

Company Registration No. 03783386 (England and Wales)

MEDPHARM LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2018



MEDPHARM LIMITED

COMPANY INFORMATION

Directors	M B Brown A G Muddle D Parker T Wahlbrink
Secretary	Pennsec Limited
Company number	03783386
Registered office	Unit 3 Chancellor Court 50 Occam Road Surrey Research Park Guildford GU2 7AB Surrey
Auditor	RSM UK Audit LLP Chartered Accountants One London Square Cross Lanes Guildford Surrey GU1 1UN

MEDPHARM LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors present the Strategic Report for the period ended 31 December 2018.

The reporting period was shortened to bring the period end date in line with the new immediate parent entity, MedPharm Holdco Limited. These financial statements cover the 5 month period from 1 August 2018 to 31 December 2018 and the comparative amounts presented in these financial statements (including the related notes) reflect the year ended 31 July 2018.

MedPharm Limited (Medpharm) is a leading, global provider of contract topical and transdermal product design and formulation development services.

MedPharm has fully established R&D centres in the US and UK and GMP clinical manufacturing at its global headquarters facility in Guildford, UK. Since establishment in 1999, MedPharm has already partnered with a variety of high profile clients to develop and deliver over 30 superior products to the market which are directly benefiting patients with a wide variety of conditions.

MedPharm are experts at reducing risk and accelerating development times for generic and proprietary pharmaceutical customers through proprietary, industry-leading performance testing models. Well-established as a global leader in dermatology, nail, mucosal membrane, and transdermal product development, MedPharm also offers innovative solutions for ophthalmic and airway preparations. These solutions are recognised for their scientific rigor by regulators and investors.

MedPharm also holds patented technology based on the 'patch-in-a-can' concept - "MedSpray". MedSpray benefits patients by offering the possibility of long term dosing of a product through the skin or mucosal membrane from a clear 'patch' conveniently applied as a spray from a can. It is applicable to a wide variety of products including those for curing infections or pain management. The unique dosing offers clients the opportunity to differentiate their product and potentially achieve premium pricing for extended effects. The technology is often applicable when clients are considering the life cycle management of established products.

MedPharm can support clients throughout the development process from initial API characterization to clinical manufacture. Importantly, MedPharm offers flexibility to deliver the parts of a client's development programme which best fit with their requirements. Fundamentally MedPharm will propose to clients the optimal program for their current circumstances that maximizes the chance for achieving the desired outcome and efficiently mitigates the risks associated with the project. Our strategy is aimed at leveraging and expanding the firm's unique capabilities to continue to provide clients with outstanding service, enabling them to deliver outstanding treatments for the ultimate consumer.

Business review and financial position

In March 2018, MedPharm Holdco received an equity investment from Ampersand Capital Partners and acquired MedPharm Limited. The founders have been appointed to the Holdco Board and retain a significant stake in the business. The purchase transaction provided cash to further expand the business, and facilitate a similar level of year-on-year organic growth. With a view to maintaining the current growth in business, MedPharm continued to invest in business development and marketing capabilities which resulted in revenue of £5.7m for the 5 month period ended 31 December 2018 (year ended 31 July 2018: £12.8m) and prorated revenue growth of 6.9% in the period (year ended 31 July 2018: 32%). The new project pipeline remained strong, with a ratio of contracts to revenue of 1.3 in 2018 (year ended 31 July 2018: 1.3).

MedPharm's liquidity position has improved, with cash generation exceeding expectations in the period. The company has benefited from improved contractual arrangements and credit control processes, which has impacted positively on its closing cash balance of £4.8m (year ended 31 July 2018: £4.7m). MedPharm's working capital remains strong at £4.1m (year ended 31 July 2018: £4.1m).

MEDPHARM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

Business review and financial position (continued)

A range of Key Performance Indicators ("KPI's") are used to monitor and manage the business and ensure focus is maintained on the key priorities, outlined below:

	31 December 2018*	31 July 2018
Revenue*	13,762,205	12,804,186
Profit before tax	158,018	1,746,706
Working capital (net current assets)	4,136,148	4,106,957
Average headcount	103 staff	99 staff
Revenue per head*	133,614	129,335

* For the 5 month period ending 31 December 2018 these figures have been pro-rated to show a period of 12 months in order to make the data presented comparable with the comparatives.

