

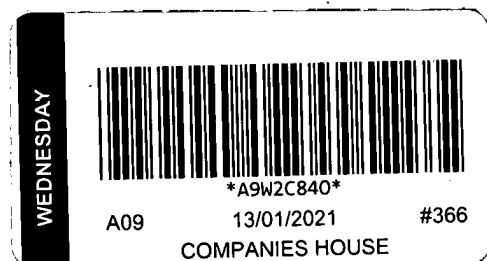
# Qualasept Holdings Limited

## Annual report and financial statements

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**Year ended 30 April 2020**

**Registered number: 10135621**



# Qualasept Holdings Limited

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# Qualasept Holdings Limited

## Company information

**Directors:** R Wastnage  
M Watt  
C Watt

**Registered office:** 3 Corsham Science Park  
Park Lane  
Corsham  
Wiltshire  
SN13 9FU

**Registered number:** 10135621

**Independent auditors:** PricewaterhouseCoopers LLP  
One Kingsway  
Cardiff  
CF10 3PW

# Qualasept Holdings Limited

## Strategic report for the year ended 30 April 2020

The directors present their Strategic Report and the audited consolidated financial statements of the company for the year ended 30 April 2020.

### Principal activities

The company's principal activity during the year was as a holding company for a group of companies engaged in the supply of pharmaceutical products and services.

### Business review and future developments

Group sales increased by 6% to £253,247,138 (2019: £239,612,030), with gross margins decreasing from 10.3% to 9.8% over the year, resulting in a broadly flat gross profit £24,941,714 (2019: £24,673,048). The profit for the financial year was £11,654,436 (2019: £14,123,836). At 30 April 2020 the group had net assets of £29,924,109 (2019: £22,649,672). A review of the group operating companies is set out below.

The group recognises that its staff are a major asset, essential to maintaining its services and delivering its anticipated growth. The company is a committed investor in training and skills and all permanent members of staff over the age of 18 (excluding student placements and apprentices) are paid more than the Real Living Wage. In this way the company hopes to attract and retain young workers, as well as ensuring that all staff can earn a wage which is enough to live on.

#### *Qualasept Limited*

The year under review saw a 3% contraction in sales to £194,394,034 (2019: £201,172,513) due largely to market price reductions for the proteasome inhibitor drug Bortezomib following the expiry of its patent. A gross profit of £13,179,073 is reported (2019: £11,380,652), with a higher gross margin at 6.8% (2019: 5.7%). The profit for the financial year was £6,281,671 (2019: £5,856,510). At 30 April 2020 the company had net assets of £21,184,425 (2019: £17,002,754).

Working capital management improved further over the year. Cash conversion days averaged 13 days over the year. As at 30 April 2020 debtor days were 31 days (2019: 36 days) due largely to the improved execution of credit control procedures. Stock days also improved slightly to 13 days (2019: 14 days) due largely to the tighter management of stock levels in the light of a reduction in demand from NHS hospitals; this is expected to be temporary only as hospital operating procedures are expected to normalise in response to the covid-19 pandemic.

Planning and design work continues on the new state of the art aseptic cleanroom facility for our nationwide patient specific service; this new facility will replace our current physical capacity for this service and provide for a significant expansion of our total capacity, as the current patient specific capacity will be reallocated to our standardised product service. During the year we also completed a full refurbishment of two older units, bringing them up to date with new cleanroom and IT technology.

#### *Pharmaxo Pharmacy Services Limited*

For the group's clinical homecare and outsourced pharmacy and dispensary subsidiary, Pharmaxo Pharmacy Services Limited ("Pharmaxo") 2020 sales of £67,721,600 (2019: £43,846,095) were delivered, an increase of 54%. The reported sales increase was due to an increase in homecare sales, which was partially offset by reduced sales for outsourced pharmacy services subcontracted under the Circle management contract to the Nottingham Treatment Centre. Services ceased at the end of October 2019 after Circle had lost its re-tender for the management of the hospital. A gross profit of £2,509,827 (2019: £1,682,805) is reported, with gross margin at 3.7% (2019: 3.8%).

Administration costs rose to £1,916,489 (2019: 1,527,462) as the directors continued to invest in the infrastructure required to deliver the growth targeted from new markets, products and services. In August 2019 the company moved into new purpose-built premises with a bespoke dispensing unit. These premises are leased from a related party. The profit before taxation is £405,774 (2019: £87,538).

The directors anticipate that in the coming year the company will continue to increase volumes in its core services across homecare services and outsourced pharmacy services with a particular emphasis on complex therapies.

# Qualasept Holdings Limited

## Strategic report for the year ended 30 April 2020 continued

### *Microgenetics Limited*

In the year under review the company commenced sales of its SmartControl microbiology quality control software and continued to invest in the applied research and development of its SwiftDetect diagnostic testing service. The company has continued to be focussed on the provision of scientific and technological guidance to the product

development performed by its sister company, Corsham Science Limited, and the implementation of sales and marketing plans. The first sales of SwiftDetect are anticipated in 2021.

Additional staff for customer support, sales and operational management have been recruited to build the necessary capability for the anticipated sales.

### *Corsham Science Limited*

In the period under review the company continued to develop intellectual property related to biological and chemical analysis for the pharmaceutical, and the animal and plant health sectors. The intellectual property being developed comprises three strands, each of which is staffed by distinct scientific and technological teams.

In addition to our established team of stability research scientists, whose work enables the extensions of shelf lives for biological and other products, we have a team of microbiologists working on optimising our technology for the rapid detection of micro-organisms and the specific application of this core technology in the detection of plant pathogens and environmental contaminants. Additional scientists have been recruited over the year to ensure the on-going development of the core technologies in line with strategic objectives.

A further team of in-house and external IT developers has built an application that utilises artificial intelligence for the management and analysis of micro-biological environmental monitoring data, as well as continuing its work in building software to underpin process innovations in aseptic manufacturing and pharmaceutical dispensing. In November 2019 we brought in-house one of the teams of external IT developers, with whom we have been working closely over several years.

## Principal risks and uncertainties

The directors have considered the principal risks and uncertainties faced by the Group and these are outlined in the Directors' Report on page 5 on the Annual Report and Financial Statements.

## Corporate Governance

### Section 172(1) compliance

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by consideration of all duties under the Companies Act 2006, including having regard to all of the matters under s172 (1) a) to f).

Through an open and transparent dialogue with our key stakeholders, we have been able to develop a clear understanding of their needs, assess their perspectives, and monitor their impact on our strategic ambition and culture.

As part of the Board's decision-making process, the Board and its Executive Committee considers the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors. These include the impact of the Company's operations on the community and environment, and the likely consequences of decisions in the long term.

## Qualasept Holdings Limited

Detailed below we have set out our key stakeholder groups, how we engaged with them throughout the year, and how we measured the effectiveness of the engagement, together with illustrations of how these considerations have been applied by the Board.

We view our stakeholders in six key groups:

<b>Customers</b>	<b>Employees</b>	<b>Shareholders</b>
<b>Regulators</b>	<b>Key suppliers</b>	<b>Community and Environment</b>

We continually strive to make a positive contribution to our community and the environment, so we have also used this section to detail where we believe we have made a positive impact in these areas.

