and the implementation of the Management Incentive scheme.

Strategic report *(continued)*

Financial Review *(continued)*

After interest payments and one off costs, the loss for the financial year after taxation is £49.5m (2019: £40.5m), which has been transferred to consolidated reserves.

The Company's investment in its digital agenda is progressing well, with significant investment during the period as the transformation programme went live. Costs incurred in the period are included as software within Intangible fixed assets.

Principal Risks and Uncertainties

COVID-19 pandemic – this has made the past year a very challenging time for all businesses, individuals and the NHS. The Group's major risk identified was the inability to provide medication to over 200,000 patients, However, over the course of the pandemic the Group put a dedicated team in place to review and monitor the risks to the business and ensure that mitigating actions and business continuity plans were in place. The business performed well over this period with none of the major risks materialising. The Group incurred some additional expenditure in order to prepare the business to deal with the remote working and new challenges faced by the pandemic but it does not expect to incur any further material expenditure in relation to future outbreaks of the virus.

CQC Inspection - on 26 November 2020 Healthcare at Home were subject to an unannounced CQC focussed inspection. The CQC published their inspection report on 14 May 2021 with their findings downgrading Healthcare at Home's Ltd rating from Good to Inadequate. The CQC imposed a number of conditions on its license, which were met at all times.

The inspection results and concerns were time bound and due to the initial Go live of the transformation project. During the period of operational disruption, Healthcare at Home had communicated effectively to all key partners including NHS, Pharma and Private customers, investors, banks and suppliers, which meant that all our key partners were fully aware of the situation. As a result of this communication and the fact that the business had returned to a better than previous level of operation, the downgrade has had little impact on our business.

An unannounced re-inspection took place on 27 July 2021. This was focussed on improvements made since the last inspection and concerns raised following that inspection. The CQC published their report on 29 October 2021 with their findings improving Healthcare at Home's Ltd rating and raising it from 'Inadequate' to 'Good'.

Healthcare at Home have seen no reason or result to suggest this has or will have a damaging impact on the expected performance of the Company and continues to move forward with all its plans.

Information security - failure to adequately prevent or respond to a data breach or cyber attack could adversely impact our reputation and cause significant disruption to operations. To mitigate against this we have a dedicated Information Security team, supported by a 24 hour Security Operation centre and Incident management. Information security and data protection policies are in place, with mandatory training for all colleagues. Security is also embedded throughout the digital product lifecycle.

Regulatory challenges - the international nature of our business creates regulatory challenges, where failure to comply with anti-bribery and other governmental laws (whether directly or through acts of others, intentionally or through inadvertence) could, among other things, harm our reputation. While our staff are trained on the Foreign Corrupt Practices Act, the United Kingdom Bribery Act and other anti-corruption laws and we have procedures and controls in place tc monitor compliance, situations outside of our control may arise that could potentially put us in violation of these regulations and thus negatively impact our business. Within the group we have ethics policies which mandate rules of conduct to all employees, including all senior executives and directors. We maintain a confidential telephone and web-based hotline where employees can seek guidance or report potential violations of laws, Halcyon Topco policies or rules of conduct. Policies are available on our Intranet "The Hub" within the document management system.

Strategic report *(continued)*

Principal Risks and Uncertainties *(continued)*

Technology and digital capability - a failure to simplify and improve our core technology, enhance our digital capabilities and reduce our dependency on legacy systems could limit our ability to keep pace with market competition and customer expectations, potentially impacting shareholder value. We are continuing on our business transformation journey, increasing the shift to cloud based technology and have successfully implemented a new ERP system and launched the Connect Health App, which will significantly enhance our patients' experience as this is rolled out across the business.

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 also 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.

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.

Strategic report *(continued)*

Statement by the directors in performance of their statutory duties in accordance with Section 172 of the Companies Act 2006

The Companies (Miscellaneous) Reporting Regulations 2018 introduced a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the directors of Halycon Topco Limited are required to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

The directors acknowledge and understand their duties and responsibilities, including that, under section 172 of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) The likely consequences of any decision in the long term;
(b) The interests of the Group's employees;
(c) The need to foster the Group's business relationships with suppliers, customers and others;
(d) The impact of the Group's operations on the community and the environment;
(e) The desirability of the Group maintaining a reputation for high standards of business conduct; and
(f) The need to act fairly as between members of the Group.

The Group's objective is to build a growing, sustainable, profitable and cash generative business which consistently provides returns on capital employed significantly ahead of its cost of capital, through digitisation, through empowerment of patients and commitment to the values of Passion, Ambition and "Together we win".

The Group has built leading market positions by understanding its target industry sectors and applying extensive expertise to design and implement customised patient care solutions that address industry-specific supply chain requirements. Halycon's knowledge of supply chain functions and sector expertise allow the Group to develop more cost-effective solutions for them, create competitive advantages for its customers, and put Halycon in a strong position to grow its business for the long term.

Stakeholder Relationships and Engagement

Engaging with our stakeholders and continually working towards strengthening these relationships is fundamental to the long-term success of the Group. We are focused on maintaining effective working relationships with all stakeholders, including shareholders, customers, suppliers, regulatory authorities and our employees. We align these stakeholder relationships with the Group's purpose. This is evidenced by documents and practices such as the ethics guide, supplier code of conduct, and the whistle-blowing policy. We have developed strong relationships with both customers and suppliers by adopting contractual agreements and having approval processes in place.

Colleagues

Our colleagues are key to the achievement of our growth and we build positive relationships with each other, our healthcare partners and the patients we serve, respecting our differences and working hard to make sure everyone's engaged, motivated, developed, rewarded and recognised.