Future developments

In parallel with fee for service work for our clients outlined above, MedPharm is constantly looking for opportunities to develop new formulation and drug delivery technologies which enhance clients' products, provide clinical benefits for patients and meet the increasingly stringent requirements of regulatory authorities.

MedPharm believe current services can be more broadly deployed to improve the lives of an even wider group of consumers and to do so we need to communicate with a broader market and clearly demonstrate tangible benefits to potential clients, emphasizing our top-quality, rapid and low risk development propositions.

In addition, investments in laboratory equipment are expected to continue at current levels for the next 12 months. Additional investments to expand capacity are in progress and complimentary acquisitions will be sought where significant synergies exist.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are discussed below:

Financial risk management

Credit risk

MedPharm is exposed to credit risk from credit sales. It is group policy that the credit risk of customers is assessed and to factor the information from this assessment into future dealings with customers, therefore mitigating the risk. MedPharm also requires significant upfront payments from customers to cover ongoing project costs and operates stringent credit control procedures across all group companies.

Liquidity risk

The company actively manages its finances by reviewing cash flows, performance against budget and the availability of working capital to ensure that it has sufficient available funds for its operations.

Interest rate risk

The company monitors all interest bearing assets and liabilities and their financial impact.

FX risk

The company is exposed to foreign exchange fluctuation risk through expanding activities with overseas customers. The company mitigates these risks by denominating contracts in stable currencies, monitoring foreign exchange movements and planning accordingly.

MEDPHARM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

Principal risks and uncertainties (continued)

Operational risk management

Resourcing risk

MedPharm aim to be lean and as responsive to client demands as possible. Managing capacity and throughput have always been key to achieving high profitability levels. However, with increasing success in targeting blue chip clients, managing client agendas and balancing work schedules are even more critical to avoiding lost throughput.

Project risk

There are inherent risks with all research projects, which are compounded by frequent changes in client strategies, which can lead to early terminations of projects which show less favourable results. We aim to mitigate these risks via contract terms and flexible scheduling wherever possible.

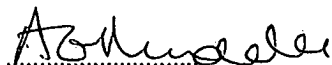
Management and staff risk

The business has expanded its senior management team, which helps mitigate the risks inherent in a rapidly growing business and reduce reliance on a few key individuals. Employee engagement initiatives are being put into place to improve staff retention and build a stable knowledge base, which should provide longer term resilience.

Health and Safety

The company conducts its business in a manner that protects the safety of those involved in its operations. The company strives to prevent all accidents, injuries and occupational illnesses through its Health, Safety, Security & Environment (HSSE) Management System. This is embedded into everyday work processes at all levels of the organisation and addresses all aspects of managing safety and health, as well as security, environmental and social risks at our facilities. The company is committed to continuous efforts to identify and eliminate or manage health and safety risks associated with its activities.

On behalf of the board



A G Muddle
Director

Date: 25/09/19

MEDPHARM LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the period ended 31 December 2018.

Principal activities

The principal activity of the company continued to be that of providing services to the pharmaceutical industry, specialising in developing formulation and drug delivery systems.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

M B Brown
A G Muddle
D Parker
T Wahlbrink

(Appointed 8 December 2018)

(Appointed 8 December 2018)

Results and dividends

The results for the period are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

Research and development

MedPharm undertakes research and development activities in the normal course of its business. Expenditure of this nature is written off against profits in the year in which it is incurred.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of future developments and financial management of the company.