<b>Customers</b>
<p><b>Who are our customers?</b></p> <p>Our customers are NHS and private hospitals across the UK and Eire.</p> <p>We give our customers access to thousands of ready to administer injectable pharmaceutical products and services every week, in turn, enabling them to treat thousands of patients.</p>
<p><b>How we engage</b></p> <p>Our services are supported by a core team of Key Account Managers (KAMs), covering all areas of the United Kingdom. Our KAMs play an important role in ensuring our customers have a dedicated point of contact to support the services we provide. The KAMs provide our customers with the opportunity to channel both feedback on our services, and information on the issues relevant to their businesses and service delivery.</p> <p>Directors and senior managers engage with key regional and national NHS influencers in both technical and commercial contexts to ascertain important insights into NHS strategy.</p> <p>We regularly measure our customer's perceptions of our services through survey work carried out by an independent market research agency.</p> <p>Where our expertise exceeds that of our customers', for example in stability research, we contribute our knowledge base to the establishment of standards.</p>
<p><b>How we measure</b></p> <p>Intelligence gathered by KAMs is recorded in our CRM database, shared within that team, with feedback on customer sentiment communicated throughout the business.</p> <p>Customer satisfaction surveys participation is monitored.</p>

## Qualasept Holdings Limited

### Employees

#### Who are our employees?

Our employees are mostly drawn from our local population around our base in the West Country.

Our customer facing and nursing teams are distributed across the country in close proximity to the hospitals and patients they support.

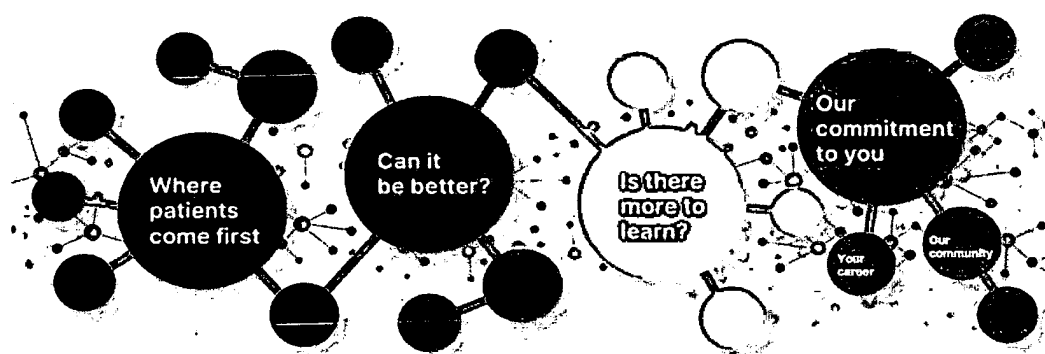
Like many pharmaceutical and biotech companies, we employ those from across the skills spectrum covering process operatives, administration, management and post-doctoral level science knowledge and skills.

#### How we engage

In FY20, we undertook a programme of work to strengthen employee engagement through defining and embedding a set of new Group Values. Everything we do acknowledges that employee engagement is critical to the future success of the Group, and so our approach in FY20 was two-pronged:

- to inspire and motivate our staff around our core purpose, to put patients first; and
- to make a commitment to our employees around their career progression, personal development and their contributions.

The model below shows this value system pictorially.



Our Value "Where patients come first", puts our working day into context. The work that every employee does contributes to patient care in some way, and placing focus on this amplifies the effect of what is innately inspiring. On a monthly basis, we engage all staff in this by asking them to nominate colleagues who have gone the extra mile to put patients first. Examples of this include: undertaking additional hours to make an out of hours, and sometimes out of country, delivery to a patient and delivering an overhaul of IT arrangements that became necessary to support home working when COVID-19 impacted our communities. Successful employees are awarded the "Patient Hero" award for the month – which comes with numerous rewards and recognition.

Our Value "Can it be better?" engages our employees to propose opportunities for innovation and improvement. Utilising MS Teams, we are developing a process to enable our employees to directly communicate their ideas to each other and senior management - in a manner that is quick, simple, and provides full visibility to all staff. Using this process, our employees will *always* receive feedback on their suggestions from senior leaders, and through our wider Teams channel promoting this Value, employees will be able to keep tabs on their ideas as they are explored and developed by the Group.

Through our Value "Is there more to learn?" we challenge our employees to learn continually. To ensure that this value is truly embedded in the way we do things, in FY20 we updated our appraisal process into a more rounded "Performance Development Review". As part of this evolution, all employees, no matter what their role or level within the Group, are asked to agree a current learning objective with their line manager.

## Qualasept Holdings Limited

	<b>How we engage</b> continued
	<p>We engage employees in the "Our commitment to you" Value through the previously mentioned commitment to support and where relevant fund learning objectives. We began in this year the establishment of documented career pathways which is due to be completed in the coming year.</p> <p>Our Board members have collective responsibility for engagement with the workforce and meet with colleagues throughout the year. Our marketing team helps to structure this through events to promote our Values, and this is supplemented by a large amount of informal time spent by our Board members working side by side with our employees.</p> <p>The Group relaunched its whistleblowing policy and process in FY20, providing an alternative route for concerned employees to raise concerns.</p>
	<p><b>How we measure</b></p> <p>We operate a highly specialised longitudinal engagement study surveying a representative sample of our employees each quarter. Findings include:</p> <ul style="list-style-type: none"> <li>• We can see a high degree of engagement with our patient care value showing net positive engagement at circa 80%.</li> <li>• We have room for improvement with up to 30% wanting to see more emphasis on the company contribution to career development.</li> </ul> <p>This survey work is carried out by an independent market research partner.</p>

	<b>Shareholders</b>
	<b>Who are our shareholders?</b>
	Our shareholders play an important role in monitoring the performance of the Company.
	<b>How we engage</b>
	<p>All three of our individual shareholders have a seat on the Board for the Group and are therefore fully involved in the entrepreneurial leadership of the Group.</p> <p>As Board members, our shareholders are active participants in setting out the strategic aims for the Group, approving dividend payments, and determining the composition. Similarly, through their seats on the Board, the shareholders have regular exposure to the risk register, and have an opportunity to directly hold the Executive Committee to account.</p>
	<b>How we measure</b>
	Given the active involvement of all shareholders in the Board we see no need to measure this.



## Qualasept Holdings Limited

<b>Regulators</b>	
	<b>Who are our Regulators?</b>
	We have an open and transparent dialogue with the regulatory and industry bodies that we work with. Building public trust and raising standards.
	<b>How we engage</b>
	<p>We maintain strong relationships with regulators, particularly NHS England Improvement, the Department of Health and Social Care, the MHRA and CQC. Our Managing Directors are key to maintaining these relationships, supplemented by input from other Board members and senior managers. Our Head of Quality works very closely with the MHRA and maintains a regular dialogue.</p> <p>One of our directors is also acts as the chair of the National Clinical Homecare Association (NCHA).</p> <p>Both our Executive Committee and Board frequently consider whether we ought to petition our regulators on matters relevant to our business operations and the impact of matters put to consultation. This type of matter is given high priority on the agenda.</p>
	<b>How we measure</b>
	In FY20, Board members dedicated much time to responding to the <i>Call for evidence: pharmacy aseptic services review – England</i> , which was carried out under the remit of NHS Improvement.

