

Halcyon Topco Limited

Annual report and consolidated
financial statements

For the year ended 31 March 2022

Registered number 07672785



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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
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United Kingdom
DE14 1SZ

Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
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31 Park Row
Nottingham
United Kingdom
NG1 6FQ

Company Number

07672785
Registered in England and Wales

Other Information

These Consolidated Financial Statements are presented for the year ended 31 March 2022 for Halcyon Topco Limited and its subsidiaries ("the Group" or "Sciensus"), which are set out in note 13. Comparatives are presented for the 17 months ended 31 March 2021.

Strategic report

The Directors present their Strategic Report for the year ended 31 March 2022. The previous year end was the 17 month period to 31 March 2021. The accounting period was extended from 31 October 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

With over 30 years of experience, the Group provides a range of pharmaceutical services focused on complex and usually high value medicines across chronic, rare disease and cancer patient cohorts. Leveraging its digital capabilities, extensive infrastructure and clinical expertise, the Group manages the medication needs of over 230,000 patients in the UK and Europe. Servicing a range of public and private sector payors, the Group aims to ensure that patients achieve the best possible experience and health outcomes from their medicines.

The Group's unique portfolio of services include patient compliance, patient insight and analytics, pharmacy services, market access and reimbursement, clinical logistics, inventory management, BPO services, nurse supported medication, and aseptic compounding.

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 partners with pharmaceutical companies, the NHS and health insurers, to manage and optimise the medicine outcomes for patients.

The Group employs over 1,700 people with a team of specialists that is dedicated to helping each and every patient make the most of their medicine. The services the Group provides are enabled by its end-to-end digital infrastructure connecting patients, physicians, pharmaceutical companies, health funders and health care providers.

The Group works with its strategic partners across the following areas:

- Chronic pharmacy and medicine compliance services
- Cancer medicine services, including chemotherapy
- Rare disease pharmaceutical services providing turn-key solutions for global biotech companies accessing the fast growing European rare disease market

The Group seeks to ensure that each patient has the best possible experience and outcomes and where possible will provide services in the home environment.

Strategy and Objectives

Our vision is to be the global leader in helping each and every patient make the most of their medicine

Our mission is to give patients 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 and what we stand for:

- we are Passionate about every patient's health
- we are Ambitious to be the best
- Together we win

The company rebranded from Healthcare at Home to Sciensus to better reflect how we leverage our unique skills, experience and technology to give an unrivalled insight of patients and their medicine.

Strategic report *(continued)*
Strategy and Objectives *(continued)*

We believe that the Patient is central to all of our plans and that building a strong service relationship with the patient positions us well within the health eco-system to provide better health outcomes. Our growth plans rest on this patient centricity, a determination to execute to the highest level of quality earning us the right to deliver further value add services to our customers. Our commitment to excellence has been evidenced through our investment of more than £20m over the last two financial years in an enterprise-wide IT platform and a relentless pursuit of performance excellence as demonstrated by our KPI's.

Business Review

The year to 31 March 2022 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 year, despite exceptional challenging conditions being the continuing Covid-19 pandemic, go live of part of our transformation programme, transitioning to a complete holistic new financial operational system for the business and bedding this down. Despite this during the year 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 year was £1,830.5m, compared to the prior period turnover of £2,305.5m. When annualising the prior period 17 month figures for a 12 month comparison, this shows an increase in turnover of £203.1m (12%).

Gross Profit for the year was £128.6m compared to the prior period of £163.3m. Annualising the prior period for a 12 month comparison shows margin has remained stable as the Group expands, growing by 12% in line with turnover.

Operating profit before goodwill and adjusted items was £16.3m (2021: £21.1m). Annualising prior period figures for a 12 month comparison shows an increase in profit of £1.5m (10%). This is a slight reduction when compared to the percentage increase in gross profit, largely attributable to the reduction in Other operating income. Distribution and Administrative expenses have grown alongside operational growth.

Continuing improvement in cash generation during the year, together with repayment of shareholder loans and restructuring of banking facilities comparatively reduced interest payable costs by £3.1m (further details in note 7).

The Group has incurred one off adjustments which increased the loss before tax by £2.2m (2021: increased loss before tax by £7m) with further details provided in note 3. These predominantly include the impact of the Business transformation programme.

After interest payments and one off costs, the loss for the financial year after taxation is £26.0m (2021: £49.5m), which has been transferred to consolidated reserves.

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

Strategic report *(continued)*

Principal Risks and Uncertainties

COVID-19 pandemic – this has made the past couple of years 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 230,000 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.

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 to 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.

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.

Strategic report *(continued)*

Liquidity risk

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

Credit risk

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

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

Market risk

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

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.

Strategic report *(continued)*

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.

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. Halcyon 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.