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;
- support, encourage and continually develop our teams, offering powerful, flexible training programmes. These include professional, leadership, self-development and apprenticeship programmes, as well as digital development, continuous improvement and clinical and role-based skills training; and
- engagement of colleagues through involvement and effective internal two-way communication to keep them informed and involved. 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 of information and ideas.

Strategic report *(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.

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 ongoing 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. Halycon is 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.

Energy Use and Carbon footprint

The following is a summary of the energy use and associated carbon footprint of Halycon Topco Limited during the period

Energy consumption used to calculate emissions (kWh)	**44,049,543**
Energy consumption breakdown (kWh)	Apr 2020 – Mar 2021
• Grid Electricity	1,461,673
• Natural Gas	1,009,538
• Company Fleet (Diesel)	21,924,837
• Company Fleet (Unleaded petrol	19,563,495
Scope 1 emissions in metric tonnes CO_2e	Apr 2020 – Mar 2021
• Natural gas	205
• Company Fleet (Diesel)	5517
• Company fleet (Unleaded Petrol)	4761

Strategic report *(continued)*

Energy Use and Carbon footprint ***(continued)***

Scope 2 emissions in metric tonnes CO_2e	Apr 2020 – Mar 2021
• Grid electricity	310

Scope 3 emissions in metric tonnes CO_2e	Apr 2020 – Mar 2021
• Electricity T & D	27

Total Gross emissions in metric tonnes CO_2e	**10,822**
Intensity ratio t CO_2e per No. of Employees 2020 – 2021	6.18

This Carbon Footprint has been calculated in line with the Greenhouse Gas (GHG) Protocol Emission Scopes to ensure compliance with the SECR requirements. The government issued "Greenhouse gas reporting: conversion factors 2021" conversion figures for CO_2e were used along with the figures to determine the kWh. Due to the absence of data, the fuels used is from 30/09/19- 29/09/20. It was estimated that the fuel used during this period is similar to the reporting year.

Emissions are categorised into three groups or 'scopes':

- Scope 1: Direct emissions that result from activities within your organisation's control. This might include on-site fuel combustion, manufacturing and process emissions, refrigerant losses and company vehicles.
- Scope 2: Indirect emissions from any electricity, heat or steam you purchase and use. Although you are not directly in control of the emissions, by using the energy you are indirectly responsible for the release of CO2.
- Scope 3: Any other indirect emissions from sources outside your direct control. Examples of scope 3 emissions include purchased goods and services, use of sold goods, employee commuting and business travel, outsourced transportation, waste disposal and water consumption.

Creating a carbon footprint is an essential first step in developing a carbon reduction strategy and is key to understanding the scale of the challenge, focussing efforts on the most impactful activities.

Halycon Topco Limited are reporting upon all of the required fuel sources as per SECR requirements. Sites: Aberdeen, Glasgow Washington, Brandon, Kings Langley, Plymouth, and Bolton did not have gas during the reporting period. The Southampton, (Eastleigh) site only became operational in January 2021, it does have gas, but the data was not available during the reporting period.

Strategic report *(continued)*

Energy Use and Carbon footprint *(continued)*

Measures taken to improve energy efficiency

The Group continues to strive for energy and carbon reduction arising from their activities. During this reporting period, the Group have:

- Reduced capacity at Head Office from 600 colleagues to approximately 100 due to COVID 19. Therefore, no unnecessary energy was consumed.
- Trialling 1 electric hybrid vehicle.
- Trialling 2 solar powered electric fridge units fitted to vans.
- Installed LED PIR lighting at Featherstone site.
- Upgraded the Cold Room Plant in Burton, our largest distribution site.

The Strategic Report was approved and authorised for issue by the Board and was signed on its behalf on 26 November 2021.

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 period ended 31 March 2021. 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:

P Nicklin
D Gibson
S Sheridan
D Oppenheim
Vitruvian Directors I Limited
Vitruvian Directors II Limited
G Reyes (appointed 24/12/2020)
JM Richard (appointed 13/02/2020)
FAH Harvey (appointed 01/09/2020)

Change in financial year end

The financial year end of the Group was extended from 31 October 2020 to 31 March 2021 on 23 November 2020. The financial statements presented are for the 17 months from 1 November 2019 to 31 March 2021.

Comparative figures relate to the 12 months from 1 November 2018 to 31 October 2019.

Results and Dividends

The results of the Group for the period ended 31 March 2021 are set out on page 15 and discussed in the Strategic Report on pages 2 to 9.

The Group has not paid any dividends during the *year (2019: £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 *(2019: £nil)*. Donations to UK charities amounted to £17,537 *(2019: £9,381)*. The group carries out a number of fundraising events throughout the year, including raising money for our chosen charities and volunteering days in schools in local communities, designing sensory gardens. This year, however, charitable events were limited due to the impact of the Covid pandemic.

Financial Risk Management

Information on risk objectives and policies and exposure to market, credit, liquidity and market risk can be found on pages 2 to 9 of the Strategic Report.

Directors' report *(continued)*

Going Concern

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 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 Directors have modelled the severe but plausible impact of short-term operational disruption from COVID-19, potential examples of which include staff absenteeism, changes to delivery scheduling and reduced nurse service provision to patients. The forecasts also assume that the shareholder loan notes are settled in February 2022 (see note 17).

The Directors' forecasts and projections, for 17 months from the signing of these financial statements and taking into account reasonably possible changes in trading performance (including COVID-19), show that the Group and the Company should be able to operate within its current available facilities 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.

Management have negotiated an extension to the ABL facility for 3 years. Heads of Terms have been agreed on more favourable terms, which includes an increase in available funds, and the directors expect the facility will be executed prior to the expiration in May 2022. The directors' expectation is based on a historical relationship with the funding provider, strong historical trading performance and the quality of the debtors ledger to which the facility is secured against. The facility will be used for day-to-day operations and to help fund future growth of the Group.