<b>Key Suppliers</b>	
	<b>Who are our key suppliers?</b>
	<p>We have established long-term partnerships that complement our in-house expertise and have used a large number of suppliers for over a decade.</p> <p>Our Board fosters strong supplier relationships, ensuring they are treated fairly and ethically.</p>
	<b>How we engage</b>
	<p>We have an open, constructive and effective relationship with all suppliers through regular meetings, which provide both parties with the ability to feedback on successes, challenges and the future roadmap.</p> <p>Any issues that arise are tracked and monitored.</p> <p>Our suppliers are aware of who to contact to allow them to raise any whistleblowing concerns that might arise.</p> <p>We have co-developed products with our suppliers often guaranteeing volumes through call-off contracts allowing them the flexibility to establish wider distribution opportunities with lower stock risk.</p>
	<b>How we measure</b>
	<p>We regularly monitor the relationship and engagement approach with our third-party suppliers through our daily business activities. This is managed by our procurement lead who reports to our CFO.</p> <p>We publish our Modern Slavery Statement on the Company's website which includes KPIs to track progress.</p>

## Qualasept Holdings Limited

<b>How we measure</b> continued
Payment policies, practice and performance are reported through the Government's Payment Practices Reporting portal.

<b>Community and the Environment</b>
<b>Who is our community?</b>
We are committed to making a positive contribution to the communities within which we operate, including through payment of taxes, reducing our environmental impact, sharing our expertise and creating employment opportunities.
<b>How we engage</b>
<p>In FY20, we have embraced the use of high-quality, person-to-person video conferencing across the Group. Whilst the initial drive to implement this was brought to the fore by the impact of COVID-19, it is a measure that has been well received, and strategically adopted on a long-term basis. This has helped us to reduce travel costs, and the associated environmental impact.</p> <p>In FY20, we continued to support Dorothy House hospice, a charity that provides care and support for people in Wiltshire and Bath &amp; North East Somerset with a life-limiting illness. We participated in numerous fund-raising events throughout the year, including a post-Christmas event to collect old Christmas trees from local people, and all the proceeds from our coffee machines are donated to this fantastic cause.</p> <p>In FY20, we continued to support clinical trials, and plan to grow this part of our offering in 2020 to ensure that even more people in our community have a chance of being supported by medicines that could extend or improve their quality of life.</p> <p>We regularly post health and wellbeing content on our social media platforms, including advice on mental health. This content has a high level of engagement. In response to the measures to protect the population from COVID-19, we published helpful content on practical measures to minimise becoming infected or spreading the infection. Our social distancing video saw a reach of 103k.</p> <p>In the year we have continued to share our stability research expertise and have produced instructional videos to support staff preparing medicines for use in the COVID-19 Nightingale Hospitals around the UK.</p> <p>Our purpose-built manufacturing facility and offices were designed for energy-efficiency, and the energy that we used in 2019 was offset by Carbonfund.org to ensure we, once again, achieved a zero-carbon footprint associated with our activities.</p> <p>Previously, all our company cars were hybrid cars, but we have now begun the process of converting the fleet to full electric cars. Our site has electrical charging points for all units.</p>
<b>How we measure</b>
<p>Overall, the Group's Economic Value Added or EVA in FY20 was £8,419,911 (2019: £9,288,413)<sup>1</sup>.</p> <p>Each year we try to beat our target for funds raised for Dorothy House. In FY20 the Group raised £5,698.</p> <p>We monitor the carbon emissions of our business activities through impact assessment tools. We achieve a zero-carbon footprint by offsetting our emissions.</p>

<sup>1</sup> EVA=NOPAT-Capital employed x WACC

# Qualasept Holdings Limited

## Stakeholder Engagement

The Board seeks to make decisions to promote the success of the Company for the benefit of its members and wider stakeholders. The following disclosure is made in line with the Companies (Miscellaneous Reporting) Regulations 2018 which requires Companies to report on stakeholder engagement.

The Board remains committed to maintaining open channels of communication with its shareholders and further strengthening its dialogue with employees and wider stakeholders. The Board recognises that engagement is fundamental to the success of the companies within the QHL Group and considers the views of key stakeholders in its decision-making, recognising that they are central to the long-term prospects of the Company.

In relation to all of the above, we have restructured our Board papers, so that there are express mandatory sections to be completed for each of the stakeholder categories. This prompts the Board to consider the impact of the proposal on those as a matter of course. This has been in place since the start of FY20.

### Customers

Customer insights from a number of channels are shared and discussed at Board meetings, as are details on customer behaviours, market trends and competitor activities.

KPIs reported to the Board include: "right first time" (% of orders that the business delivers correctly first time), "on time in full" (% of orders that the business delivers on time and in full), and complaints data.

Customer Satisfaction survey results are presented to the Board.

### Employees

The Board recognises that the Group's culture and Values underpin the effective delivery of its strategy. Management regularly engage with employees across the organisation in relation to this, in the form of MS Teams channels dedicated to our Values, vlogs, regular articles in our quarterly newsletter, and town hall style events.

Trends and feedback received from our *Staff Values Survey* were analysed with the support of a specialist market research company. The results were discussed in detail by both the Executive Committee and the Board. The Executive Committee members took responsibility for responding to the survey outcome, and all subsequent decisions of the Group have taken into account the staff feedback.

A formal whistleblowing policy and procedure is in place to allow employees to confidentially raise any concerns or issues they have. These are reported to the relevant Board members.

### Shareholders

The Board's engagement with the shareholders is detailed in the Board's Statement on s172(1) section on page 6 of the Strategic Report.

## Qualasept Holdings Limited

### Regulators

The Board receives regular updates from the Company Secretary & Legal Counsel on governance, legal, regulatory and compliance matters. This is supplemented by updates from the respective Managing Directors, who are briefed by their subject matter experts in relation to quality and pharmacy.

The Board has a rolling strategic agenda, which examines the external environment for each business in detail at least once a year. During this session, the Board is briefed in detail on any regulatory changes that might influence the long-term strategy for the respective businesses.

Both our Executive Committee and Board frequently consider whether we ought to petition our regulators on matters relevant to our business operations and the impact of matters put to consultation. This type of matter is given a high priority on the agenda.

In FY20, Board members dedicated much time to responding to the *Call for evidence: pharmacy aseptic services review – England*, which was carried out under the remit of NHS Improvement.

### Suppliers

The Board monitors the relationship and engagement approach with the Group's third-party suppliers through reports received from its Chief Financial Officer. Through this route, the Board ensures that the suppliers help support us in the delivery of our customer offering and overall strategy.

Our Payment Practices and Performance reporting is shared with the Board, as well as being published on the web-based service provided by the Government. Key supplier contracts are discussed by the Board as appropriate.

### Community and Environment

Updates are provided to the Board through the Programme team as applicable, so that the longer-term prospects of the Group can be considered in its decision-making.

The Board receives updates on KPIs relating to our economic contribution, as well as our positive contributions to the community. Our environmental impact is measured in the Streamlined Energy and Carbon Reporting (SECR), detailed below.