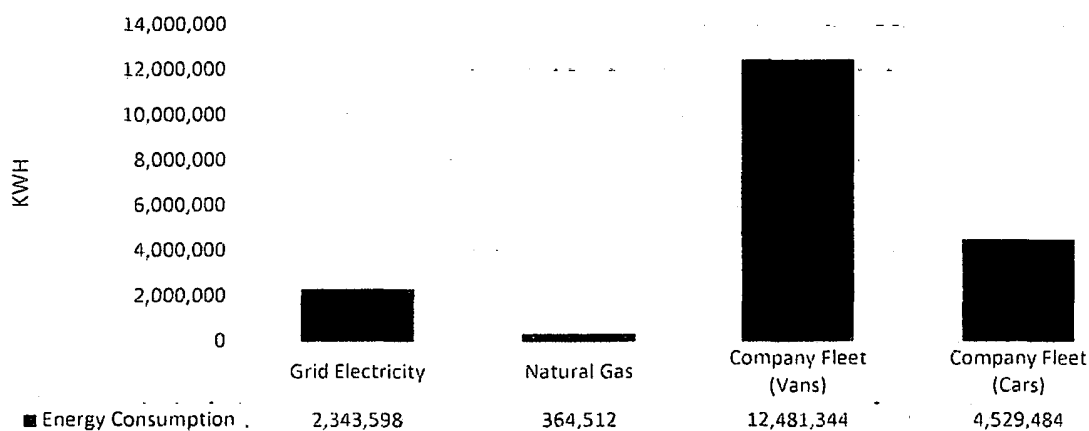
Strategic report *(continued)*

Energy Use and Carbon footprint

The data below highlights the energy used by Halcyon Topco. Measurements are in Kilowatt hours and tonnes of CO2 equivalent. Emissions have been split by scope and totals recorded.

Type of activity	Energy Consumption Apr 21- Mar 22	Measurement Unit	GHG Emissions	Measurement Unit
Grid Electricity	2,343,598	kWh	541.65	tCO2e
Natural Gas	364,512	kWh	73.99	tCO2e
Company Fleet (Van)	12,481,344	kWh	1,837	tCO2e
Company Fleet (Cars)	4,529,484	kWh	629	tCO2e
Total	19,718,938	kWh	3,082	tCO2e

Energy Usage by Source



Emissions are categorised into three groups or 'scopes':

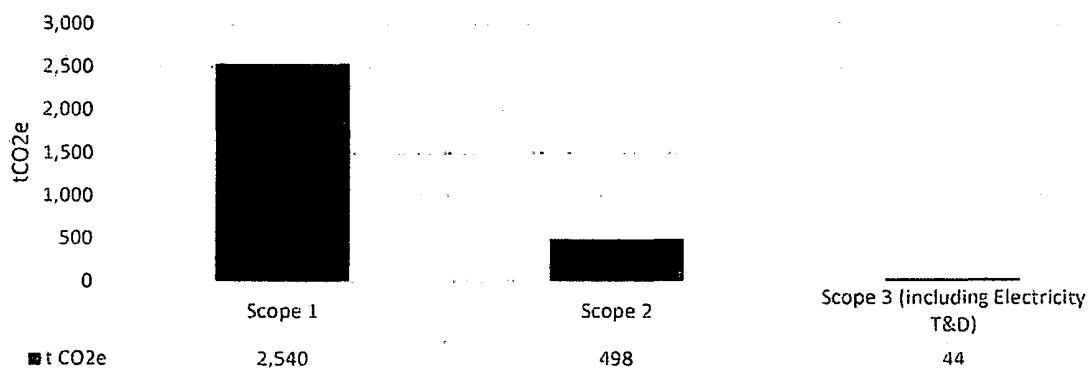
- **Scope 1:** Direct emissions that result from activities within your organisation's control. This might include on-site fuel combustion, manufacturing and process emissions, refrigerant losses and company vehicles.
- **Scope 2:** Indirect emissions from any electricity, heat or steam you purchase 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.

Strategic report *(continued)*

Energy Use and Carbon footprint *(continued)*

Scope	GHG Emissions Apr 21 – Mar 22	Measurement Unit
Scope 1	2,540	t CO ₂ e
Scope 2	498	t CO ₂ e
Scope 3 (including electricity T&D)	44	t CO ₂ e
Total	3,082	t CO ₂ e

GHG Emissions (April 21 - Mar 22)



The metric chosen to normalise their emissions was based on the number of employees and the intensity ration is detailed below

Normalising Metric - Employees	Number of	2000	Intensity Ratio FY 2021-22	1.540821	t CO ₂ e/employee
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Strategic report *(continued)*

Energy Use and Carbon footprint *(continued)*

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 CO₂e were used along with the figures to determine the kWh. Data was taken between the dates of April 2021 and March 2022.

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.

Halcyon Topco Limited are reporting upon all of the required fuel sources as per SECR requirements. Data was acquired from vehicle mileage using averages of CO₂ emitted per kilometer. Scope 3 emissions are T&D losses from grid electricity only.

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:

- Invested in energy efficient cold rooms
- PIR LED lighting installed across our estate
- Installation of 2 EV charge points
- Dashboards allowing remote viewing of energy consumptions across sites
- Hybrid working – reducing amount of employee emissions from travelling to and from work
- Provision of electric cars for staff
- Trials on electric van solutions to support our distribution network

The Strategic Report was approved and authorised for issue by the Board and was signed on its behalf on 1 July 2022.