As a consequence, the Directors have a reasonable expectation that the Group is 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.

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 on 26 November 2021.

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.

KPMG

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 17 months ended 31 March 2021 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 company 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 March 2021 and of the group's loss for the period 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 Group or to cease their operations, and as they have concluded that the Group and 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 Group's business model and analysed how those risks might affect the Group and 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 Group or 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.

KPMG

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 12, 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

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: 29 November 2021

Consolidated profit and loss account
for the period ended 31 March 2021

	Note	2021 Adjusted £000	2021 Adjustments £000	2021 Total £000	2019 Adjusted £000	2019 Adjustments £000	2019 Total £000
Turnover	2	2,305,478	-	2,305,478	1,541,294	-	1,541,294
Cost of sales		(2,142,174)	-	(2,142,174)	(1,425,502)	-	(1,425,502)
Gross profit		163,304	-	163,304	115,792	-	115,792
Distribution costs		(39,795)	-	(39,795)	(34,019)	-	(34,019)
Administrative charges before amortisation of goodwill		(103,943)	(6,958)	(110,901)	(66,007)	1,103	(64,904)
Amortisation of goodwill	11	(27,482)	-	(27,482)	(19,410)	-	(19,410)
Total administrative expenses		(131,425)	(6,958)	(138,383)	(85,417)	1,103	(84,314)
Other operating income	4	1,489	-	1,489	-	-	-
Operating profit before amortisation of goodwill		21,055	(6,958)	14,097	15,766	1,103	16,869
Amortisation of goodwill	11	(27,482)	-	(27,482)	(19,410)	-	(19,410)
Operating loss		(6,427)	(6,958)	(13,385)	(3,644)	1,103	(2,541)
Other interest receivable and similar income	7	70	-	70	4	-	4
Interest payable and similar expenses	8	(33,806)	-	(33,806)	(35,408)	-	(35,408)
Loss before tax		(40,163)	(6,958)	(47,121)	(39,048)	1,103	(37,945)
Tax on loss	10	(3,632)	1,205	(2,427)	(2,345)	(210)	(2,555)
Loss after tax		(43,795)	(5,753)	(49,548)	(41,393)	893	(40,500)

Further information in respect of adjusted items is contained in note 3 to the Financial Statements.

There were no discontinued operations in either the current period or preceding year.

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

17 months ended 31 March 2021

Consolidated statement of other comprehensive income
for the period ended 31 March 2021

	2021 £000	2019 £000
Loss for the financial period/year	**(49,548)**	(40,500)
Other comprehensive charges:		
Foreign exchange differences on translation of foreign operations	(276)	(83)
Other comprehensive charges for the period/year, net of income tax	(276)	(83)
Total comprehensive charges for the period/year	(49,824)	(40,583)

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

17 months ended 31 March 2021.

Consolidated balance sheet
as at 31 March 2021

	Note	2021 £000	2021 £000	2019 £000	2019 £000
Fixed assets					
Intangible fixed assets	*11*		35,900		57,632
Tangible fixed assets	*12*		10,186		10,208
			46,086		67,840
Current assets					
Stock	*14*	63,330		54,180	
Debtors	*15*	224,945		220,722	
Cash at bank and in hand		22,311		15,122	
Total current assets		310,586		290,024	
Creditors: amounts falling due within one year	*16*	(397,497)		(320,268)	
Net current liabilities			(86,911)		(30,244)
Total assets less current liabilities			(40,825)		37,596
Creditors: amounts falling due after more than one year	*17*		(210,423)		(339,637)
Provisions for liabilities and charges	*19*		(1,788)		(572)
Net liabilities			(253,036)		(302,613)
Capital and reserves					
Called up share capital	*21*		12		12
Share premium account	*21*		1,086		390
Profit and loss account			(254,134)		(303,015)
Shareholders' deficit			(253,036)		(302,613)

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

These Financial Statements were approved by the board of directors on 26 November 2021 and were signed on its behalf by:

J S Sheridan
Director

Registered number: 07672785

Company balance sheet
as at 31 March 2021

	Note	2021 £000	2021 £000	2019 £000	2019 £000
Fixed assets					
Investments	13		168,546		2,016
			168,546		2,016
Current assets					
Debtors	15	361		852	
Total current assets		361		852	
Creditors: amounts falling due within one year	16	-		(136)	
Net current assets			361		716
Total assets less current liabilities			168,907		2,732
Creditors: amounts falling due after more than one year	17		(191,141)		(6,149)
Net liabilities			(22,234)		(3,417)
Capital and reserves					
Called up share capital	21		12		12
Share premium account	21		1,086		390
Profit and loss account			(23,332)		(3,819)
Shareholders' deficit			(22,234)		(3,417)

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

These Financial Statements were approved by the board of directors on 26 November 2021 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 at 1 November 2018	12	390	(262,432)	(262,030)
Loss for the year	-	-	(40,500)	(40,500)
Other comprehensive income	-	-	(83)	(83)
Total comprehensive charge for the year	-	-	(40,583)	(40,583)
Balance at 31 October 2019	12	390	(303,015)	(302,613)

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 November 2019	12	390	(303,015)	(302,613)
Loss for the period	-	-	(49,548)	(49,548)
Other comprehensive charge	-	-	(276)	(276)
Total comprehensive charge for the period	-	-	(49,824)	(49,824)
Share cancellation (note 21)	(2)	-	2	-
Share based payment (note 27)	-	-	617	617
Capital Contribution (note 21)	-	-	98,086	98,086
Issue of share capital and share premium (note 21)	2	696	-	698
Balance at 31 March 2021	**12**	**1,086**	**(254,134)**	**(253,036)**

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 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	12	390	(3,819)	(3,417)