The Group's energy usage in relation to electricity, gas and transport and related CO<sub>2</sub> emissions is set out in the table below. This includes the kWh usage figures for electricity and gas energy used by the Group through its occupation of rented buildings, as well as directly collated information on energy use relating to our transport.

The energy consumption used to calculate emissions in calendar year 2019 was: 1,556,094 kWh electricity, 458,652 miles of fuel for business use in company vehicles, 13,948 miles of rail travel and 24,460 miles air travel. (There was no UK energy use from gas.) The related CO<sub>2</sub> emissions are given below.

CO <sub>2</sub> e from combustion of fuel for transport purposes	94,326 CO <sub>2</sub> kg
CO <sub>2</sub> e from purchased electricity	547,326 CO <sub>2</sub> kg
Total gross CO <sub>2</sub> e:	<u>641,387 CO<sub>2</sub> kg</u>

Intensity ratio: (tCO <sub>2</sub> e / £100,000 revenue)	0.25
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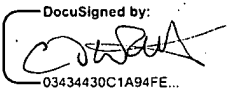
## Qualasept Holdings Limited

### Community and Environment continued

The Group has undertaken the following principle measures for the purpose of increasing its energy efficiency:

- The Group has a sustainable approach in relation to its lease vehicles. The Group only leases low or ultra-low carbon vehicles.
- The Group has a sustainable approach in relation to its canteens – No single-use plastic (straws, cutlery, other) are purchased for use by staff in Group canteens.
- The Group has evolved its approach to the conduct of meetings. The Group now embraces a virtual approach to meetings. To facilitate this, in early 2020, all relevant staff members were provided with access to MS Teams, and the necessary IT hardware. This means that all relevant staff members are able to undertake meetings virtually via their computers, which has reduced travel. This is being led from the top with virtual meetings now being conducted by the Board and Executive team on a regular basis also.
- The Group is evolving its approach to the delivery of training. Utilising the advantages of the technology described in the bullet point above, the Group has begun a review of the way in which its internal training is delivered. Where training can be delivered online, this approach is being made the "norm". As above, evolving these processes has started to reduce staff travel further.
- The Group is reviewing its approach for delivery of clinical consultations. In early 2020, the Group's Executive team noted that almost all relevant staff in the NHS had been provided with licences for MS Teams, and were embracing online clinical consultations in light of the COVID-19 outbreak. The Group is considering ways in which it can deliver its services in a virtual manner, to complement and align with those delivered by the NHS. Not only will adopting this approach reduce staff travel, it could also reduce patient travel – having a dual benefit to the environment.

On behalf of the Board:

DocuSigned by:  
  
03434430C1A94FE...

C Watt  
Director  
11 January 2021

# Qualasept Holdings Limited

## Directors' report for the year ended 30 April 2020

The directors present their report and the audited consolidated financial statements for the year ended 30 April 2020.

### Financial risk management

The group'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 cash flow risk. Given the size of the group, 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 group's finance department.

#### Price risk

The group is exposed to commodity price risk as a result some of its operations. The group 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 directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

#### Credit risk

The group has implemented policies that require appropriate credit checks on potential private sector customers before sales are made. Policies to control debtor levels are in place for all customers.

#### Liquidity risk

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

#### Interest rate cash flow risk

The group has both interest-bearing assets and non-interest-bearing liabilities. Interest bearing assets include only cash balances earning variable rate interest. The directors consider that the group 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 group's operations change in size or nature.

### Compliance and regulatory risk

Qualasept Limited operates under the Medicines and Healthcare products Controlled drugs 378902, Regulatory Agency Manufacturer's "Specials" Licence 29581, the Clinical Trials Licence MIA (IMP) 29581 and Veterinary Medicines Licence 29581. Compliance with the regulations governing this licence is mandatory which include biennial external inspections. Pharmaxo operates under the Medicines and Healthcare products Regulatory Agency Wholesale Dealers Authorisation (Human) number 39799, and GPhC licence numbers 1091653 and 1097293 and Care Quality Commission 4655239421. Compliance with the regulations governing these authorisations, including biennial inspections, is mandatory. The directors in each company operate a program of self-inspection to ensure compliance is maintained.

### Brexit risk

There is continuing uncertainty around the impact of the end of the transition period for the UK's exit from the European Union on 31 December 2020. Longer lead times and increased paperwork caused by potential customs bottlenecks could affect service levels, required stockholding levels and margins, especially for aseptically compounded pharmaceutical products which have a short shelf life. The directors have set up a working group that has developed and implemented solutions for those drugs, diluents, devices and consumables that are considered vulnerable to disruption in supply and are actively engaging with external stakeholders, including suppliers and the NHS Commercial Medicines Unit.

# Qualasept Holdings Limited

## Directors' report for the year ended 30 April 2020 continued

### Covid-19 Pandemic risk

The Group's sales are heavily focussed on cancer treatment in NHS hospitals and the provision of clinical homecare services. The NHS' preparations for the first wave of the Covid-19 pandemic between March and May 2020 and the impact of the new operating procedures designed to mitigate the risk of spreading the virus inside hospitals continues to restrict the NHS' ability to restore cancer diagnosis and treatment to earlier levels. This may continue to impact demand for compounded cancer drugs for some months until the NHS finds a solution that will enable patients to be diagnosed and treated at previous response levels. Incoming orders are being monitored daily in order to inform the optimal management of production. The restriction on the NHS' ability to treat cancer and other patients in hospitals has, however, resulted in an increased demand for clinical homecare services, as the NHS seeks to recover its capacity for treating patients. In addition, the directors have set up a working group, which meets daily to develop and implement mitigations of the health risks to our staff and our production and service capabilities.

### Results and dividends

The group's profit for the financial year is £11,654,436 (2019: £14,021,331). Dividends totalling £4,380,000 were paid in the year which included final dividends of £2,250,000 in respect of the year ended 30 April 2019 (2019: £1,870,000). A dividend of £270,000 was approved in June 2020 in respect of the year end 30 April 2020.

### Charitable donations

Charitable donations in the year under review amounted to £11,300 (2019: £9,527).

### Research and development

The group is consistently striving to develop new and improved products. Research and development costs incurred in 2020 totalled £1,495,609 (2019: £1,341,995), or 6.0% of gross margin (2019: 5.4%).

### Creditor payment policy

For all trade creditors it is group policy to agree and confirm terms at commencement of business with the supplier and pay in accordance with these contractual obligations. The management continually review payment policies and procedures to ensure compliance.

### Directors and their interests

The directors of the company during the period from 1 May 2019 to the date of this report, together with their interests in the shares of the company at 30 April 2020, were as follows:

Issued and fully paid £0.01 ordinary shares	2020	2019
R Wastnage	3,600	4,000
Richard John Wastnage, Amanda Wastnage and Thrings Trustee Company Limited	400	-
M Watt	500	500
C Watt	3,500	3,500

### Engagement with suppliers, customers and others

The group's engagement with suppliers, customers and others is detailed in the Strategic Report.

# Qualasept Holdings Limited

## Directors' report for the year ended 30 April 2020 continued

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

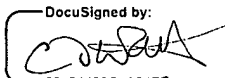
The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### 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 group'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.