On behalf of the board



A G Muddle
Director

Date: 25/09/19

MEDPHARM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDPHARM LIMITED

Opinion

We have audited the financial statements of MedPharm Limited (the 'company') for the period ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 period 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDPHARM LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Da Costa FCCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
One London Square
Cross Lanes
Guildford
Surrey, GU1 1UN
30/9/2019

MEDPHARM LIMITED

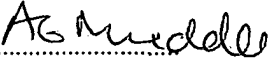
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

		Period ended 31 December 2018 £	Year ended 31 July 2018 £
	Notes		
Revenue	3	5,734,252	12,804,186
Cost of sales		(4,302,741)	(7,857,284)
Gross profit		1,431,511	4,946,902
Administrative expenses		(1,502,583)	(3,208,523)
Other operating income		222,688	263,649
Operating profit	6	151,616	2,002,028
Investment income	8	6,402	11,912
Finance costs	9	-	(3,617)
Profit before taxation		158,018	2,010,323
Tax on profit	10	(30,779)	(138,433)
Profit for the financial period		127,239	1,871,890

MEDPHARM LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

		Period ended 31 December 2018		Year ended 31 July 2018	
	Notes	£	£	£	£
Non-current assets					
Property, plant and equipment	11		1,241,741		1,112,915
Investments	12		166,778		166,778
			<u>1,408,519</u>		<u>1,279,693</u>
Current assets					
Trade and other receivables	14	5,366,452		4,918,603	
Cash and cash equivalents		4,819,160		4,687,621	
		<u>10,185,612</u>		<u>9,606,224</u>	
Current liabilities	15	(6,049,464)		(5,499,268)	
Net current assets			<u>4,136,148</u>		<u>4,106,956</u>
Total assets less current liabilities			<u>5,544,667</u>		<u>5,386,649</u>
Provisions for liabilities	16		(120,206)		(89,427)
Net assets			<u>5,424,461</u>		<u>5,297,222</u>
Equity					
Called up share capital	19		10,025		10,025
Share premium account	20		73,148		73,148
Capital redemption reserve	20		71		71
Retained earnings	20		5,341,217		5,213,978
Total equity			<u>5,424,461</u>		<u>5,297,222</u>

The financial statements were approved by the board of directors and authorised for issue on 25/09/19 and are signed on its behalf by:


A G Muddle
Director

MEDPHARM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Retained earnings £	Total £
Balance at 1 August 2017		9,699	23,078	71	3,342,088	3,374,936
Year ended 31 July 2018:						
Profit and total comprehensive income for the year		-	-	-	1,871,890	1,871,890
Transactions with owners:						
Issue of share capital	19	326	50,070	-	-	50,396
Balance at 31 July 2018		10,025	73,148	71	5,213,978	5,297,222
Period ended 31 December 2018:						
Profit and total comprehensive income for the period		-	-	-	127,239	127,239
Balance at 31 December 2018		10,025	73,148	71	5,341,217	5,424,461

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

MedPharm Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Unit 3, Chancellor Court, 50 Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AB.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosure

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

MedPharm Limited is a wholly owned subsidiary of MedPharm Holdco Limited and the results of MedPharm Limited are included in the consolidated financial statements of MedPharm Holdco Limited which are available from Unit 3, Chancellor Court, 50 Occam Road, Surrey Research Park, Guildford, GU2 7AB.

Consolidated financial statements

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Reporting period

The reporting period was shortened to bring the period end date in line with the new immediate parent entity, MedPharm Holdco Limited. These financial statements cover the 5 month period from 1 August 2018 to 31 December 2018 and therefore comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

Revenue

Revenue represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable. The amounts by which revenue exceeds payments on account is classified as accrued income within receivables and the amounts by which payments on account exceed revenue is classified as deferred income in payables.

Revenue from the manufacturing of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	15% straight line
Plant and equipment	16.67% to 25% reducing balance
Fixtures and fittings	15% straight line
Office equipment	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

Basic financial assets

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

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

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 profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the period. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

Estimates and judgements 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.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

Long term contracts

Estimates are made in respect of establishing the stage of completion of long term contracts. In determining the stage of completion, the directors estimate the costs to complete and compare costs incurred as a proportion of total expected costs. Costs relate mainly to contractual hourly staff rates, materials and equipment.

Recoverability of receivables

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability, the directors consider factors such as the ageing of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

Determining residual values and useful economic lives of property, plant and equipment

The company depreciates property, plant and equipment over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. Assessing the amount that the company would obtain upon disposal of the asset. Where possible this is done with reference to external market prices.