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 November 2019	12	390	(3,819)	(3,417)
Loss for the period	-	-	(19,810)	(19,810)
Total comprehensive charge for the period	-	-	(19,810)	(19,810)
Share cancellation (note 21)	(2)	-	2	-
Share based payment (note 27)	-	-	295	295
Issue of share capital (note 21)	2	696	-	698
Balance at 31 March 2021	**12**	**1,086**	**(23,332)**	**(22,234)**

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

Consolidated statement of cash flows
for the period ended 31 March 2021

	Note	2021 £000	2019 £000
Cash flows from operating activities			
Loss after tax for the period/year		(49,548)	(40,500)
Adjustments for:			
Depreciation, amortisation and impairment	*11,12*	37,418	25,491
Share based payment		617	-
Tax charge		2,427	2,555
Interest receivable and similar income	*7*	(70)	(4)
Interest payable and similar charges	*8*	33,806	35,408
Profit on disposal of subsidiaries		-	(1,323)
Profit on disposal of trademark		-	(460)
Loss on disposal of intangible fixed assets	*11*	100	-
Loss on disposal of tangible fixed assets	*12*	27	375
(Increase)/decrease in trade and other debtors		(4,884)	25,425
(Increase)/decrease in stocks		(9,150)	3,128
Increase/(decrease) in trade and other creditors		19,854	(16,277)
Increase/(decrease) in provisions		98	(26)
Tax paid		(609)	(1,760)
Net cash inflow from operating activities		30,086	32,032
Cash flows from investing activities			
Disposal of subsidiaries (net of cash disposed)		-	2,311
Interest received		70	4
Acquisition of tangible fixed assets	*12*	(2,987)	(2,909)
Acquisition of other intangible assets	*11*	(11,170)	(5,739)
Cash used in investing activities		(14,087)	(6,333)
Cash flows from financing activities			
Repayment of borrowings		(4,675)	(22,697)
Repayment of finance leases		(2,092)	(180)
Interest paid		(1,813)	(1,630)
Net cash used in financing activities		(8,580)	(24,507)
Net increase in cash and cash equivalents		7,419	1,192
Effects of exchange rate changes		(230)	(216)
Cash and cash equivalents at 1 November 2019		15,122	14,146
Cash and cash equivalents at 31 March 2021		22,311	15,122

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 period ended 31 March 2021 ("these Financial Statements") were approved for issue by the Board on 26 November 2021.

(B) Change in financial year end

The current account period of the Group was extended on 23 November 2020 from 31 October 2020 to 31 March 2021. The financial statements are presented for the 17 months from 1 November 2019 to 31 March 2021.

Comparative figures relate to the 12 months from 1 November 2018 to 31 October 2019.

(C) 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 £19,810,000 (2019: £899,000).

(D) Going concern

The financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons:

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 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 Directors have modelled the severe but plausible impact of short-term operational disruption from COVID-19, potential examples of which include staff absenteeism, changes to delivery scheduling and reduced nurse service provision to patients. The forecasts also assume that the shareholder loan notes are settled in February 2022 (see note 17).

Notes *(continued)*

1 Accounting policies *(continued)*

(D) Going Concern *(continued)*

The Directors' forecasts and projections, for 17 months from the signing of these financial statements and taking into account reasonably possible changes in trading performance (including COVID-19), show that the Group and the Company should be able to operate within its current available facilities 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.

Management have negotiated an extension to the ABL facility for 3 years. Heads of Terms have been agreed on more favourable terms, which includes an increase in available funds, and the directors expect the facility will be executed prior to the expiration in May 2022. The directors' expectation is based on a historical relationship with the funding provider, strong historical trading performance and the quality of the debtors ledger to which the facility is secured against. The facility will be used for day-to-day operations and to help fund future growth of the Group.

As a consequence, the Directors have a reasonable expectation that the Group is 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.

(E) Basis of consolidation

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings for the period ended 31 March 2021. 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. Results of the Employee Benefit Trust controlled by Investors in the Company are also consolidated.

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

(F) 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.

Notes *(continued)*

1 Accounting policies *(continued)*

(F) Business combinations *(continued)*

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.

(G) 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.

(H) 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.

(I) 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.

Notes *(continued)*

1 Accounting policies *(continued)*

(J) 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.

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 — 3-5 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.

(K) 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.

(L) 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)*

(L) 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.

(M) 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.

(N) 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.

(O) 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)*

(O) 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.

(P) 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.

(Q) 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.

(R) Interest receivable and interest payable

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

(S) 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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

(T) Share-based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the statement of profit or loss.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value.

In determining the fair value of share-based payments, management has considered a number of internal and external factors in order to judge the probability that management share incentives may vest. Such judgements involve estimating future performance and other non market-based factors.

At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the statement of profit or loss, with a corresponding adjustment to equity. Fair value is measured by the use of the Black Scholes methodology. The assumptions have been adjusted, based on management's best estimate, for the effects of non-transferability, lack of dividend until vesting and exercise restrictions.

The fair value calculations in the current period have been externally assessed and deemed reasonable in the circumstances.

After vesting, the Group satisfies share option exercises either through the issuance of new ordinary shares, or through the transfer of existing shares held in the Company's EBT to the employee. Any share options not exercised upon vesting remain outstanding until the end of the contracted exercise period.

(U) 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.

(V) 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 detailed below.

Management consider there are no significant estimates required in the preparation of these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Critical accounting judgements in applying the Group's Accounting Policies

Revenue Recognition

As the group do not take pricing risk on its drug sales and purchases, the key judgement made by the Directors is whether the Group acts as principal or agent. In arriving at this judgment management consider the relative inventory, credit and order fulfilment risks attached to each contract. On balance, and in the light of the group being solely responsible for managing and controlling the entire supply chain to ensure product and service order fulfilment from supplier to patient, management consider the Group acts as Principal when executing its contracts. Turnover is therefore recognised on a gross basis in the financial statements.

