

# **Pharmaxo Pharmacy Services Limited**

**Annual Report and Financial Statements for the Year Ended  
30 April 2017**

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# **Pharmaxo Pharmacy Services Limited**

**Annual Report and Financial Statements for the Year Ended 30 April 2017**

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## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### **Company information**

**Directors:**

A Davis  
C Fountain      Appointed 21 November 2016  
R Wastnage  
C Watt  
M Watt

**Registered office:**

Unit A15, Fiveways Light Industrial Estate,  
Westwells Road  
Corsham  
Wiltshire  
United Kingdom  
SN13 9RG

**Registered number:**

06982573

**Independent auditors:**

PricewaterhouseCoopers LLP  
2 Glass Wharf  
Bristol  
BS2 0FR

## Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

### Strategic report for the year ended 30 April 2017

The directors present their Strategic Report of the company for the year ended 30 April 2017.

#### Principal activities

The company's principal activity during the year was the supply of pharmaceutical products and services.

#### Business review and future developments

In the year under review sales of £38,140,260 (2016: £17,434,164) were delivered, an increase of 118.7%. A gross profit of £2,313,659 (2016: £949,686) is reported, with gross margin at 6.1% (2016: 5.4%). Administration costs rose to £921,731 (2016: £658,920) as the board continued to build the infrastructure required to deliver the growth targeted from new markets, products and services. The profit on ordinary activities before taxation is £1,387,203 (2016: £290,266).

On 12 July 2017 the United Kingdom Supreme Court handed down its judgement that Actavis had been infringing patent law in its manufacturing of Pemetrexed. The company's wholesale agreement with Actavis to distribute Pemetrexed therefore effectively ceased from that date. The directors anticipate that in the coming year the company will continue to increase volumes in its other core services across outsourced pharmacy services and homecare services with particular emphasis on complex therapies.

The company recognises that its staff are a major asset, essential to maintaining its services and delivering its anticipated growth. All staff are paid more than the new National Living Wage (NLW). In maintaining competitive differentials between our pay rates and the NLW, the directors chose to include under-25s in an effort to attract and retain younger workers.

#### Financial and non-financial key performance indicators

The directors monitor the business on turnover and profitability both of which are shown in the primary financial statements. The directors are of the opinion that further analysis using KPIs is not necessary for an understanding of the development, performance or financial position of the business.

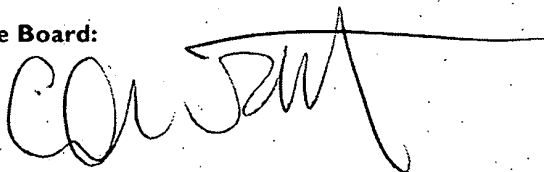
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#### Principal risks and uncertainties

The directors have considered the principal risks and uncertainties faced by the company and these are outlined in the Directors' Report on page 4 on the Annual Report and Financial Statements.

#### On behalf of the Board:

C Watt.  
Director



30 January 2018

## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### **Directors' report for the year ended 30 April 2017**

The directors present their report and the audited financial statements of the company for the year ended 30 April 2017.

#### **Financial risk management**

The company's operations expose it to a variety of financial risks that include: the effects of changes in market prices, credit risk, liquidity risk and interest rate risk. The directors have delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

#### **Price risk**

The company is exposed to commodity price risk as a result of its operations. The company manages this by negotiating fixed price agreements for both purchases and sales, with contract duration of between six and twenty-four months, allowing renegotiation due to price movement when necessary.

The company has no exposure to equity securities price risk as it holds no equity investments.

#### **Credit risk**

The company has implemented policies that require appropriate credit checks to be made on potential private sector customers before sales are made.

#### **Liquidity risk**

The company actively maintains a mixture of cash balances and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

#### **Interest rate cash flow risk**

The company has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include only cash balances earning variable rate interest. The directors consider that the company has adequate cash resources to manage the risk of adverse interest rate movements on short-term working capital finance.

The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

#### **Compliance and regulatory risk**

The business operates under the Medicines and Healthcare products Regulatory Agency Wholesale Dealers Authorisation (Human) number 39799, and GPhC licence numbers 1091653, 1097293 and 1121306. Compliance with the regulations governing these authorisations, including biennial inspections, is mandatory. The directors operate a program of self-inspection to ensure compliance is maintained.

## Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

### Directors' report for the year ended 30 April 2017 - continued

#### Future developments

Future developments are discussed in the Strategic Report on page 3.

#### Qualifying third party indemnity provisions

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 was in force during the financial year and also at the date of approval of the financial statements for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law.