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

3 Revenue

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Revenue analysed by class of business		
Manufacturing revenue	1,035,281	1,774,123
Rendering of services	4,698,971	11,030,063
	<u>5,734,252</u>	<u>12,804,186</u>

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Other revenue		
Interest income	6,402	11,912
	<u>6,402</u>	<u>11,912</u>

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Revenue analysed by geographical market		
United Kingdom & Ireland	424,382	1,240,585
Rest of Europe	603,341	1,734,712
Rest of the world	4,706,529	9,828,889
	<u>5,734,252</u>	<u>12,804,186</u>

4 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	Period ended 31 December 2018	Year ended 31 July 2018
	Number	Number
Direct	85	81
Administration	18	18
	<u>103</u>	<u>99</u>

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

4 Employees (Continued)

Their aggregate remuneration comprised:

	Period ended 31 December 2018 £	Year ended 31 July 2018 £
Wages and salaries	1,924,664	3,722,632
Social security costs	194,995	396,824
Pension costs	66,035	172,111
	<u>2,185,694</u>	<u>4,291,567</u>

5 Directors' remuneration

	Period ended 31 December 2018 £	Year ended 31 July 2018 £
Remuneration for qualifying services	200,737	341,158
Company pension contributions to defined contribution schemes	-	16,225
	<u>200,737</u>	<u>357,383</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	Period ended 31 December 2018 £	Year ended 31 July 2018 £
Remuneration for qualifying services	109,035	197,134
Company pension contributions to defined contribution schemes	-	16,225
	<u>109,035</u>	<u>213,359</u>

6 Operating profit

	Period ended 31 December 2018 £	Year ended 31 July 2018 £
Operating profit for the period is stated after charging/(crediting):		
Exchange (gains)/losses	(14,864)	31,684
Research and development costs	4,465	20,050
Depreciation of owned property, plant and equipment	113,862	272,618
Operating lease charges	123,253	308,089
	<u>226,716</u>	<u>632,441</u>

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

7 Auditor's remuneration

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	20,000	25,000
For other services		
Taxation compliance services	3,660	2,950
All other non-audit services	4,500	2,500
	8,160	5,450

8 Investment income

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Interest income		
Interest on bank deposits	6,402	11,912

9 Finance costs

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Interest on bank overdrafts and loans	-	3,617

10 Taxation

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Current tax		
Foreign current tax on profits for the current period	-	49,007
Deferred tax		
Origination and reversal of timing differences	30,779	89,426
Total tax charge	30,779	138,433

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

10 Taxation (Continued)

The total tax charge for the period included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	Period ended 31 December 2018 £	Year ended 31 July 2018 £
Profit before taxation	158,018	2,010,323
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (Year ended 31 July 2018: 19.00%)	30,023	381,961
Tax effect of expenses that are not deductible in determining taxable profit	3,028	4,875
Adjustments in respect of prior years	9,890	-
Effect of change in corporation tax rate	(2,458)	(27,726)
Research and development tax credit	(9,704)	-
Foreign tax credits	-	49,007
Deferred tax not recognised	-	(146,246)
Share scheme deduction	-	(113,298)
Other	-	(10,140)
Taxation charge for the period	30,779	138,433

11 Property, plant and equipment

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 August 2018	480,147	1,862,680	206,962	106,357	2,656,146
Additions	6,848	183,550	14,532	37,758	242,688
At 31 December 2018	486,995	2,046,230	221,494	144,115	2,898,834
Depreciation and impairment					
At 1 August 2018	356,511	1,060,114	45,703	80,903	1,543,231
Depreciation charged in the period	23,310	66,924	13,300	10,328	113,862
At 31 December 2018	379,821	1,127,038	59,003	91,231	1,657,093
Carrying amount					
At 31 December 2018	107,174	919,192	162,491	52,884	1,241,741
At 31 July 2018	123,636	802,566	161,259	25,454	1,112,915

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

12 Fixed asset investments

		Period ended 31 December 2018	Year ended 31 July 2018
	Notes	£	£
Investments in subsidiaries	13	340	340
Loans to subsidiaries	13	166,438	166,438
		<u>166,778</u>	<u>166,778</u>