Preference Share Interest

The key judgement applied by the Directors is that the interest holiday for the first 12 months (see note 18) has been spread over a 5 year period.

2 Turnover

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

	2021 £000	2019 £000
United Kingdom	1,891,302	1,243,888
Rest of Europe	412,141	295,899
Rest of World	2,035	1,507
	2,305,478	1,541,294

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 Adjusted items

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

	2021 £000	2019 £000
Administrative (income)/ charges:		
Costs associated with/(profit) on disposal of subsidiary undertakings	204	(1,323)
Profit on disposal of trademark	-	(460)
Professional fees in connection with group structure rationalisation and debt restructure	274	232
Restructuring of support functions	880	397
Business transformation	3,570	51
Costs associated with management incentivisation plan	1,413	-
Share based payments charge (note 27)	617	-
	6,958	(1,103)
Taxation (credit)/ charge relating to adjusted items	(1,205)	210
	5,753	(893)

Further detail of adjusted items incurred during the period is below:

On 14 August 2019, the Group disposed of its entire shareholdings in Healthcare at Home Europe BV, 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 period costs of £204,000 (2019: £nil) associated with the disposal of these entities were incurred and have been included within non-recurring costs.

During 2019, 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 were reflected in the 2019 Financial Statements. In December 2019 the Group also restructured the shareholder loan notes (as disclosed in notes 17 and 20). Costs of £274,000 (2019: £232,000) associated with this have been included within non-recurring costs.

Restructuring costs of £880,000 (*2019: £397,000*) were incurred following a restructure of the business support functions and a reduction of hierarchy within the organisation.

The Group has continued on its business transformation journey, implementing CRM and ERP modules of Microsoft Dynamics 365 for the UK trading company in October 2020, incurring non-recurring, non-capital costs of £3,570,000 (2019: £51,000).

4 Other operating income

	2021 £000	2019 £000
Research & Development expenditure credit	1,489	-

Notes *(continued)*

5 Remuneration of directors

	2021 £000	2019 £000
Directors' emoluments	1,090	1,079
Management Incentive scheme	945	-
Group contributions to money purchase pension schemes	-	-
	2,035	1,079

The aggregate emoluments, including management incentive scheme amounts, of the highest paid director were £1,158,000 *(2019: £615,000)* and Group pension contributions of £nil *(2019: £nil)* were made to a money purchase scheme on their behalf. Emoluments included £576,000 *(2019: £nil)* in respect of the Management Incentive scheme. Retirement benefits are accruing to zero *(2019: 2)* directors under money purchase schemes.

Further details of costs incurred during the period in respect of the Management Incentive scheme implemented in December 2019 are given in note 27. 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 *(2019: £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:

	2021 Number	2019 Number
Distribution and nursing	987	907
Administration	625	645
	1,612	1,552

The aggregate payroll costs of these persons were as follows:

	2021 £000	2019 £000
Wages and salaries	76,402	51,262
Social security costs	7,583	5,719
Other pension costs (note 24)	3,002	1,766
	86,987	58,747

7 Interest receivable and similar income

	2021 £000	2019 £000
Interest receivable from other debtors	70	4

Notes *(continued)*

8 Interest payable and similar expenses

	2021 £000	2019 £000
Interest on bank loans	1,516	1,630
Interest on shareholders' loans	10,845	32,130
Dividends accrued on preference shares classed as liabilities (note 21)	19,652	814
Amortisation of debt issue costs	1,428	640
Interest on finance leases	300	57
Interest on unwinding of discounted provision	65	137
	33,806	35,408

9 Loss before tax

	2021 £000	2019 £000
Loss before tax is stated after charging:		
Loss on disposal of tangible fixed assets	27	375
Loss on disposal of intangible fixed assets	100	-
(Gain)/loss on foreign exchange	(189)	230
Auditor's remuneration		
Audit services:		
Audit of Company financial statements	42	30
Audit of Halycon Midco Limited (Listed debt)	15	10
Audit of subsidiaries financial statements	186	114
Total audit services	243	154
Non-audit services:		
Tax compliance services (ie related to assistance with corporate tax returns)	35	112
Tax advisory services	27	65
Services relating to taxation	62	177
Other assurance services	2	2
Total non-audit services	64	179
Total fees paid to auditors	307	333

Notes *(continued)*

10 Taxation

	2021 £000	2019 £000
Current tax:		
Current tax on income for the period	1,169	2,088
Adjustments in respect of prior periods	(458)	7
Total current tax charge	711	2,095
Deferred tax:		
Current year	965	464
Adjustments in respect of prior periods	751	(4)
Total deferred tax charge	1,716	460
Total tax charge	2,427	2,555

Factors affecting the tax charge for the current period/year

The current tax charge for the period/year is higher *(2019: higher)* than the standard rate of corporation tax in the UK of 19% *(2019: 19%)*. The differences are explained below:

	2021 £000	2019 £000
Loss after tax	(49,548)	(40,500)
Tax on loss	2,427	2,555
Loss before tax	(47,121)	(37,945)
Current tax at 19% *(2019: 19%)*	(8,953)	(7,210)
Effects of:		
Non-deductible charges for tax purposes	5,429	4,050
Interest disallowable on shareholder loan notes	5,795	6,105
Deferred tax not recognised	(3)	(661)
Difference tax rates of overseas subsidiaries	(56)	323
Adjust opening deferred tax to reconciliation rate	-	-
Adjustments to deferred tax asset due to tax rate changes	(78)	(55)
Adjustment in respect of prior periods – current tax	(458)	7
Adjustment in respect of prior periods – deferred tax	751	(4)
	2,427	2,555

Factors that may affect future tax charges

The deferred tax asset at 31 March 2021 has been calculated based on the current rate of UK corporation tax 19%. The March 2021 budget announced an increase of the UK corporation tax rate from 19% to 25%, effective April 2022. The effect of the increase based on the current deferred tax calculations would be a £330,000 increase in liability.

