

UL Medicines Limited

**Directors' report and financial
statements**

Registered number 6120521

31 January 2016



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Strategic report

The directors present their strategic report for the year ended 31 January 2016.

Principal activity

The principal activity of the company in the year under review was the provision of imported unlicensed pharmaceutical products to the UK hospital and wholesale market.

Business review

Performance

The results for the year are set out of page 7. The company is a wholly owned subsidiary and is an integral part of the Quantum Pharma Plc group of companies, included as part of the groups 'Specials division'; the company services the group with its wide range of imported unlicensed medicines.

The company is a leading supplier of high quality imported medicines, specials and batch made specials to both NHS and private hospitals throughout the UK. Its reputation for quality and service is built on a range of approximately 500 imported medicines sourced from more than 24 countries as well as its specialist over-labelling service that translates accompanying local language and patient documentation into English.

The company has shown good volume growth in the year, through expanding its hospital customer base, contributing to increased turnover at £11.3 million (2015: £8.6 million) whilst maintaining a stable gross margin at c32%. Retained profit for the year increased 39% to £1.9 million.

Throughout the year the company continued to add to its growing portfolio of unlicensed imported medicines through its solid international network of supply. Furthermore, its increasingly strong presence within the hospital sector continues to be instrumental in strengthening the Group's opportunities.

The balance sheet as at 31 January 2016 demonstrates that the financial position of the company has been strengthened with net assets of £6.5 million (2015: £4.6 million).

Measurement

The company uses a number of financial and non-financial KPI's to measure performance and these are reported both at board, management group and employee level. These KPI's include sales and margin performance by market, cost per order and financial forecast achievement. As far as financial performance is concerned the key measure for the business is EBITDA. The directors consider that the company has a very effective measurement and reporting system, consistent with its size and complexity.

Risks and uncertainties

The directors have carefully considered the principal risks and uncertainties facing the business. The company operates in a niche market place which is driven by the general public's health needs. Due to the company's secured preferred supplier hospital business and its continuing strategic partnerships with its major wholesale customers, the board believe they are managing the risks and uncertainty of the business. As such, whilst this remains a very competitive landscape, the business does not necessarily face the same level of risk and uncertainties as those experienced in the wider economy.

Strategic report *(continued)*

Business review *(continued)*

Outlook

Overall, the market outlook is favourable for the industry. As the company has been successful in securing a number of preferred supplier NHS Supply Framework Agreements the directors believe the company is well placed to continue to perform well. The company continues to grow, with further growth forecast in the coming year due to new hospital business as well as growing its portfolio of products in order to enhance the overall service offering to its current customers and the wider group of companies to which it is an integral part of. Financial performance is in line with board expectations.

By order of the board



CA Rigg
Director

Quantum House
Hobson Industrial Estate
Burnopfield
County Durham
NE16 6EA

28 October 2016

Directors' report

The directors present their directors' report and financial statements for the year ended 31 January 2016.

Principal activity

The principal activity of the company is providing pharmaceutical products to the wholesale market.

Proposed dividend

The directors do not recommend the payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signing this report were as follows:

AJ Scaife	(resigned 1 December 2015)
MJ Such	(resigned 8 March 2016)
AG Trouton	
BJ Fisher	(appointed 3 March 2016)
CA Rigg	(appointed 8 March 2016)
CJ Brown	(appointed 16 March 2016)
DA Sanson	(appointed 16 March 2016)
AP Matthews	(appointed 11 May 2016)

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

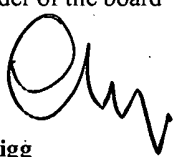
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board


CA Rigg
Director

Quantum House
Hobson Industrial Estate
Burnopfield
County Durham
NE16 6EA

28 October 2016

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), *including FRS 101 Reduced Disclosure Framework*.

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of UL Medicines Limited

We have audited the financial statements of UL Medicines Limited for the year ended 31 January 2016 set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), *including FRS 101 Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report to the members of UL Medicines Limited *(continued)*

Matters on which we are required to report by exception

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.

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

28 October 2016

Profit and Loss Account
for the year ended 31 January 2016

	<i>Note</i>	2016 £	2015 £
Turnover	2	11,268,206	8,555,512
Cost of sales		(7,658,849)	(5,732,198)
Gross profit		3,609,357	2,823,314
Distribution costs		(186,457)	(96,552)
Administrative expenses		(1,001,841)	(953,812)
Operating profit		2,421,059	1,772,950
Interest receivable and similar income	6	-	146
Profit on ordinary activities before taxation	3-6	2,421,059	1,773,096
Tax on profit on ordinary activities	7	(486,272)	(385,331)
Profit for the financial year		1,934,787	1,387,765

All of the results above derive from continuing activities.

There were no items to be classified within Other Comprehensive Income.