### On behalf of the Board:

DocuSigned by:  
  
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C Watt

Director

11 January 2021



# Qualasept Holdings Limited

## Independent auditors' report to the members of Qualasept Holdings Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion, Qualasept Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 April 2020 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 30 April 2020; the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

# Qualasept Holdings Limited

## Independent auditors' report to the members of Qualasept Holdings Limited continued

### Reporting on other information continued

obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 30 April 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 15, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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.

## Qualasept Holdings Limited

### Independent auditors' report to the members of Qualasept Holdings Limited continued

#### Other required reporting

##### *Companies Act 2006 exception reporting*

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
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jason Clarke (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
11 January 2021

# Qualasept Holdings Limited

## Consolidated statement of comprehensive income for the year ended 30 April 2020

		2020 £	2019 £
<b>Continuing operations</b>	Note		
<b>Turnover</b>	4	253,247,138	239,612,030
<b>Cost of sales</b>		(228,305,424)	(214,938,982)
<b>Gross profit</b>		24,941,714	24,673,048
<b>Administrative expenses</b>		(9,894,178)	(7,226,126)
<b>Operating profit</b>	5	15,047,536	17,446,922
<b>Interest receivable and similar income</b>		335,390	211,255
<b>Interest payable and similar expenses</b>	8	(763,593)	(447,373)
<b>Profit before taxation</b>		14,619,333	17,210,803
<b>Tax on profit</b>	9	(2,964,897)	(3,086,967)
<b>Profit for the financial year</b>		11,654,436	14,123,836
<b>Total comprehensive income for the year</b>		11,654,436	14,123,836

# Qualasept Holdings Limited

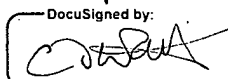
## Consolidated balance sheet as at 30 April 2020

		2020	*Restated 2019
	Note	£	£
<b>Fixed assets</b>			
Intangible assets	10	-	-
Tangible assets	11	6,314,920	5,527,102
		<u>6,314,920</u>	<u>5,527,102</u>
<b>Current assets</b>			
Stock	13	10,895,490	9,755,401
Debtors	14	54,224,791	44,424,130
Investments	15	5,000,000	5,000,000
Cash at bank and in hand		<u>10,442,359</u>	<u>17,001,273</u>
		<u>80,562,640</u>	<u>76,180,804</u>
<b>Creditors: amounts falling due within one year</b>	16	49,517,710	51,789,609
<b>Net current assets</b>		<u>31,044,930</u>	<u>24,391,195</u>
<b>Total assets less current liabilities</b>		<u>37,359,850</u>	<u>29,918,297</u>
<b>Creditors: amounts falling due after more than one year</b>	17	6,938,000	6,938,000
<b>Provisions for liabilities and charges</b>			
Deferred taxation	19	497,742	330,625
<b>Net assets</b>		<u>29,924,108</u>	<u>22,649,672</u>
<b>Capital and reserves</b>			
Called up share capital	20	80	80
Other reserves		(7,911,102)	(7,911,102)
Profit and loss account		<u>37,835,130</u>	<u>30,560,694</u>
<b>Total shareholders' funds</b>		<u>29,924,108</u>	<u>22,649,672</u>

\*The 2019 balance for Stocks and Debtors has been restated and further information can be found in Note 26.

The notes on pages 25 to 39 are an integral part of these financial statements.

The financial statements on pages 19 to 39 were approved by the board of directors on 11 January 2021 and were signed on its behalf by:

DocuSigned by:  
  
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C Watt  
 Director

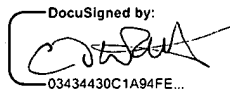
# Qualasept Holdings Limited

## Company balance sheet as at 30 April 2020

		2020		2019	
	Note	£	£	£	£
<b>Fixed assets</b>					
Investments	12		<u>7,984,810</u>		<u>7,984,810</u>
			<b>7,984,810</b>		<b>7,984,810</b>
<b>Current assets</b>					
Debtors	14	<b>50,053</b>		177,922	
Investments	15	<b>5,000,000</b>		5,000,000	
Cash at bank and in hand		<u><b>237,250</b></u>		<u>7,258</u>	
		<b>5,287,303</b>		<b>5,185,180</b>	
<b>Creditors: amounts falling due within one year</b>	16	<b>205,305</b>		<b>356,911</b>	
<b>Net current assets</b>			<b>5,081,998</b>		<b>4,828,269</b>
<b>Total assets less current liabilities</b>			<u><b>13,066,808</b></u>		<u><b>12,813,079</b></u>
<b>Creditors: amounts falling due after more than one year</b>	17		<b>6,938,000</b>		<b>6,938,000</b>
<b>Net assets</b>			<u><b>6,128,808</b></u>		<u><b>5,875,079</b></u>
<b>Capital and reserves</b>					
Called up share capital	20		<b>80</b>		<b>80</b>
Profit and loss account					
At 1 May			<b>5,874,999</b>		<b>5,013,831</b>
Profit for the year attributable to the owners			<b>253,729</b>		<b>861,168</b>
			<u><b>6,128,728</b></u>		<u><b>5,874,999</b></u>
<b>Total shareholders' funds</b>			<u><b>6,128,808</b></u>		<u><b>5,875,079</b></u>

The notes on pages 25 to 39 are an integral part of these financial statements.

The financial statements on pages 19 to 39 were approved by the board of directors on 11 January 2021 and were signed on its behalf by:

DocuSigned by:  
  
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C Watt  
 Director

# Qualasept Holdings Limited

## Consolidated statement of changes in equity for the year ended 30 April 2020

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total shareholders' funds
	£	£	£	£	£
<b>For the year ended 30 April 2020</b>					
At 1 May 2019	80	-	(7,911,102)	30,560,694	22,649,672
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	11,654,436	11,654,436
<b>Total comprehensive income for the year</b>	-	-	-	11,654,436	11,654,436
Dividends	-	-	-	(4,380,000)	(4,380,000)
<b>Total transactions with owners recognised directly in equity</b>	-	-	-	(4,380,000)	(4,380,000)
<b>At 30 April 2020</b>	<b>80</b>	<b>-</b>	<b>(7,911,102)</b>	<b>37,835,130</b>	<b>29,924,108</b>
<b>For the year ended 30 April 2019</b>					
At 1 May 2018	80	-	(7,911,102)	21,530,114	13,619,092
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	14,123,836	14,123,836
Adjustment for prior year license fees	-	-	-	(798,256)	(798,256)
<b>Total comprehensive income for the year</b>	-	-	-	13,325,580	13,325,580
Dividends	-	-	-	(4,295,000)	(4,295,000)
<b>Total transactions with owners recognised directly in equity</b>	-	-	-	(4,295,000)	(4,295,000)
<b>At 30 April 2019</b>	<b>80</b>	<b>-</b>	<b>(7,911,102)</b>	<b>30,560,694</b>	<b>22,649,672</b>