D Gibson
Director

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the Financial Statements and independent auditor's report for the year ended 31 March 2022. 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
JM Richard
FAH Harvey

Change in financial year end

The financial statements presented are for the year ended 31 March 2022.

The year end of the Group was extended from 31 October 2020 to 31 March 2021 on 23 November 2020. Comparative figures relate to the 17 months from 1 November 2019 to 31 March 2021.

Results and Dividends

The results of the Group for the year ended 31 March 2022 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 (2021: *£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 (2021: *£nil*). Donations to UK charities amounted to £6,477 (2021: £17,537). 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.

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 current macro economic circumstances in the UK and global economy pose a risk to the majority of businesses in the UK and beyond. There is a clear decline in the UK economy with expectations that the GDP will continue to fall below 1% and potentially go into recession coupled with high inflation and high interest rates. The Group has reviewed each of these risks and consider Inflation, national labour shortages and Interest the key considerations. Given the Group's industry and placement, it does not consider GDP decline to be a major risk. Patients still require medication and therefore pushing patients back into hospitals will only compound the NHS shortfalls. This was indicated with the resilience of the Group showing continued growth during COVID-19.

The Directors have taken into account and factored the inflationary pressures facing the economy within the Groups forecast and cashflow modelling. This subsequently generated unrecoverable costs increases, which included increased costs for the likes of fuel as well as pay reward increases. Furthermore, the Group also expect to mitigate this through existing procurement agreements and if required through tighter cost controls & reduction in discretionary spend.

The directors negotiated an extension to the ABL facility for 3 years during the year. The facility has a maximum draw down of £130m. Notwithstanding the Group's net current liabilities of £46.8m as at 31 March 2022 the amount drawn down was £55.1m providing significant headroom. The facility will be used for day-to-day operations and to help fund future growth of the Group. The expected increase in interest rates has been factored based on forward expectations and is included in the Group's forward looking cashflow modelling.

The directors have prepared cash flow forecasts and covenant compliance forecasts for a period of at least 12 months from the date of approval for these financials statements ("the going concern period") which indicate, considering reasonably severe but plausible downsides (including inflationary impacts of +8.8% in 2022 and +5.3% in 2023 and interest rate increases of +1% above base from 2022 onwards), that the Group and Company will have sufficient funds to meet their liabilities as they fall due for the going concern period as well as meet the Group's covenants requirements.

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 1 July 2022.


D Gibson
Director

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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



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

Opinion

We have audited the financial statements of Halcyon Topco Limited ("the company") for the year ended 31 March 2022 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 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:



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

- Enquiring of directors, the audit committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee, and Clinical Excellence Committee minutes.
- Considering remuneration-incentive schemes and performance targets for management; directors and sales staff and share based payment scheme for directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and ability to manually manipulate results we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk that accrued revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations in respect of Cash, Revenue and Accrued Income postings.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and senior management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and senior management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, EU and UK distribution, manufacture and importation of medicinal products for human use legislation and



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

compliance with medical regulator requirements, and certain aspects of company legislation recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and senior management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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.



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

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 FRC'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.

Gareth Woods

Gareth Woods (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

Dated: 1 July 2022

Consolidated profit and loss account
for the year ended 31 March 2022

		Year ended 31 March 2022	Year ended 31 March 2022	Year ended 31 March 2022	17 mths to 31 March 2021	17 mths to 31 March 2021	17 mths to 31 March 2021
	Note	Adjusted £000	Adjustments £000	Total £000	Adjusted £000	Adjustments £000	Total £000
Turnover	2	1,830,505	-	1,830,505	2,305,478	-	2,305,478
Cost of sales		(1,701,926)	-	(1,701,926)	(2,142,174)	-	(2,142,174)
Gross profit		128,579	-	128,579	163,304	-	163,304
Distribution costs		(30,872)	-	(30,872)	(39,795)	-	(39,795)
Administrative charges before amortisation of goodwill		(81,717)	(2,202)	(83,919)	(103,943)	(6,958)	(110,901)
Amortisation of goodwill	11	(16,096)	-	(16,096)	(27,482)	-	(27,482)
Total administrative expenses		(97,813)	(2,202)	(100,015)	(131,425)	(6,958)	(138,383)
Other operating income	4	338	-	338	1,489	-	1,489
Operating profit before amortisation of goodwill		16,328	(2,202)	14,126	21,055	(6,958)	14,097
Amortisation of goodwill	11	(16,096)	-	(16,096)	(27,482)	-	(27,482)
Operating loss		232	(2,202)	(1,970)	(6,427)	(6,958)	(13,385)
Other interest receivable and similar income	7	24	-	24	70	-	70
Interest payable and similar expenses	8	(20,757)	-	(20,757)	(33,806)	-	(33,806)
Loss before tax		(20,501)	(2,202)	(22,703)	(40,163)	(6,958)	(47,121)
Tax on loss	10	(3,686)	418	(3,268)	(3,632)	1,205	(2,427)
Loss after tax		(24,187)	(1,784)	(25,971)	(43,795)	(5,753)	(49,548)

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 year or preceding period.