#### Results and dividends

The company's profit for the financial year is £1,152,809 (2016: £232,539). No interim dividend was paid in the year (2016: Nil). A final dividend of £110,000 was approved on 10 October 2017.

#### Directors

The directors who held office during the year and at the time of issuing this report were as follows:

- R Wastnage
- M Watt
- C Watt
- A Davis (appointed 27 September 2016)
- C Fountain (appointed 21 November 2016)

#### Political and charitable donations

The company made nil political and charitable donations (2016: nil) during the year.

#### Gender pay

The group is committed to addressing gender equality at all levels. The table below illustrates the gender distribution across the company in four equally sized quartiles in terms of number of employees.

Quartile	Men	Women
Upper 75-100%	43%	57%
Upper middle 50-75%	0%	100%
Lower middle 25-50%	13%	87%
Lower 0-25%	29%	71%

#### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

## Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

### Directors' report for the year ended 30 April 2017 - continued

#### Statement of directors' responsibilities - continued

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Disclosure of information to auditors

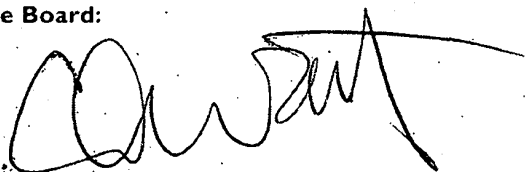
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the Board:

C Watt  
Director



30 January 2018

## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### ***Independent auditors' report to the members of Pharmaxo Pharmacy Services Limited***

#### **Report on the financial statements**

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##### **Our opinion**

In our opinion, Pharmaxo Pharmacy Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

##### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 30 April 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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##### **Opinions on other matters prescribed by the Companies Act 2006**

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In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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##### **Other matters on which we are required to report by exception**

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##### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or



## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### ***Independent auditors' report to the members of Pharmaxo Pharmacy Services Limited (continued)***

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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#### **Responsibilities for the financial statements and the audit**

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##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

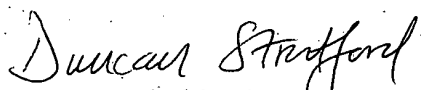
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### ***Independent auditors' report to the members of Pharmaxo Pharmacy Services Limited (continued)***

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Duncan Stratford (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

30 January 2018

# Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

## Statement of comprehensive income for the year ended 30 April 2017

Continuing operations	Note	2017		2016	
		£	£	£	£
Turnover	4		38,140,260		17,434,164
Cost of sales			(35,826,601)		(16,484,478)
Gross profit			2,313,659		949,686
Administrative expenses			(921,731)		(658,921)
Operating profit	5		1,391,928		290,765
Interest payable and similar charges	8	(4,725)	(4,725)	(499)	(499)
Profit before taxation			1,387,203		290,266
Tax on profit	9		(234,394)		(57,727)
Profit for the financial year			1,152,809		232,539
Total comprehensive income for the year			1,152,809		232,539

# Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

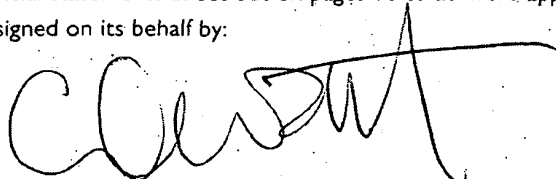
## Balance sheet as at 30 April 2016

	Note	2017		2016	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10		-		
Tangible assets	11		<u>159,845</u>		<u>116,038</u>
			<u>159,845</u>		<u>116,038</u>
<b>Current assets</b>					
Stocks	12	<u>1,252,163</u>		<u>969,517</u>	
Debtors	13	<u>5,048,433</u>		<u>4,557,052</u>	
Cash at bank and in hand		<u>330,921</u>		<u>473,397</u>	
		<u>6,631,517</u>		<u>5,999,966</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>5,322,661</u>		<u>5,788,197</u>	
<b>Net current assets / (liabilities)</b>			<u>1,308,856</u>		<u>211,769</u>
<b>Total assets less current liabilities</b>			<u>1,468,701</u>		<u>327,807</u>
<b>Provisions for liabilities</b>					
Deferred taxation	16		<u>(5,395)</u>		<u>6,520</u>
<b>Net assets</b>			<u>1,474,096</u>		<u>321,287</u>
<b>Capital and reserves</b>					
Called up share capital	17		<u>1</u>		<u>1</u>
Profit and loss account			<u>1,474,095</u>		<u>321,286</u>
<b>Total shareholders' funds</b>			<u>1,474,096</u>		<u>321,287</u>

The notes on pages 13 to 25 are an integral part of these financial statements.