# Qualasept Holdings Limited

## Company Statement of changes in equity for the year ended 30 April 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
<b>For the year ended 30 April 2020</b>				
At 1 May 2019	80	-	5,874,999	5,875,079
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	4,633,729	4,633,729
<b>Total comprehensive income for the year</b>	-	-	4,633,729	4,633,729
Dividends	-	-	(4,380,000)	(4,380,000)
<b>Total transactions with owners recognised directly in equity</b>	-	-	(4,380,000)	(4,380,000)
<b>At 30 April 2020</b>	<b>80</b>	<b>-</b>	<b>6,128,728</b>	<b>6,128,808</b>
<b>For the year ended 30 April 2019</b>				
At 1 May 2018	80	-	5,013,831	5,013,831
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	5,156,168	5,156,168
<b>Total comprehensive income for the year</b>	-	-	5,156,168	5,156,168
Dividends	-	-	(4,295,000)	(4,295,000)
<b>Total transactions with owners recognised directly in equity</b>	-	-	(4,295,000)	(4,295,000)
<b>At 30 April 2019</b>	<b>80</b>	<b>-</b>	<b>5,874,999</b>	<b>5,875,079</b>



# Qualasept Holdings Limited

## Consolidated cash flow statement for the year ended 30 April 2020

	2020	*Restated 2019
	£	£
<b>Profit for the financial year</b>	<b>11,654,436</b>	<b>14,123,836</b>
<b>Adjustments for:</b>		
Intercompany license fees eliminated in prior year	-	(798,256)
Tax on profit on ordinary activities	2,964,897	3,086,967
Interest paid and similar charges	763,593	447,373
Interest received	(335,390)	(211,255)
<b>Operating profit</b>	<b>15,047,536</b>	<b>16,648,665</b>
Depreciation of fixed assets	1,450,580	934,573
Increase in stocks	(1,140,087)	(3,272,229)
Increase in trade and other debtors	(9,800,660)	(17,087,727)
Increase in trade and other creditors	2,981,392	22,942,246
<b>Net cash from operating activities</b>	<b>8,538,761</b>	<b>20,165,528</b>
Taxation paid	(4,906,084)	(2,993,644)
<b>Net cash generated from operating activities</b>	<b>3,632,677</b>	<b>17,171,884</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible assets	(2,349,728)	(1,168,196)
Disposal of tangible assets	111,328	10,880
Interest received	335,390	211,255
<b>Net cash used in investing activities</b>	<b>(1,903,010)</b>	<b>(946,061)</b>
<b>Cash flow from financing activities</b>		
Repayment of term loan facility	-	(794,665)
(Payments)/Receipts from invoice discounting facility	(2,796,079)	4,833,270
Dividends paid to owners of the ultimate parent company	(4,380,000)	(4,295,000)
Redemption of A preference shares	(348,910)	(330,050)
Interest paid	(763,594)	(447,373)
<b>Net cash used in financing activities</b>	<b>(8,288,583)</b>	<b>(1,033,818)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,558,914)</b>	<b>15,192,005</b>
Cash and cash equivalents at the beginning of the year	17,001,273	1,809,268
<b>Cash and cash equivalents at the end of the year</b>	<b>10,442,359</b>	<b>17,001,273</b>
<b>Cash and cash equivalents consist of:</b>		
Cash at bank and in hand	10,442,359	17,001,273

\*The 2019 movement in cash flow for stocks and other debtors has been restated and further information can be found in Note 26.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020

### 1 General information

Qualasept Holdings Limited operates from two sites in the United Kingdom. The parent company is a private company limited by shares and is incorporated in England. Its registered office address is: 3 Corsham Science Park, Park Lane, Corsham, Wiltshire, SN13 9FU.

### 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.

#### 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.

The useful lives of the property, plant and equipment is a critical accounting estimate. 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.

Under Section 408(3) of the Companies Act 2006, the company is exempt from the requirement to present its own statement of comprehensive income.

#### 3.2 Basis of consolidation

The consolidated financial statements present the results of the group and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Management has concluded that this merger accounting method of preparing the financial statements gives a true and fair view of the group's financial position, financial performance and cash flows. Qualasept Holdings Limited acquired Qualasept Pharmaxo Holdings Limited on 20 May 2016 as part of a group reorganisation, in which the ultimate parent company of the group has changed but there has been no change in control and there is no ultimate controlling party before or after the reorganisation.

All companies in the group use uniform accounting policies.

#### 3.3 Going concern

The group meets its day to day working capital requirements through its bank facilities. The group'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 group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

#### 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.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

### 3.5 Intangible fixed assets

Goodwill, being the amount paid in connection with the acquisition of a business in 2006, has been amortised evenly over its estimated useful life of ten years.

A residual value of zero is assumed for intellectual property unless there is a commitment by a third party to purchase an asset or there is an active market for the asset and the residual value can be determined by reference to the market and the market will exist at the end of the asset's useful life.

### 3.6 Tangible fixed assets

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

Leasehold buildings	Written off over the residual term of the lease.
Leasehold property improvements:	Written off over the residual term of the lease.
Plant and equipment (excluding computers):	25% straight line.
Plant and equipment (computers):	33% straight line.

### 3.7 Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the term of the relevant lease.

### 3.8 Employee benefits

The group 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 group 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.

The group operates a cash-settled long term incentive plan for certain members of management. The plan is based on the business's performance over a three year period against predetermined profitability measures. A liability is raised on the estimated amount payable as at the end of the financial year.

### 3.9 Pension costs and other post-retirement benefits

The group operates defined contributions pension schemes 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 accrual as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

### 3.10 Valuation of investments

Investments held as fixed assets are stated at cost less provision for diminution in value.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

### 3.11 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.

### 3.12 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 and the balance on the invoice discounting facility are shown within borrowings in current liabilities.

### 3.13 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.

### 3.14 Financial instruments

#### 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.

#### 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.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

### 3.14 Financial instruments continued

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 of 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.

### 3.15 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 group'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.

### 3.16 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.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

### 3.17 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.

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.

### 3.18 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.

### 3.19 Distributions to equity holders

Dividends and other distributions to the group'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.

### 3.20 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the Qualasept Holdings Limited 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 group's financial statements.

### 3.21 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.

### 3.22 Research and development

Research and development costs are written off in the profit and loss account in the year in which they are incurred.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

### 4 Turnover

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the products:

	2020 £	2019 £
United Kingdom	252,090,253	238,324,674
Rest of the world	1,156,885	1,287,356
	<u>253,247,138</u>	<u>239,612,030</u>

### 5 Operating profit

Operating profit is stated after charging:

Wages and salaries	8,680,444	7,023,385
Social security costs	795,337	613,854
Other pension costs	885,511	478,287
<b>Staff costs</b>	<b>10,361,293</b>	<b>8,115,526</b>
<b>Depreciation of tangible fixed assets</b>		
– owned assets	1,450,580	934,573
<b>Operating lease charges</b>		
– plant and machinery	76,041	88,340
– other	306,218	227,042
<b>Services provided by the company's auditors</b>		
Fees payable for the audit of consolidation and parent	8,000	8,000
Fees payable for the audit of subsidiaries	38,000	37,000
Fees payable for other services		
– tax compliance	-	10,260
– tax advice on property transaction	-	7,370
– Queen's award verification	-	3,312
<b>Research and development expenditure</b>	<b>1,495,609</b>	<b>1,341,995</b>

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

	2020	2019
	£	£
<b>6 Directors' emoluments</b>		
Aggregate emoluments	776,621	478,332
Retirement benefits: contributions to money purchase pension scheme	97,631	33,961
Sums paid to third parties for directors' services	113,760	113,760
	<b>988,012</b>	<b>626,053</b>

Retirement benefits are accruing to 9 (2019: 7) directors under a defined contributions scheme. The highest paid director received remuneration of £230,348 (2019: £207,942). The value of pension contributions in respect of the highest paid director was £16,038 (2019: £8,179).