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

Consolidated statement of other comprehensive income
for the year ended 31 March 2022

	Year ended 31 March 2022	17 months to 31 March 2021
	£000	£000
Loss for the financial year/period	(25,971)	(49,548)
<i>Other comprehensive charges:</i>		
Foreign exchange differences on translation of foreign operations	338	(276)
Other comprehensive income/(charges) for the year/period, net of income tax	338	(276)
Total comprehensive charges for the year/period	(25,633)	(49,824)

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

Consolidated balance sheet
as at 31 March 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible fixed assets	11	23,895	35,900
Tangible fixed assets	12	8,807	10,186
		32,702	46,086
Current assets			
Stock	14	58,673	63,330
Debtors	15	224,811	224,945
Cash at bank and in hand		27,752	22,311
		311,236	310,586
Creditors: amounts falling due within one year	16	(358,051)	(397,497)
Net current liabilities		(46,815)	(86,911)
Total assets less current liabilities		(14,113)	(40,825)
Creditors: amounts falling due after more than one year	17	(262,026)	(210,423)
Provisions for liabilities and charges	19	(2,075)	(1,788)
Net liabilities		(278,214)	(253,036)
Capital and reserves			
Called up share capital	21	12	12
Share premium account	21	1,130	1,086
Profit and loss account		(279,356)	(254,134)
Shareholders' deficit		(278,214)	(253,036)

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

These Financial Statements were approved and authorised for issue by the board of directors on 1 July 2022 and were signed on its behalf by:



J S Sheridan
Director

Registered number: 07672785

Company balance sheet
as at 31 March 2022

	Note	2022 £000	£000	2021 £000	£000
Fixed assets					
Investments	13		168,748		168,546
			<u>168,748</u>		<u>168,546</u>
Current assets					
Debtors	15	40,340		361	
		<u>40,340</u>		<u>361</u>	
Total current assets			40,340		361
Creditors: amounts falling due within one year	16	-		-	
			<u>40,340</u>		<u>361</u>
Net current assets			40,340		361
Total assets less current liabilities			209,088		168,907
Creditors: amounts falling due after more than one year	17		(206,289)		(191,141)
			<u>2,799</u>		<u>(22,234)</u>
Net assets/(liabilities)			2,799		(22,234)
Capital and reserves					
Called up share capital	21		12		12
Share premium account	21		1,130		1,086
Profit and loss account			1,657		(23,332)
			<u>2,799</u>		<u>(22,234)</u>
Shareholders' funds/(deficit)			2,799		(22,234)

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

The Company made a profit for the year of £24,780,000 (2021: loss of £19,810,000).

These Financial Statements were approved and authorised for issue by the board of directors on 1 July 2022 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 2019	12	390	(303,015)	(302,613)
Loss for the period	-	-	(49,548)	(49,548)
Other comprehensive charge	-	-	(276)	(276)
	<hr/>	<hr/>	<hr/>	<hr/>
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 (note 21)	2	696	-	698
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	12	1,086	(254,134)	(253,036)

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	12	1,086	(254,134)	(253,036)
Loss for the year	-	-	(25,971)	(25,971)
Other comprehensive income	-	-	338	338
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive charge for the year	-	-	(25,633)	(25,633)
Share based payment (note 27)	-	-	411	411
Issue of share capital (note 21)	-	44	-	44
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	12	1,130	(279,356)	(278,214)

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 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)

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	12	1,086	(23,332)	(22,234)
Profit for the year	-	-	24,780	24,780
Total comprehensive income for the year	-	-	24,780	24,780
Share based payment (note 27)	-	-	209	209
Issue of share capital (note 21)	-	44	-	44
Balance at 31 March 2022	12	1,130	1,657	2,799

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

Consolidated statement of cash flows
for the year ended 31 March 2022

	<i>Note</i>	2022 £000	2021 £000
Cash flows from operating activities			
Loss after tax for the year/period		(25,971)	(49,548)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	11, 12	24,700	37,418
Share based payment		411	617
Tax charge		3,268	2,427
Interest receivable and similar income	7	(24)	(70)
Interest payable and similar charges	8	20,757	33806
Loss on disposal of intangible fixed assets	11	21	100
Loss on disposal of tangible fixed assets	12	10	27
Increase in trade and other debtors		(2,147)	(4,884)
Decrease/(increase) in stocks		4,657	(9,150)
Increase in trade and other creditors		18,644	19,854
Increase in provisions		20	98
Tax paid		(1,742)	(609)
Net cash inflow from operating activities		<u>42,604</u>	<u>30,086</u>
Cash flows from investing activities			
Interest received		24	70
Acquisition of tangible fixed assets	12	(1,603)	(2,987)
Acquisition of other intangible assets	11	(8,822)	(11,170)
Cash used in investing activities		<u>(10,401)</u>	<u>(14,087)</u>
Cash flows from financing activities			
Proceeds from borrowings		37,530	-
Repayment of borrowings		(61,563)	(4,675)
Repayment of finance leases		(1,651)	(2,092)
Interest paid		(1,269)	(1,813)
Net cash used in financing activities		<u>(26,953)</u>	<u>(8,580)</u>
Net increase in cash and cash equivalents		5,250	7,419
Effects of exchange rate changes		191	(230)
Cash and cash equivalents at 1 April 2021		22,311	15,122
Cash and cash equivalents at 31 March 2022		<u><u>27,752</u></u>	<u><u>22,311</u></u>