These financial statements as set out on pages 10 to 25 were approved by the board of directors on 30 January 2018 and were signed on its behalf by:

C Watt  
Director



## Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

### Statement of changes in equity for the year ended 30 April 2017

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
<b>For the year ended 30 April 2017</b>			
At 1 May 2016	1	321,286	321,287
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	1,152,809	1,152,809
<b>Total comprehensive income for the year</b>	-	<b>1,152,809</b>	<b>1,152,809</b>
<b>At 30 April 2017</b>	<b>1</b>	<b>1,474,095</b>	<b>1,474,096</b>
<b>For the year ended 30 April 2016</b>			
At 1 May 2015	1	88,747	88,748
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	232,539	232,539
<b>Total comprehensive income for the year</b>	-	<b>232,539</b>	<b>232,539</b>
<b>At 30 April 2016</b>	<b>1</b>	<b>321,286</b>	<b>321,287</b>

# Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

## Notes to the financial statements for the year ended 30 April 2017

### 1 General information

Pharmaxo Pharmacy Services Limited operates from two sites in the United Kingdom. The company is a private company limited by shares and is incorporated in England. Its registered office address is: Unit A15, Fiveways, Light Industrial Estate, Westwells Road, Corsham, Wilts, SN13 9RG.

### 2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

### 3 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements for all years presented, unless otherwise specified.

#### 3.1 Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets. The principal accounting policies are set out below.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. In the directors' judgment there are no critical estimates substantially affecting the preparation of these financial statements.

#### 3.2 Going concern

The company meets its day to day working capital requirements through its bank facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### 3.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### **Notes to the financial statements for the year ended 30 April 2017 - continued**

#### **3.3 Exemptions for qualifying entities under FRS 102 - continued**

The company has taken advantage of the following exemptions:

- a) from preparing a statement of cash flows, on the basis that it is a qualifying entity and that its cash flows are included in the consolidated statement of cash flows in the financial statements of Qualasept Holdings Limited, which are publicly available.
- b) from disclosing the company's key management personnel compensation, as required by FRS 102 para 33.7.

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### **3.4 Revenue recognition**

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities excluding value added tax, and is recognised when the risks and rewards of ownership are substantially passed to the customer.

#### **3.5 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation over their estimated useful life of three years.

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

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives. The following annual rates have been used:

Plant and equipment (excluding computers):	25% straight line
Plant and equipment (computers):	33% straight line

#### **3.7 Employee benefits**

The company provides a range of benefits to employees, including bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The company operates a quarterly bonus plan for its employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### **Notes to the financial statements for the year ended 30 April 2017 - continued**

#### **3.8 Pension costs and other post retirement benefits**

The company operates a defined contribution pension scheme for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations. Contributions are recognised in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

#### **3.9 Stocks**

Stocks are stated at the lower of cost and net realisable value being the estimated selling value less costs to sell. Cost is based on the cost of purchase on a first in, first out, basis. At each balance sheet date stocks are assessed for impairment. If stock is impaired, the carrying value is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in the profit and loss account.

#### **3.10 Financial instruments**

The company holds only basic financial instruments under Section 11 of FRS 102.

##### **Financial assets**

Basic financial assets, including trade and other receivables and cash and bank balances, are recognised at transaction price unless the arrangement constitutes a financing transaction. Where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (i) the contractual rights to the cash flow from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.



## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### **Notes to the financial statements for the year ended 30 April 2017 - continued**

#### **3.10 Financial instruments - continued**

##### **Financial liabilities**

Basic financial liabilities, including trade and other payables, overdrafts and bank loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, i.e. when the contractual obligation is discharged, is cancelled or expires.

##### **Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **3.11 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at bank with a maturity of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### **3.12 Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### **Notes to the financial statements for the year ended 30 April 2017 - continued**

#### **3.13 Provisions and contingencies**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made they are utilised against the provision carried in the balance sheet.

Contingent liabilities are not recognised except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

#### **3.14 Taxation**

The tax expense for the year comprises current and deferred tax.

##### **Current tax**

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **Deferred tax**

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### **Notes to the financial statements for the year ended 30 April 2017 - continued**

#### **3.15 Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the assets may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

If the recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in earlier periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

#### **3.16 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **3.17 Distributions to equity holders**

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

#### **3.18 Related party transactions**

The company disclosed transactions with related parties which are not wholly owned within the Qualasept Pharmaxo group of companies. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the company's financial statements.