## 7 Employee information

The company does not employ any staff directly. The average monthly number of persons (including executive directors) employed by the group during the year was:

	2020	2019
By activity	Number	Number
Production and Dispensing	187	170
Administration	108	84
Selling	8	9
Nursing	17	7
	<b>320</b>	<b>270</b>

The 11 members of the Patient Services team have been reclassified under Dispensing & Shared Services to reflect their key role in the supply of drugs and ancillaries to Homecare patients. As such, salary-related costs totalling £180,689 have also been reclassified under cost of sales, whereas previously in financial year 2019 they had been classified under administrative expenses.

	2020	2019
	£	£
<b>8 Interest payable and similar expenses</b>		
Interest payable on overdrafts and bank loans	763,593	447,373



# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

	2020	2019
	£	£
<b>9 Tax on profit on ordinary activities</b>		
<b>Current tax:</b>		
UK corporation tax on profits for the year	2,645,465	2,998,371
Adjustments in respect of prior periods	152,315	44,323
<b>Total current tax</b>	<b>2,797,780</b>	<b>3,042,694</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	212,046	86,504
Adjustments in respect of prior periods	(75,002)	(42,231)
Changes in tax rates or laws	30,073	0
<b>Total deferred tax charge / (credit)</b>	<b>167,117</b>	<b>44,273</b>
<b>Tax on profit on ordinary activities</b>	<b>2,964,897</b>	<b>3,086,967</b>

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2020	2019
	£	£
Profit on ordinary activities before taxation for the year - continuing operations	14,619,333	17,210,803
Tax on profit at the standard UK tax rate of 19% (2019 19%)	2,777,673	3,270,053
Additional deduction for R&D expenditure/R&D credit	9,183	(154,137)
Expenses not deductible	97,100	10,289
Fixed asset differences	2,130	3,233
Income not taxable	(28,578)	(28,423)
Effects of group relief / other relief	-	(382)
Adjustments from previous periods	152,315	38,741
Adjustments from previous periods - deferred tax	(75,002)	(42,231)
Tax rate changes	-	(10,372)
Effect of rate change on deferred tax	30,076	196
	<b>2,964,897</b>	<b>3,086,967</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 included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. The latter reduction was, however, changed in the Finance Bill 2020. Deferred tax has been recognised across the group at a rate of 19%, being the corporation tax rate substantively enacted at the balance sheet date.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

	Goodwill	License	Total
	£	£	£
<b>10 Intangible assets</b>			
<b>Cost or valuation</b>			
At 1 May 2019	104,649	27,835	132,484
At 30 April 2020	104,649	27,835	132,484
<b>Accumulated amortisation</b>			
At 1 May 2019	104,649	27,835	132,484
Charge for year	-	-	-
At 30 April 2020	104,649	27,835	132,484
<b>Net Book Value</b>			
At 30 April 2020	-	-	-
At 30 April 2019	-	-	-
	<b>Assets under construction</b>	<b>Leasehold property improvements</b>	<b>Plant &amp; equipment</b>
	£	£	£
<b>11 Tangible assets</b>			
<b>Cost or valuation</b>			
At 1 May 2019	286,319	1,931,986	7,149,858
Transfer	(286,319)	286,319	-
Additions	-	1,139,458	1,210,270
Disposals	-	-	(497,361)
At 30 April 2020	-	3,357,763	7,862,767
<b>Accumulated depreciation</b>			
At 1 May 2019	-	316,707	3,524,355
Charge for the year	-	223,241	1,227,339
Disposals	-	-	(386,032)
At 30 April 2020	-	539,948	4,365,662
<b>Net Book Value</b>			
At 30 April 2020	-	2,817,815	3,497,105
At 30 April 2019	286,319	1,615,279	3,625,504

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

### 12 Investments

	Shares in group undertakings £
<b>Cost</b>	
At 1 May 2019	7,984,810
At 30 April 2020	7,984,810
<b>Provision for impairment</b>	
At 30 April 2020 and 1 May 2019	-
<b>Net book value</b>	
At 30 April 2020 and 30 April 2019	7,984,810

The directors believe that the carrying value of the investments is supported by their underlying net assets.

### Subsidiaries

Name	Country of Incorporation	Class of shares	Holding	Principal activity
Qualasept Limited 3 Corsham Science Park, Corsham, SN13 9FU	England and Wales	Ordinary	100%	Supply of pharmaceutical products and services
Pharmaxo Pharmacy Services Limited 3 Corsham Science Park, Corsham, SN13 9FU	England and Wales	Ordinary	100%	Supply of pharmaceutical products and services
Microgenetics Limited 3, Corsham Science Park, Corsham, SN13 9FU	England and Wales	Ordinary	100%	Supply of microbiology and pathology quality control software and diagnostic testing services
Qualasept Pharmaxo Holdings Limited 3 Corsham Science Park, Corsham, SN13 9FU	England and Wales	Ordinary	100%	Supply of pharmaceutical products and services
During the year the company received dividends of £4,930,000 from Qualasept Pharmaxo Holdings Limited (2019: £5,245,000).				
Corsham Science Limited 3 Corsham Science Park, Corsham, SN13 9FU	England and Wales	Ordinary	100%	Research and development of pharmaceutical products and services

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

	Group		Company	
	*Restated			
	2020	2019	2020	2019
	£	£	£	£
<b>13 Stocks</b>				
Raw materials and consumables	10,326,822	8,972,271	-	-
Finished goods and goods for resale	568,668	783,130	-	-
	<b>10,895,490</b>	<b>9,755,401</b>	-	-

The carrying amount of stocks is stated after adjusting the original purchase price of drugs that fall under the Patient Access Scheme by £2,022,352 (2019: nil), to reflect the net realisable value of these drugs on sales to the NHS. This difference will be offset in the 2021 statement of comprehensive income when rebates are claimed from our pharma suppliers based on doses sold to NHS hospitals. Stocks are stated after impairment provisions of £136,753 (2019: £255,310). The value of stocks recognised as an expense during the year was £228,360,754 (2019: £212,869,494).

\*The 2019 balance for Stocks has been restated and further information can be found in Note 26.

	Group		Company	
	*Restated			
	2020	2019	2020	2019
	£	£	£	£
<b>14 Debtors</b>				
Trade debtors	25,525,630	29,731,206	-	-
Amounts owed by group undertakings	-	-	227	-
Other debtors	722,068	652,117	49,726	-
Corporation tax	447,358	102,882	-	-
Other taxation and social security	1,460,665	891,433	100	-
Prepayments and accrued income	26,069,070	13,046,492	-	177,922
	<b>54,224,791</b>	<b>44,424,130</b>	<b>50,053</b>	<b>177,922</b>

\*The 2019 balance for Debtors has been restated and further information can be found in Note 26.