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 to provide a range of pharmaceutical services focused on complex and usually high value medicines across chronic, rare disease and cancer patient cohorts. Leveraging its digital capabilities, extensive infrastructure and clinical expertise, the Group manages the medication needs of over 230,000 patients in the UK and Europe. Servicing a range of public and private sector payors, the Group aims to ensure that patients achieve the best possible experience and health outcomes from their medicines. The registered office is located at 107 Station Street, Burton-On-Trent, Staffordshire, DE14 1SZ.

The Group and Parent Company Financial Statements for the year ended 31 March 2022 ("these Financial Statements") were approved for issue by the Board on 1 July 2022.

(B) Change in financial year end

The financial statements are presented for the 12 months from 1 April 2021 to 31 March 2022.

The previous accounting period of the Group was extended on 23 November 2020 from 31 October 2020 to 31 March 2021. Comparative figures relate to the 17 months from 1 November 2019 to 31 March 2021.

(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"). 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 profit for the year of £24,780,000 (2021: loss of £19,810,000).

(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 current macro economic circumstances in the UK and global economy pose a risk to the majority of businesses in the UK and beyond. There is a clear decline in the UK economy with expectations that the GDP will continue to fall below 1% and potentially go into recession coupled with high inflation and high interest rates. The Group has reviewed each of these risks and consider Inflation, national labour shortages and Interest the key considerations. Given the Group's industry and placement, it does not consider GDP decline to be a major risk. Patients still require medication and therefore pushing patients back into hospitals will only compound the NHS shortfalls. This was indicated with the resilience of the Group showing continued growth during COVID-19.

The Directors have taken into account and factored the inflationary pressures facing the economy within the Groups forecast and cashflow modelling. This subsequently generated unrecoverable costs increases, which included increased costs for the likes of fuel as well as pay reward increases. Furthermore, the Group also expect to mitigate this through existing procurement agreements and if required through tighter cost controls & reduction in discretionary spend.

Year ended 31 March 2022

Notes (continued)

1 Accounting policies (continued)

(D) Going Concern (continued)

The directors negotiated an extension to the ABL facility for 3 years during the year. The facility has a maximum draw down of £130m. Notwithstanding the Group's net current liabilities of £46.8m as at 31 March 2022 the amount drawn down was £55.1m providing significant headroom. The facility will be used for day-to-day operations and to help fund future growth of the Group. The expected increase in interest rates has been factored based on forward expectations and is included in the Group's forward looking cashflow modelling.

The directors have prepared cash flow forecasts and covenant compliance forecasts for a period of at least 12 months from the date of approval for these financial statements ("the going concern period") which indicate, considering reasonably severe but plausible downsides (including inflationary impacts of +8.8% in 2022 and +5.3% in 2023 and interest rate increases of +1% above base from 2022 onwards), that the Group and Company will have sufficient funds to meet their liabilities as they fall due for the going concern period as well as meet the Group's covenants requirements.

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

Notes *(continued)*

1 Accounting policies *(continued)*

(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:

	2022	2021
	£000	£000
United Kingdom	1,506,787	1,891,302
Rest of Europe	322,298	412,141
Rest of World	1,420	2,035
	1,830,505	2,305,478
	1,830,505	2,305,478

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:

	2022	2021
	£000	£000
<i>Administrative (income)/ charges:</i>		
Costs associated with disposal of subsidiary undertakings	-	204
Professional fees in connection with group structure rationalisation and debt restructure	354	274
Business transformation	2,027	4,450
Costs associated with management incentivisation plan	41	1,413
Share based payments charge (note 27)	411	617
Regulatory compliance review	(631)	-
	2,202	6,958
Taxation credit relating to adjusted items	(418)	(1,205)
	1,784	5,753

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

Costs of £354,000 (2021: £274,000) associated with restructuring of shareholder loan notes and banking facilities (as disclosed in notes 17 and 20) have been included within non-recurring costs.

The Group has continued on its business transformation journey. Upgrades to the CRM and ERP modules of Microsoft Dynamics 365 for the UK trading company implemented in October 2020 were brought in and the Connected Health Patient App was implemented during the current year. Restructuring costs within business support functions and costs related to reduction of hierarchy were incurred as part of the transformation. Non-recurring, non-capital costs of £2,027,000 (2021: £4,450,000) were incurred.