Notes *(continued)*

11 Intangible fixed assets

	Software	Goodwill	Assets Under Construction	Total
	£000	£000	£000	£000
Cost				
At 1 November 2019	19,439	190,604	5,717	215,760
Additions	135	-	11,035	11,170
Disposals	(6,191)	-	-	(6,191)
Movement in foreign exchange translation	(21)	(100)	-	(121)
Intergroup transfers	12,318	-	(12,318)	-
Reclassification to tangible fixed assets	-	-	(162)	(162)
At 31 March 21	25,680	190,504	4,272	220,456
Accumulated amortisation				
At 1 November 2019	12,792	145,336	-	158,128
Charge for the period	5,180	27,482	-	32,662
Disposals	(6,091)	-	-	(6,091)
Movement in foreign exchange translation	(76)	(67)	-	(143)
At 31 March 2021	11,805	172,751	-	184,556
Net book value				
At 31 March 2021	**13,875**	**17,753**	**4,272**	**35,900**
At 31 October 2019	6,647	45,268	5,717	57,632

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)*

12 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 2019	6,770	11,881	3,692	3,294	483	26,120
Additions	193	765	390	1,792	1,639	4,779
Disposals	(899)	(6,019)	(869)	(198)	(15)	(8,000)
Movement in foreign exchange translation	(1)	(17)	(1)	-	-	(19)
Reclassification from intangible fixed assets	-	-	-	-	162	162
Reallocations	719	1,289	17	-	(2,025)	-
At 31 March 2021	6,782	7,899	3,229	4,888	244	23,042
Accumulated depreciation						
At 1 November 2019	2,770	10,024	2,895	223	-	15,912
Charge for the period	896	1,455	557	1,848	-	4,756
Disposals	(899)	(6,013)	(869)	(22)	-	(7,803)
Movement in foreign exchange translation	(2)	(7)	-	-	-	(9)
At 31 March 2021	2,765	5,459	2,583	2,049	-	12,856
Net book value						
At 31 March 2021	**4,017**	**2,440**	**646**	**2,839**	**244**	**10,186**
At 31 October 2019	4,000	1,857	797	3,071	483	10,208

The net carrying amount of assets held under finance leases included in motor vehicles is £2,839,000 *(2019: £3,071,000)*. Depreciation charged on those leased assets was £1,848,000 *(2019: £214,481)*

Notes *(continued)*

13. Investments

Company	Total £000
At 1 November 2019	2,016
Additions in the period	166,530
At 31 March 2021	**168,546**

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
Direct subsidiaries						
Halcyon Midco Limited	110,687	(150,565)	England (A)	Holding company	Ordinary	100%
Indirect subsidiaries						
Halcyon Financing Limited	168,225	(146,373)	England (A)	Holding company	Ordinary	100%
Halcyon Acquisitions Limited	(18,748)	(215,806)	England (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	England (A)	Holding company	Ordinary	100%
HTHC High Tech Homecare AG	747	5,236	Switzerland (B)	Nursing services	Ordinary	100%
Lerchengarten Apothecke AG	596	-564	Switzerland (D)	Distribution of medical supplies	Ordinary	100%
Novo Supply AG	1,633	1,399	Switzerland (F)	Wholesale of pharmaceuticals	Ordinary	100%
Sciensus International B.V.(formerly Healthcare at Home (Netherlands) B.V.)	2,912	717	Netherlands (E)	Distribution of pharmaceutical products	Ordinary	100%
Sciensus GmbH (formerly HAH Deutschland GmbH)	40	15	Germany (C)	Provision of customer services	Ordinary	100%
Healthcare at Home Ltd	170,357	21,290	England (A)	Provision of healthcare services and the distribution of medical supplies	Preference	100%
Medihome Limited	393	-	England (A)	Provision of healthcare services	Ordinary	100%
Sciensus Ltd (formerly Sciensus2 Limited)	-	-	England (A)	Dormant company	Ordinary	100%
Intellimedica Limited (formerly InterMed Limited)	-	-	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 Baslerstrasse 254, 4123 Allschwil, Switzerland.
(E) The registered office is located at Bijsterhuizen 3142, 6604LV Wijchen
(F) The registered office is located at Sumpfstrasse 26, 6312 Steinhausen, Switzerland

Halcyon Topco Limited also wholly controls the Halcyon Topco Limited Employee Benefit Trust, established in Jersey.

Notes *(continued)*

13 Investments *(continued)*

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.

On 14 August 2020 Sciensus2 Limited (formerly Sciensus Limited) and Refer2Us Limited, both being indirect subsidiaries of the Company, were dissolved.

On 19 January 2021, Healthcare at Home Italia SRL, an indirect subsidiary of the Company, incorporated in Italy, was put into Members Voluntary Liquidation.

On 14 February 2020, the directors of the company capitalised the debt receivable from its subsidiary, Halcyon Midco Limited, to investments, and purchased a £1 share in that company at a premium of £166,208,758.

14 Stock

	2021 £000	2019 £000
Medical supplies and consumables	63,330	54,180

Medical supplies and consumables recognised as cost of sales in the year amounted to £2,142,174,000 *(2019: £1,425,502,000)*. The write-down of stocks to net realisable value amounted to £888,000 *(2019: £630,000)*. The reversal of write-downs amounted to £nil *(2019: £nil)*. The write-down and reversal are included in cost of sales.