#### **3.19 Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

### Notes to the financial statements for the year ended 30 April 2017 - continued

#### 3.20 Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Depreciation rates of tangible fixed assets

The useful economic lives of the company's classes of tangible assets are reviewed regularly and compared with the average useful lives estimated by the company, to ensure depreciation charged matches closely to the benefits obtained over the asset life.

#### 4 Turnover

Turnover and expenses on ordinary activities before tax arose in the United Kingdom and are attributable to the principal activity of the company.

	2017 £	2016 £
<b>5 Operating profit</b>		
Operating profit is stated after charging:		
Wages and salaries	756,147	648,200
Social security costs	84,928	63,406
Other pension costs	57,722	37,745
<b>Staff costs</b>	<b>898,797</b>	<b>749,351</b>
 <b>Depreciation of tangible fixed assets (owned)</b>	 <b>71,977</b>	 <b>51,090</b>
 <b>Services provided by the company's auditor</b>		
- fees payable for the audit	4,849	7,325
- fees payable for other services – tax compliance	-	1,400

There has been a change in cost allocation between cost of sales and administrative expenses in order to better present the direct costs attributable to the production of the drugs sold. The cost of goods sold definition in both years has therefore been expanded to include direct pharmacy staff costs and costs attributable to the dispensary equipment and facilities; these costs had previously been included under administrative expenses. This has increased cost of sales by £530,244 in 2016.

## Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

### Notes to the financial statements for the year ended 30 April 2017 - continued

	2017 £	2016 £
<b>6 Directors' emoluments</b>		
Aggregate emoluments	101,586	16,785
Retirement benefits: contributions to money purchase pension scheme	30,375	-
Sums paid to third parties for directors' services	47,220	-
Management recharge paid to parent company for directors' services	39,230	-
	<u>218,411</u>	<u>16,785</u>

Retirement benefits are accruing to 5 (2016: 3) directors under a defined contribution scheme.

	2017	2016
<b>7 Employee information</b>		
The average monthly number of persons (including executive directors) employed by the company during the year, classified by activity, was:		
Dispensing	14	13
Selling	2	2
Administration	10	6
	<u>26</u>	<u>21</u>

	2017 £	2016 £
<b>8 Interest payable and similar charges</b>		
Bank charges	4,725	499

### 9 Tax on profit on ordinary activities

#### Current tax:

UK corporation tax on profits of the year	246,309	65,139
Total current tax	<u>246,309</u>	<u>65,139</u>

#### Deferred tax:

Origination and reversal of timing differences	(12,643)	(7,069)
Effect of changes in tax rates	728	(343)
Total deferred tax (credit) / charge	<u>(11,915)</u>	<u>(7,412)</u>

<b>Tax on profit on ordinary activities</b>	<u>234,394</u>	<u>57,757</u>
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# Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

## Notes to the financial statements for the year ended 30 April 2017 - continued

	2017 £	2016 £
<b>9 Tax on profit on ordinary activities - continued</b>		
The charge for the year can be reconciled to the profit per the income statement as follows:		
<b>Profit on ordinary activities before taxation</b>	<b>1,387,203</b>	<b>290,266</b>
Tax on profit at the standard UK tax rate of 19.92% (2016: 20.00%)	276,300	58,053
Expenses not deductible	12	16
Effects of group relief / other relief	-	-
Tax rate changes	728	(342)
Share options	(42,646)	-
	<b>234,394</b>	<b>57,727</b>
Income tax expense reported in the income statement	<b>234,394</b>	<b>57,727</b>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured at a blended rate of tax of 18.5% to reflect these changes.

	Other Intangible Assets £	Total £
<b>10 Intangible assets</b>		
<b>Cost or valuation</b>		
At 1 May 2016	27,835	27,835
At 30 April 2017	<b>27,835</b>	<b>27,835</b>
<b>Accumulated amortisation</b>		
At 1 May 2016	27,835	27,835
At 30 April 2017	<b>27,835</b>	<b>27,835</b>
<b>Net Book Value</b>		
At 30 April 2017	-	-
At 30 April 2016	-	-

# Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

## Notes to the financial statements for the year ended 30 April 2017 - continued

	Plant & equipment £	Total £
<b>11 Tangible assets</b>		
<b>Cost or valuation</b>		
At 1 May 2016	315,021	315,021
Additions	115,784	115,784
Disposals	-	-
<b>At 30 April 2017</b>	<b>430,805</b>	<b>430,805</b>
<b>Accumulated depreciation</b>		
At 1 May 2016	198,983	198,983
Charge for year	71,977	71,977
Disposals	-	-
<b>At 30 April 2017</b>	<b>270,960</b>	<b>270,960</b>
<b>Net Book Value</b>		
<b>At 30 April 2017</b>	<b>159,845</b>	<b>159,845</b>
At 30 April 2016	116,038	116,038
	2017 £	2016 £
<b>12 Stocks</b>		
Raw materials and consumables	1,252,163	969,517

There is no significant difference between the replacement cost of stocks and their carrying amount. Stocks are stated after impairment provisions of £47,185 (2016: £5,221). The value of stocks recognised as an expense during the year was £35,157,979 (2016: £15,949,013).