Costs associated with the management incentivisation plan were incurred of £41,000 (2021: £1,413,000). Further details are given in note 21.

A share based payments charge was incurred of £411,000 (2021: £617,000) following implementation of the management incentivisation plan. Further details are given in note 27.

A provision made in a prior year of £631,000 was released following conclusion of a regulatory compliance review by HMRC.

4 Other operating income

	2022	2021
	£000	£000
Research & Development expenditure credit	338	1,489
	338	1,489

Notes (continued)

5 Remuneration of directors

	2022 £000	2021 £000
Directors' emoluments	1,102	1,090
Management Incentive scheme	209	945
	1,311	2,035
	1,311	2,035

The aggregate emoluments, including management incentive scheme amounts, of the highest paid director were £729,000 (2021: £1,158,000) and Group pension contributions of £nil (2021: £nil) were made to a money purchase scheme on their behalf. Emoluments included £124,000 (2021: £576,000) in respect of the Management Incentive scheme. Retirement benefits are accruing to zero (2021: zero) directors under money purchase schemes.

Further details of costs incurred during the year 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 (2021: £nil). Costs in respect of 5 directors (2021: 9) 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:

	2022 Number	2021 Number
Distribution and nursing	1,024	987
Administration	697	625
	1,721	1,612
	1,721	1,612

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	60,008	76,402
Social security costs	5,988	7,583
Other pension costs (note 24)	2,550	3,002
	68,546	86,987
	68,546	86,987

7 Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable from other debtors	24	70
	24	70
	24	70

Notes (continued)

8 Interest payable and similar expenses

	2022	2021
	£000	£000
Interest on bank loans	914	1,516
Interest on shareholders' loans	4,115	10,845
Dividends accrued on preference shares classed as liabilities (note 21)	15,143	19,652
Amortisation of debt issue costs	255	1,428
Interest on finance leases	140	300
Interest on unwinding of discounted provision	84	65
Other	106	-
	20,757	33,806
	20,757	33,806

9 Loss before tax

	2022	2021
	£000	£000
<i>Loss before tax is stated after charging:</i>		
Loss on disposal of tangible fixed assets	10	27
Loss on disposal of intangible fixed assets	21	100
(Gain)/loss on foreign exchange	23	(189)
	54	(62)
	54	(62)
 <i>Auditor's remuneration</i>		
<i>Audit services</i>		
Audit of Company financial statements	32	42
Audit of subsidiaries financial statements	159	201
	191	243
	191	243
 <i>Non-audit services:</i>		
Tax compliance services (ie related to assistance with corporate tax returns)	3	35
Tax advisory services	-	27
	3	62
Services relating to taxation	3	62
Other assurance services	-	2
	3	64
	3	64
 Total fees paid to auditors	 194	 307
	 194	 307

Notes (continued)

10 Taxation

	2022 £000	2021 £000
<i>Current tax:</i>		
Current tax on income for the period	3,156	1,169
Adjustments in respect of prior periods	(71)	(458)
	3,085	711
<i>Deferred tax:</i>		
Current year	(111)	965
Adjustments in respect of prior periods	294	751
	183	1,716
Total tax charge	3,268	2,427

Factors affecting the tax charge for the current year/period

The current tax charge for the year/period is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Loss after tax	(25,765)	(49,548)
Tax on loss	3,268	2,427
Loss before tax	(22,497)	(47,121)
Current tax at 19% (2021: 19%)	(4,274)	(8,953)
<i>Effects of:</i>		
Non-deductible charges for tax purposes	6,571	5,429
Interest disallowable on shareholder loan notes	782	5,795
Deferred tax not recognised	-	(3)
Difference tax rates of overseas subsidiaries	(34)	(56)
Adjustments to deferred tax asset due to tax rate changes	-	(78)
Adjustment in respect of prior periods – current tax	(71)	(458)
Adjustment in respect of prior periods – deferred tax	294	751
	3,268	2,427

Factors that may affect future tax charges

The deferred tax asset at 31 March 2022 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 £74,000 increase in liability.

Notes (continued)

11 Intangible fixed assets

	Software	Goodwill	Assets Under Construction	Total
	£000	£000	£000	£000
Cost				
At 1 April 2021	25,680	190,504	4,272	220,456
Additions	377	-	8,445	8,822
Disposals	-	-	(21)	(21)
Movement in foreign exchange translation	2	465	-	467
Intergroup transfers	9,654	-	(9,654)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 22	35,713	190,969	3,042	229,724
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated amortisation				
At 1 April 2021	11,805	172,751	-	184,556
Charge for the year	4,833	16,096	-	20,929
Disposals	-	-	-	-
Movement in foreign exchange translation	-	344	-	344
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	16,638	189,191	-	205,829
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2022	19,075	1,778	3,042	23,895
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2021	13,875	17,753	4,272	35,900
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Notes (continued)