The loans to group undertaking accrue interest at 3% and are due for maturity on 1 June 2026. In the opinion of the directors, the fair value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Movements in non-current investments

	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost or valuation			
At 1 August 2018 & 31 December 2018	<u>340</u>	<u>166,438</u>	<u>166,778</u>
Carrying amount			
At 31 December 2018	<u>340</u>	<u>166,438</u>	<u>166,778</u>
At 31 July 2018	<u>340</u>	<u>166,438</u>	<u>166,778</u>

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
MP Pharma Services, Inc	4222 Emperor Blvd, Suit 320, Durham, NC 27703	Providing services to the pharmaceutical industry, specialising in developing formulation and drug delivery systems.	Ordinary	100

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

14 Trade and other receivables

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Amounts falling due within one year:		
Trade receivables	2,956,484	2,346,168
Corporation tax recoverable	486,314	263,620
Other receivables	84,412	107,751
Prepayments and accrued income	1,839,242	2,201,064
	<u>5,366,452</u>	<u>4,918,603</u>

15 Current liabilities

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Trade payables	538,480	657,894
Amounts owed to group undertakings	1,287,821	1,458,444
Taxation and social security	118,664	117,716
Other payables	194,657	256,655
Accruals and deferred income	3,909,842	3,008,559
	<u>6,049,464</u>	<u>5,499,268</u>

16 Provisions for liabilities

		Period ended 31 December 2018	Year ended 31 July 2018
	Notes	£	£
Deferred tax liabilities	17	<u>120,206</u>	<u>89,427</u>

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

17 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities Period ended 31 December 2018 £	Liabilities Year ended 31 July 2018 £
Balances:		
Accelerated capital allowances	207,873	186,175
Tax losses	(86,814)	(95,575)
Short term timing differences	(853)	(1,173)
	<u>120,206</u>	<u>89,427</u>
		Period ended 31 December 2018 £
Movements in the period:		
Liability at 1 August 2018		89,427
Charge to profit or loss		30,779
		<u>120,206</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances, short term timing differences and the utilisation of tax losses against future profits and all are expected to mature within the same period.

18 Retirement benefit schemes

	Period ended 31 December 2018 £	Year ended 31 July 2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>66,035</u>	<u>172,111</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the period end £20,547 (year ending 31 July 2018: £19,595) was outstanding to the company's pension scheme.

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

19 Share capital

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Ordinary share capital		
Issued and fully paid		
423,000 Ordinary shares of 1p each	4,230	4,230
408,200 Ordinary G1 shares of 1p each	4,082	4,082
171,300 Ordinary G2 shares of 1p each	1,713	1,713
	<u>10,025</u>	<u>10,025</u>

Ordinary share rights

The company's Ordinary shares, which carry no right to fixed income, carry the right to one vote at general meetings of the company.

Ordinary G1 share rights

The company's Ordinary G1 shares carry no right to vote at the general meetings of the company.

Ordinary G2 share rights

The company's Ordinary G2 shares carry no right to vote at the general meetings of the company.

20 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Retained earnings

Cumulative profit and loss net of distribution to owners.

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Within one year	307,339	307,339
Between one and five years	307,339	435,397
	<u>614,678</u>	<u>742,736</u>

MEDPHARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

22 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Acquisition of property, plant and equipment	176,975	192,555

23 Related party transactions

Transactions with related parties

During the period the company entered into the following transactions with related parties:

	Purchased consultancy services	
	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Entities with control, joint control or significant influence over the company	8,936	294,915

The following amounts were outstanding at the reporting end date:

	Period ended 31 December 2018	Year ended 31 July 2018
	£	£
Amounts due to related parties		
Entities that previously had control, joint control or significant influence over the company	4,000	4,000

24 Ultimate controlling party

As of 15 March 2018, Ampersand 2014 Limited Partnership became the ultimate controlling party.

As of 15 March 2018, MedPharm Holdco Limited became the immediate parent. MedPharm Holdco Limited was incorporated on 5 March 2018 and has subsequently shortened its accounting period to 31 December 2018. MedPharm Holdco Limited is the smallest and largest group for which consolidated accounts including MedPharm Limited are prepared.