	2017 £	2016 £
<b>13 Debtors</b>		
Trade debtors	3,653,181	3,720,989
Amounts owed by parent company	-	54,591
Amounts owed by group undertakings	95,710	-
Taxation and social security	386,880	256,815
Prepayments and accrued income	912,662	524,657
	<b>5,048,433</b>	<b>4,557,052</b>

Trade Debtors are stated after provision for impairment of £69,110 (2016: £0).

## Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

### Notes to the financial statements for the year ended 30 April 2017 - continued

	2017 £	2016 £
<b>14 Creditors: Amounts falling due within one year</b>		
Bank loans and overdrafts	503,676	-
Trade creditors	3,456,280	4,680,558
Amounts owed to parent company	20,957	-
Amounts owed to group undertakings	761,797	657,880
Corporation tax	246,309	65,139
Accruals and deferred income	333,642	384,620
	<b>5,322,661</b>	<b>5,788,197</b>

The amount owed to group undertakings is unsecured, interest free and has no set repayment date.

The invoice discounting bank borrowings was £503,676 as at 30 April 2017 (2016: £nil). There are cross-guarantees in place from Qualasept Holdings Limited, Qualasept Pharmaxo Holdings Limited and Qualasept Limited in respect of Qualasept Limited's agreement with HSBC Invoice Finance (UK) Limited, under which Qualasept Limited's indebtedness to the lender was £6,724,468 as at 30 April 2017 (2016: £5,515,112).

### 15 Financial instruments

#### Financial assets

Financial assets that are debt instruments measured at amortised cost	4,661,553	4,300,237
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#### Financial liabilities

Financial liabilities measured at amortised cost	5,076,352	5,723,058
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Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise loans and overdrafts, trade creditors, amounts owed to group undertakings, other creditors and accruals.



## Pharmaxo Pharmacy Services Limited

Annual Report and Financial Statements for the Year Ended 30 April 2017

### Notes to the financial statements for the year ended 30 April 2017 - continued

	2017 £	2016 £
<b>16 Deferred tax</b>		
<b>Deferred tax (assets) / liabilities</b>		
Provision at start of year	6,520	13,933
Deferred tax (credit)/charge to income statement for the year (see note 9)	(11,915)	(7,412)
Rounding	-	(1)
<b>Provision at end of year</b>	<b>(5,395)</b>	<b>6,520</b>
Fixed asset timing differences	1,080	8,420
Short term timing differences	(6,475)	(1,900)
<b>Balance as at 30 April</b>	<b>(5,395)</b>	<b>6,520</b>

### 17 Called up share capital

Allotted, issued and fully paid

1 (2016: 1) ordinary share of £1 each

1	1
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### 18 Reserves

#### Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

### 19 Pension commitments

The cost of contributions to the defined contribution schemes amounts to £57,722 (2016: £37,745).

Contributions outstanding as at 30 April 2017 amounted to £nil (2016: £2,952).

### 20 Other related party transactions

E Feedback Research Limited provided consultancy and software support services to Pharmaxo Pharmacy Services Limited to the value of £236,538 (2016: £240,782), with no balance outstanding as at 30 April 2017 (2016: £nil).

Mr C. Watt is a director of both companies.

## **Pharmaxo Pharmacy Services Limited**

Annual Report and Financial Statements for the Year Ended 30 April 2017

### **Notes to the financial statements for the year ended 30 April 2017 - continued**

#### **21 Ultimate parent undertaking**

The immediate parent undertaking is Qualasept Pharmaxo Holdings Limited.

The ultimate parent undertaking and controlling party is Qualasept Holdings Limited, which is the parent of the largest group to consolidate these financial statements. Copies of Qualasept Pharmaxo Holdings Limited consolidated financial statements can be obtained from the Company Secretary at Unit A15 Fiveways Light Industrial Estate, Westwells Road, Corsham, Wiltshire SN13 9RG.