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 April 2021	6,782	7,899	3,229	4,888	244	23,042
Additions	-	239	48	884	1,316	2,487
Disposals	-	(92)	(4)	(202)	(9)	(307)
Movement in foreign exchange translation	-	29	-	-	-	29
Reallocations	56	176	1,267	-	(1,499)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	6,838	8,251	4,540	5,570	52	25,251
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation						
At 1 April 2021	2,765	5,459	2,583	2,049	-	12,856
Charge for the year	594	1,020	353	1,804	-	3,771
Disposals	-	(92)	(3)	(104)	-	(199)
Movement in foreign exchange translation	-	16	-	-	-	16
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	3,359	6,403	2,933	3,749	-	16,444
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 March 2022	3,479	1,848	1,607	1,821	52	8,807
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	4,017	2,440	646	2,839	244	10,186
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net carrying amount of assets held under finance leases included in motor vehicles is £1,821,000 (2021: £2,839,000). Depreciation charged on those leased assets was £1,804,000 (2021: £1,848,000)

Notes (continued)

13 Investments

Company	Total £000
At 1 April 2021	168,546
Additions in the year	202
At 31 March 2022	168,748

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

Subsidiary	Aggregate of capital and reserves £000	Profit/ (loss) for the year £000	Country of incorporation	Principal activity	Class of share held	% of share held
<i>Direct subsidiaries</i>						
Halcyon Midco Limited	110,687	(150,565)	England (A)	Holding company	Ordinary	100%
<i>Indirect subsidiaries</i>						
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 Apotheke 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%
Sciensus Pharma Services Limited (formerly 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

	2022 £000	2021 £000
Medical supplies and consumables	58,673	63,330
	58,673	63,330

Medical supplies and consumables recognised as cost of sales in the year amounted to £1,701,926,000 (2021: £2,142,174,000). The write-down of stocks to net realisable value amounted to £1,556,000 (2021: £888,000). The reversal of write-downs amounted to £nil (2021: £nil). The write-down and reversal are included in cost of sales

15 Debtors

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade debtors	181,019	172,063	-	-
Amounts owed by Group undertakings	-	-	40,259	323
Corporation tax	-	712	-	-
Other debtors	29,161	37,503	81	38
Prepayments and accrued income	14,631	14,667	-	-
	224,811	224,945	40,340	361

There are no debtors falling due after more than one year (2021: £nil).

Notes (continued)

16 Creditors: amounts falling due within one year

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade creditors	343,866	329,051	-	-
Obligations due under finance leases (note 18)	1,712	1,362	-	-
Shareholder loans (note 18)	-	57,448	-	-
Corporation tax	306	-	-	-
Taxation and social security	1,519	1,367	-	-
Other creditors	862	359	-	-
Accruals and deferred income	9,786	7,910	-	-
	<u>358,051</u>	<u>397,497</u>	<u>-</u>	<u>-</u>

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Secured lending facility (note 18)	55,080	17,550	-	-
Obligations due under finance leases (note 18)	657	1,732	-	-
Preference shares classified as debt (note 18,21)	206,289	191,141	206,289	191,141
	<u>262,026</u>	<u>210,423</u>	<u>206,289</u>	<u>191,141</u>

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	
	2022 £000	2021 £000	2021 £000	2021 £000
Creditors: amounts falling due after one year				
Secured bank loan	55,080	17,550	-	-
Preference share classified as debt	206,289	191,141	206,289	191,141
Obligations due under finance leases	657	1,732	-	-
	<u>262,026</u>	<u>210,423</u>	<u>206,289</u>	<u>191,141</u>
Creditors: amounts falling due within one year				
Shareholder loans	-	57,448	-	-
Obligations due under finance leases	1,712	1,362	-	-
	<u>1,712</u>	<u>58,810</u>	<u>-</u>	<u>-</u>

Notes (continued)

18 Interest bearing loans and borrowings (continued)

Group – terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2022 £000	2021 £000
Secured lending facility	GBP/ EUR	SONIA + 2.25% -2.75%	2025	Due at maturity	55,080	17,550
Shareholder loans		LIBOR + 8.25% -12%	2022	Due at maturity	-	57,448
Preference shares classified as debt	GBP	10%	Earlier of redemption or exit event		206,289	191,141
Finance leases	GBP	7.5%	2024	Monthly instalments	2,369	3,094
					263,738	269,233

Company – terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2021 £000	2021 £000
Preference shares classified as debt	GBP	10%	Earlier of redemption or exit event		206,289	191,141
					206,289	191,141

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 was due to expire in May 2022, however this was renegotiated and a new facility agreed in January 2022 for a 3 year term. Interest is payable at a rate of 2.25% - 2.75% above SONIA.

Shareholder loans

The shareholders invested £132,641,055 of loan notes on 1 February 2012. The loans were 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.

Shareholder loans were repaid in full upon maturity in January 2022.