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
<b>15 Current assets investments</b>				
Preference shares	5,000,000	5,000,000	5,000,000	5,000,000
	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>

The preference shares have a fixed cumulative preferential dividend rate of 3.0% per annum. The preference shares can be redeemed at the option of the issuer at any time.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
<b>16 Creditors: amounts falling due within one year</b>				
Bank loans and overdrafts	2,421,887	5,217,965	-	-
Trade creditors	43,487,810	40,099,957	-	-
A' Preference shares	-	348,910	-	348,910
Corporation tax	-	1,774,058	-	-
Other creditors	542,346	78,961	-	-
Accruals and deferred income	3,065,667	4,269,758	205,305	8,001
	<b>49,517,710</b>	<b>51,789,609</b>	<b>205,305</b>	<b>356,911</b>

The invoice discounting bank borrowings are secured by way of a floating charge against all the undertaking of Qualasept Limited and all its property, at a discount margin based on the Bank of England's Base Rate.

There are also cross-guarantees in place from Qualasept Holdings Limited, Qualasept Pharmaxo Holdings Limited and Pharmaxo Pharmacy Services Limited in respect of Qualasept Limited's agreement with HSBC Invoice Finance (UK) Limited under which Qualasept Limited's indebtedness to the lender was £2,163,966 as at 30 April 2020 (2019: £2,679,942).

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
<b>17 Creditors: amounts falling due after more than one year</b>				
<b>Amounts falling due between one and five years</b>				
Preference shares	6,938,000	6,938,000	6,938,000	6,938,000
	<b>6,938,000</b>	<b>6,938,000</b>	<b>6,938,000</b>	<b>6,938,000</b>

	2020	2019
	£	£
<b>18 Financial instruments</b>		
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	52,316,768	42,237,279
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	56,455,710	56,953,551
Financial assets measured at amortised cost comprise trade debtors and other debtors.		

# Qualasept Holdings Limited

Financial liabilities measured at amortised cost comprise loans and overdrafts, trade creditors, other creditors and accruals and deferred income.

## Notes to the financial statements for the year ended 30 April 2020 continued

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
<b>19 Deferred Taxation</b>				
Provision at start of year	330,625	286,353	-	-
Adjustment in respect of previous periods	-	1,572	-	-
Deferred tax charge/(credit) to income statement for the year (see note 9)	167,117	42,700	-	-
<b>Total provision for deferred tax</b>	<b>497,742</b>	<b>330,625</b>	<b>-</b>	<b>-</b>
Fixed asset timing differences	543,578	347,153	-	-
Short term timing differences	(45,836)	(16,528)	-	-
	<b>497,742</b>	<b>330,625</b>	<b>-</b>	<b>-</b>

	2020	2019
	£	£
<b>20 Called up share capital</b>		
<b>Allotted, issued and fully paid</b>		
8,000 (2019: 8,000) ordinary shares of £0.01 each	80	80

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

	2020	2019
	£	£
<b>Preference shares</b>		
6,938,000 (2019: 6,938,000) preference shares of £1 each	6,938,000	6,938,000

The Preference shares are classified as liabilities on the balance sheet.

The Preference shares carry a fixed cumulative preferential dividend at the rate of 3.0% per annum, payable annually in arrears on 20 May. The Preference shares shall be redeemable for a price of £1 per Preference share in the event of a sale of 100% of the Ordinary shares of the company, but not in any other circumstances. On a winding-up, the holders have equal priority with 'A' Preference shareholders before all Ordinary Shareholders to receive repayment of capital plus any arrears of dividend. The holders have no voting rights.

	2020	2019
	£	£
<b>'A' preference shares of £1 each</b>		
Nil (2019: 348,910) 'A' preference shares of £1 each	-	348,910

On 20 May 2019 the remaining 'A' Preference shares were redeemed at a price of £1 per 'A' Preference share.

The 'A' Preference shares carried a fixed cumulative preferential dividend at the rate of 3.0% per annum, payable annually in arrears on 20 May.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

	2020	2019
	£	£
<b>21 Dividends</b>		
Dividends paid on equity capital:		
Final 2019 (2019: Final 2018) paid	2,250,000	1,870,000
Interim: £266.25 (2019: £303.125) per £0.01 share	2,130,000	2,425,000
	<u>4,380,000</u>	<u>4,295,000</u>

	2020	2019
	£	£
<b>22 Financial commitments</b>		
At 30 April the group had future minimum lease payments under non-cancellable operating leases as follows:		
Within one year	449,946	354,256
Within two to five years	1,234,254	992,255
Over 5 years	1,850,231	1,464,904
	<u>3,534,431</u>	<u>2,811,415</u>

### 23 Pension commitments

The cost of contributions to the defined contribution schemes amounts to £885,511 (2019: £478,287). Contributions outstanding as at 30 April 2020 amounted to £73,501 (2019: £76,820).

### 24 Other related party transactions

Efeedback Research Limited provided consultancy and software support services to the Corsham Science Limited and Pharmaxo Pharmacy Services Limited to the value of £1,073,281 (2019: £747,025) with £53,410 outstanding as at 30 April 2020 (2019: £210,554). C Watt is a director of all three companies.

Event Store Limited (previously known as Event Store LLP) provided software support services to Qualasept Limited to the value of £6,475 (2019: £6,475), with £7,770 outstanding as at 30 April 2020 (2019: £7,770). Mr C Watt is a partner of Event Store Limited.

Directors' loan accounts were overdrawn by £672,006 as at 30 April 2020 (2019: £633,030). This amount pertained in entirety to C Watt, and was drawn down on 3 October 2016, 10 March 2017, 25 May 2017, 24 July 2017 and 27 February 2020. Interest has been accumulating in accordance with HMRC rules in respect of preferential loans.

### 25 Ultimate controlling party

The company does not have a known ultimate controlling party as the current share distribution gives no individual party or group overall control over the company.

# Qualasept Holdings Limited

## Notes to the financial statements for the year ended 30 April 2020 continued

### 26 Prior Year Adjustment

During the preparation of the 2020 accounts it was identified that the net realisable value of drugs sold to the NHS under the Patient Access Scheme was significantly lower than the purchase cost by the amount of the rebate that is claimed from the pharmaceutical suppliers on sales to the NHS. A prior period adjustment has been posted to reflect the net realisable value on sales of these drugs to the NHS in May and June 2019, thereby reducing the stock value and increasing the accrued income by £2,083,970. This adjustment also impacts the movement in stock and trade and other debtors lines in the consolidated cashflow statement.

The adjustment does not affect the overall current assets figure in the accounts or the net cash from operating activities in the consolidated cashflow statement, with the impact noted in the tables below.

	Year end 2019	Adjustment	As restated
	£	£	£
Stocks	11,839,371	(2,083,970)	9,755,401
Trade debtors	29,731,206		29,731,206
Other debtors	652,117		652,117
Corporation tax	102,882		102,882
Other taxation and social security	891,433		891,433
Prepayments and accrued income	10,962,522	2,083,970	13,046,492
Debtors	42,340,160	2,083,970	44,424,130