15 Debtors

	Group 2021 £000	Group 2019 £000	Company 2021 £000	Company 2019 £000
Trade debtors	172,063	159,230	-	-
Amounts owed by Group undertakings	-	-	323	852
Deferred tax asset (note 20)	-	663	-	-
Corporation tax	712	-	-	-
Other debtors	37,503	55,318	38	-
Prepayments and accrued income	14,667	5,511	-	-
	224,945	220,722	361	852

There are no debtors falling due after more than one year *(2019: £nil)*.

Notes *(continued)*

16 Creditors: amounts falling due within one year

	Group		Company	
	2021	2019	2021	2019
	£000	£000	£000	£000
Trade creditors	329,051	310,015	-	-
Obligations due under finance leases (note 18)	1,362	899	-	-
Shareholder loans (note 18)	57,448	-	-	-
Corporation tax	-	824	-	-
Taxation and social security	1,367	1,181	-	-
Other creditors	359	91	-	-
Accruals and deferred income	7,910	7,258	-	136
	397,497	320,268	-	136

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2019	2021	2019
	£000	£000	£000	£000
Secured lending facility (note 18)	17,550	22,225	-	-
Obligations due under finance leases (note 18)	1,732	2,365	-	-
Shareholder loans (note 18)	-	308,898	-	-
Preference shares classified as debt (note 18,21)	191,141	6,149	191,141	6,149
	210,423	339,637	191,141	6,149

18 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	2019	2021	2019
	£000	£000	£000	£000
Creditors: amounts falling due after one year				
Secured bank loan	17,550	22,225	-	-
Shareholder loans	-	308,898	-	-
Preference share classified as debt	191,141	6,149	191,141	6,149
Obligations due under finance leases	1,732	2,365	-	-
	210,423	339,637	191,141	6,149
Creditors: amounts falling due within one year				
Shareholder loans	57,448	-	-	-
Obligations due under finance leases	1,362	899	-	-
	58,810	899	-	-

Notes *(continued)*

18 Interest bearing loans and borrowings *(continued)*

Group – terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2021 £000	2019 £000
Secured lending facility	GBP/ EUR	LIBOR + 2.25% -2.75%	2022	Due at maturity	17,550	22,225
Shareholder loans		LIBOR + 8.25% -12%	2022	Due at maturity	57,448	308,898
Preference shares classified as debt	GBP	10%	Earlier of redemption or exit event		191,141	6,149
Finance leases	GBP	7.5%	2022	Monthly instalments	3,094	3,264
					269,233	340,536

Company – terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2021 £000	2019 £000
Preference shares classified as debt	GBP	10%	Earlier of redemption or exit event		191,141	6,149
					191,141	6,149

Secured lending facility

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 initially expired in 2021 and has been extended to May 2022, with the same security. Interest is payable at a rate of 2.25% - 2.75% above LIBOR.

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 86,185,380 new preference shares equivalent to 65% of the face value of those Shareholder Loan Notes. The base amount of total preference shares was uplifted by £83,260,359. Interest is payable on the uplifted value of the Preference Shares at 10% after the completion of a one-year interest free period which started 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, following restructuring, the interest rate payable reduced from 15.25% to 10%, payable after the completion of a one-year interest free period which started on 1 November 2019.

Notes *(continued)*

18 Interest bearing loans and borrowings *(continued)*

Finance leases

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

	2021 £000	2019 £000
Group		
No later than one year	1,472	1,057
Later than one year and not later than five years	1,754	2,473
Total gross payments	3,226	3,530
Less: finance charges	(132)	(266)
Carrying amount of liability	3,094	3,264

19 Provisions for liabilities and charges

	Lease dilapidations £000	Deferred Tax £000	Total £000
At 1 November 2019	572	-	572
Utilised	(70)	-	(70)
Charge in the period	168	1,053	1,221
Interest unwinding	65	-	65
At 31 March 2021	735	1,053	1,788

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 2021 and 2036.

20 Deferred tax

Group		2021			2019	
	Assets £000	Liabilities £000	Total £000	Assets £000	Liabilities £000	Total £000
Accelerated capital allowances	-	(1,140)	(1,140)	595	-	595
Other timing differences		87	87	68	-	68
	-	(1,053)	(1,053)	663	-	663

Deferred tax movement	£000
Asset at 1 November 2019	663
Charge in the period (note 10)	(1,716)
Liability at 31 March 2021	(1,053)

The Group has an unrecognised deferred tax asset of £55,000 at 17% *(2019: £50,000 at 17%)* which arose on losses carried forward. The future use of these losses is uncertain and therefore this has not been recognised.

Notes *(continued)*

21 Capital and reserves

Group and Company

	2021 £	2019 £
8,750,000 (2019: 8,750,000) 'A' ordinary shares of £0.001 each	8,750	8,750
1,648,633 (2019: 1,520,580) 'B' ordinary shares of £0.001 each	1,649	1,521
80,752 (2019: 160,061) 'C' ordinary shares of £0.001 each	81	160
1,100,000 (2019: 1,100,000) deferred shares of £0.001 each	1,100	1,100
88,243,464 (2019: 2,048,084) cumulative preference shares of £1 each	88,233,464	2,048,084
	88,245,044	2,059,615
Shares classified as Shareholders' Funds	11,580	11,531
Shares classified as Liabilities	88,233,464	2,048,084
	88,245,044	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.

On 18 December 2019 the Company cancelled at nil consideration all existing 'B' and 'C' ordinary shares. 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.

On 16 December 2020, the Company allotted 21,341 'C' ordinary shares at a nominal value of 0.1p. The shares were allotted at a value of 28p each. The excess over nominal value was added to Share Premium.

On 24 January 2020 and 29 January 2021, the Company allotted 16,010 and 53,354 'B' ordinary shares respectively at a nominal value of 0.1p. The shares were allotted at a value of 41p each. The excess over nominal value was added to share premium.