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:

	2022 £000	2021 £000
Group		
No later than one year	1,763	1,472
Later than one year and not later than five years	674	1,754
	2,437	3,226
Total gross payments	2,437	3,226
Less: finance charges	(68)	(132)
	2,369	3,094
Carrying amount of liability		

19 Provisions for liabilities and charges

	Lease dilapidations £000	Deferred Tax £000	Total £000
At 1 April 2021	735	1,053	1,788
Utilised	(10)	-	(10)
Charge in the year	30	183	213
Interest unwinding	84	-	84
	839	1,236	2,075

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 2022 and 2036.

20 Deferred tax

	2022			2021		
Group	Assets £000	Liabilities £000	Total £000	Assets £000	Liabilities £000	Total £000
Accelerated capital allowances	-	(1,308)	(1,308)	-	(1,140)	(1,140)
Other timing differences	-	72	72	-	87	87
	-	(1,236)	(1,236)	-	(1,053)	(1,053)
Deferred tax movement						£000
Liability at 1 April 2021						(1,053)
Charge in the year (note 10)						(183)
						(1,236)
Liability at 31 March 2022						(1,236)

The Group has an unrecognised deferred tax asset of £55,000 at 17% (2021: £55,000 at 17%) which arose on losses carried forward. The future use of these losses is uncertain and therefore this has not been recognised.

Year ended 31 March 2022

Notes (continued)

21 Capital and reserves

Group and Company

	2022	2021
	£	£
8,750,000 (2021: 8,750,000) 'A' ordinary shares of £0.001 each	8,750	8,750
1,755,337 (2021: 1,648,633) 'B' ordinary shares of £0.001 each	1,755	1,649
80,752 (2021: 80,752) 'C' ordinary shares of £0.001 each	81	81
1,100,000 (2021: 1,100,000) deferred shares of £0.001 each	1,100	1,100
88,233,464 (2021: 88,233,464) cumulative preference shares of £1 each	88,233,464	88,233,464
	<hr/>	<hr/>
	88,245,150	88,245,044
	<hr/>	<hr/>
Shares classified as Shareholders' Funds	11,686	11,580
Shares classified as Liabilities	88,233,464	88,233,464
	<hr/>	<hr/>
	88,245,150	88,245,044
	<hr/>	<hr/>

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 12 January 2021, 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 16,006 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.

On 1 February 2022 the Company allotted 106,708 'B' ordinary shares 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.

Notes (continued)

21 Capital and reserves (continued)

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

	2022 £000	2021 £000
Nominal value of preference shares	88,233	88,233
Uplift of base amount	83,261	83,261
Interest accrued	34,795	19,652
Unamortised finance charges	-	(5)
	206,289	191,141
Included as creditors due after more than one year (note 17)	206,289	191,141

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 Halcyon 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 Halcyon Topco Limited Employee Benefit Trust ('EBT') holds 197,409 (2021: 90,702) of the 'B' ordinary shares and 6,057 (2021: 6,057) of the 'C' ordinary shares allotted at 31 March 2022 and at 31 March 2021. The nominal value of these shares is £203 (2021: £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.

Notes (continued)

22 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2022 £000	2021 £000
Assets measured at amortised cost	27,752	22,311
Amounts measured at cost less impairment	181,019	172,063
Liabilities measured at amortised costs	607,604	598,284

23 Operating leases

Non-cancellable operating leases rentals are payable as follows:

Group	2022		2021	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<i>Operating leases which expire:</i>				
Within one year	1,850	680	1,574	1,001
In the second to fifth years inclusive	4,794	199	4,253	1,221
Over five year	2,626	-	3,275	-
	<u>9,270</u>	<u>879</u>	<u>9,102</u>	<u>2,222</u>

During the year £2,938,000 (2021: £4,785,000) was recognised as a charge in the Profit and Loss Account in respect of operating leases.

24 Employee benefits

The Group operates a number of defined contribution pension schemes. The pension cost charged in the Profit and Loss Account represents contributions payable by the Group to the schemes and amounted to £2,550,000 (2021: £3,002,000). There were no amounts outstanding at the balance sheet date (2021: £nil).

Notes (continued)

25 Related party transactions

Transactions with key management personnel

Total compensation of key management personnel (including the Directors) in the period amounted to £2,260,000 (2021: £3,272,000). 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 2022:

Directors' services

	2022 £000	2021 £000
Vitruvian Partners LLP	79	122
Palladian Investment Partners LLP	29	53
Ocorian Limited (formerly Estera Trust (Jersey) Limited)	6	8
	114	183
	114	183

During the period the company incurred management charges from the above Group shareholders and their affiliates. At year-end £nil (2021: £18,000) was outstanding and included within Creditors. The services of D Oppenheim are provided by Palladian Investment Partners LLP

26 Commitments

	2022 £000	2021 £000
Contracted but not provided for		
Tangible fixed assets	638	829
Intangible fixed assets	4,508	3,951
	5,146	4,780
	5,146	4,780

Cross-guarantees in respect of the Group's bank borrowings, which amounted to £57,572,000 at 31 March 2022 (2021: £17,725,000) 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:

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 £411,000 (2021: £617,000) in the current period. Following no significant change in the year, the current year charge was determined using the valuation at 31 March 2021.

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.