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

	2021 £000	2019 £000
Nominal value of preference shares	88,233	2,048
Uplift of base amount	83,261	-
Interest accrued	19,652	4,115
Unamortised finance charges	(5)	(14)
Included as creditors due after more than one year (note 17)	191,141	6,149

17 months ended 31 March 2021

Notes *(continued)*

21 Capital and reserves *(continued)*

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.

On 18 December 2019 as part of a restructuring of its Capital base, £263,417,149 of Shareholder loans were discharged in exchange for 86,185,130 new Preference shares equivalent to 65% of the face value of those Shareholder Loan Notes. The base amount of the total 88,233,464 shares was also uplifted by £83,260,359. Interest is payable on the uplifted value of the preference shares at a rate of 10% per annum after the completion of a one-year interest free period which started on 1 November 2019. All Preference shares are repayable on an exit or sale. The fixed dividend is rolled up and compounded annually to be paid on the earlier of redemption or an exit event.

The Capital contribution of £98,085,845, arising in December 2019, was created following the discounting of the Shareholder loan notes in Halycon Midco Limited and has been taken to the profit and loss reserves.

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.

Employee Benefit Trust

The Halycon Topco Limited Employee Benefit Trust ('EBT') holds 90,702 of the 'B' ordinary shares and 6,057 of the 'C' ordinary shares allotted at 31 March 2021. The nominal value of these shares is £97.

Deferred shares

The Company purchased the deferred shares at nominal value of £0.001 for each of the 1,100,000 shares. These have been treated as Treasury Shares and charged against retained earnings.

22 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2021 £000	2019 £000
Assets measured at amortised cost	**22,311**	15,122
Amounts measured at cost less impairment	**172,063**	159,230
Liabilities measured at amortised costs	**598,284**	649,652

23 Operating leases

Non-cancellable operating leases rentals are payable as follows:

Group	2021 Land and buildings £000	2021 Other £000	2019 Land and buildings £000	2019 Other £000
Operating leases which expire:				
Within one year	**1,574**	**1,001**	1,445	1,519
In the second to fifth years inclusive	**4,253**	**1,221**	4,105	2,086
Over five year	**3,275**	**-**	4,144	-
	9,102	**2,222**	9,694	3,605

During the year £4,785,000 *(2019: £4,889,000)* was recognised as a charge in the Profit and Loss Account in respect of operating leases.

Notes *(continued)*

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 £3,002,000 *(2019: £1,766,000)*. There were no amounts outstanding at the balance sheet date *(2019: £nil)*.

25 Related party transactions

Transactions with key management personnel

Total compensation of key management personnel (including the Directors) in the period amounted to £3,272,000 *(2019: £1,955,000)*. Included in the Financial Statements are the following costs for services provided by key management, Group shareholders and their affiliates on an arms-length basis as at 31 March 2021:

Directors' services

	2021 £000	2019 £000
Vitruvian Partners LLP	122	85
Palladian Investment Partners LLP	53	37
Ocorian Limited (formerly Estera Trust (Jersey) Limited)	8	11
	183	133

During the period the company incurred management charges from the above Group shareholders and their affiliates. At year-end £18,000 (2019: £18,000) was outstanding and included within Creditors. The services of D. Oppenheim are provided by Palladian Investment Partners LLP

26 Commitments

	2021 £000	2019 £000
Contracted but not provided for		
Tangible fixed assets	829	2,589
Intangible fixed assets	3,951	4,281
	4,780	6,870

Cross-guarantees in respect of the Group's bank borrowings, which amounted to £23,174,000 at 31 March 2021 *(2019: £22,225,000)* 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.

Notes *(continued)*

27 Share-based payments

Share-based payments

The Group implemented a Management Incentive plan ("MIP") in December 2019 to retain and incentivise the directors and senior management. The MIP enables the granting of enterprise management incentive and non-tax advantaged options to acquire both 'B' and 'C' ordinary shares of Halcyon Topco Limited.

MIP awards in the year had an exercise price payable of £0.41 per 'B' ordinary share and £0.28 per 'C' ordinary share

A number of equity settled awards were granted on 18 December 2019, 16 December 2020, 24 January 2020 and 29 January 2021 to senior management which were immediately exercised. The Company settled these exercised awards as follows:

On 18 December 2019 the company issued 1,579,269 new 'B' ordinary shares and 59,411 new 'C' ordinary shares. On 16 December 2020, the Company allotted 21,341 'C' ordinary shares. On 24 January 2020 and 29 January 2021, the Company allotted 16,010 and 53,354 'B' ordinary shares respectively.

The weighted average share price at the date of these exercises was £1.94

Subsequent to the awards above, 90,702 'B' ordinary shares and 1,607 'C' ordinary shares were returned to the EBT upon those members of management leaving the employ of the group.

MIP shares awarded to management in the period ending 31 March 2021 were valued at award using the Black Scholes model. The model simulates a variety of possible results, across 10,000 iterations for each of the options, by substituting a range of values for any factor that has inherent uncertainty over a number of scenarios using a different set of random values from the probability functions. The model takes any market-based performance conditions into account and adjusts the fair value of the options based on the likelihood of meeting the stated vesting conditions.

The inputs into the model were as follows:

	2021
Weighted average share price at grant date	£1.94
Exercise price per 'B' ordinary share	£0.41
Exercise price per 'C' ordinary share	£0.28
Volatility	16.44%
Weighted average vesting period	5 years
Risk free rate	0.55%
Expected dividend yield	

Expected volatility was determined by calculating the historic volatility of the market in which the Group operates and taking the median volatility of the comparators, given the existence of a few outliers. The expected expense calculated in the model has been adjusted, based on management's best estimate, for the effects of non market-based conditions.

The Group recognised a total expense of £617,000 (2019: £nil) in the current period

28 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.