Balance Sheet
at 31 January 2016

	<i>Note</i>	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	8		21,242		55,888
Intangible assets	9		179,272		41,646
			200,514		97,534
Current assets					
Stocks	10	1,188,078		1,042,799	
Debtors	11	6,179,378		4,488,620	
Cash at bank and in hand		875,976		690,678	
		8,243,432		6,222,097	
Creditors: amounts falling due within one year	12	(1,927,149)		(1,747,178)	
Net current assets			6,316,283		4,474,919
Total assets less current liabilities			6,516,797		4,572,453
Capital and reserves					
Called up share capital	14		100		100
Profit and loss account			6,516,697		4,572,353
Shareholders' funds			6,516,797		4,572,453

These financial statements were approved by the board of directors on **28 October** 2016 and were signed on its behalf by:



CA Rigg
Director

Company registered number: 6120521

Statement of changes in equity
for the year ended 31 January 2016

	Share capital £	Profit and loss account £	Total equity £
Balance at 1 February 2015	100	4,572,353	4,572,453
Total comprehensive income for the period			
Profit or loss	-	1,934,787	1,934,787
Total comprehensive income for the period	-	1,934,787	1,934,787
Transactions with owners recorded directly in equity			
Equity settled share based payment transactions	-	9,557	9,557
Total contributions by and distributions to owners	-	9,557	9,557
Balance at 31 January 2016	100	6,516,697	6,516,797

	Share capital £	Profit and loss account £	Total equity £
Balance at 1 February 2014	100	3,179,483	3,179,583
Total comprehensive income for the period			
Profit or loss	-	1,387,765	1,387,765
Total comprehensive income for the period	-	1,387,765	1,387,765
Transactions with owners recorded directly in equity			
Equity settled share based payment transactions	-	5,105	5,105
Total contributions by and distributions to owners	-	5,105	5,105
Balance at 31 January 2015	100	4,572,353	4,572,453

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1.1 Basis of preparation

The company is exempt by virtue of s402 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemption has been taken.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. There were no differences on transition to FRS 101.

The company's ultimate parent undertaking, Quantum Pharma Plc, includes the company in its consolidated financial statements. The consolidated financial statements of Quantum Pharma Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from www.quantumpharmagroup.com.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries ;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Quantum Pharma Plc include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFS balance sheet at 1 February 2014 for the purposes of the transition to FRS 101.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The company's ultimate parent undertaking is Quantum Pharma Plc, which is the parent undertaking of a group of companies engaged in the manufacture and supply of niche pharmaceutical products. The company is subject to a cross guarantee with its ultimate parent undertaking and certain other group undertakings in respect of borrowings within the group.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report within the group financial statements. The financial position of the group is also described in the Chief Financial Officer's review on in those financial statements. In addition, note 26 to the group financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

The group has considerable financial resources and financing facilities and prepares detailed business plans that model headroom on financial covenants.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

1.3 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Capitalised development costs - to be determined on an individual basis for each medicine developed

Notes (continued)

1 Accounting policies (continued)

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Leasehold improvements	-	Length of lease
Plant and machinery	-	5 years straight line
Office equipment	-	3 years straight line

1.5 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

1.7 Turnover

Turnover represents the amount receivable in the ordinary course of business from the provision of goods and services (excluding value added tax) to customers. Turnover is measured at the fair value of the right to consideration net of sales related rebates, discounts and value added tax.

The company recognises revenue at the point of dispatch of goods and for services when they have been provided.

Notes (continued)

1 Accounting policies (continued)

1.8 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable - Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested- and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.9 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date and retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.10 Employee benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The company also administers contributions to certain employees personal pension schemes. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

1.11 Share based payments

The share option programme allows certain employees to acquire shares of the ultimate parent company, Quantum Pharma Plc. Where the company's parent grants rights to its equity instruments to the company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the company accounts for these share-based payments as equity-settled.

The grant date fair value of share-based payment awards granted is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.13 Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1 Accounting policies (continued)

1.13 Classification of financial instruments issued by the Company (continued)

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

1.13 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2 Turnover

The company's turnover primarily derives in the UK and is attributable to the company's principal activity.

3 Expenses and auditor's remuneration

	2016 £	2015 £
<i>Included in profit are the following:</i>		
Foreign currency losses	17,179	8,695
Amortisation of intangible assets	1,609	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	40,325	59,680
Hire of other assets – operating leases	40,671	31,515
<i>Auditors' remuneration:</i>		
	2016 £	2015 £
Audit of these financial statements	7,760	6,564

Notes (continued)

4 Remuneration of directors

	2016 £	2015 £
Directors' emoluments	122,790	148,540
Company contributions to money purchase schemes	13,245	10,610

The aggregate emoluments of the highest paid director was £122,790 (2015: £148,540) and company pension contributions of £13,245 (2015: £10,610) were made to a money purchase scheme on his behalf.

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was 1 (2015: 1).

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Management and administration	11	9
Production	11	9
	<u>22</u>	<u>18</u>

The aggregate payroll costs of these persons were as follows:

	2016 £	2015 £
Wages and salaries	815,710	722,656
Social security costs	86,944	79,971
Other pension costs (note 16)	25,477	15,760
Share based payments (note 17)	9,557	5,105
	<u>937,688</u>	<u>823,492</u>

6 Interest receivable and similar income

	2016 £	2015 £
Bank interest receivable	-	146

Notes (continued)

7 Taxation

Analysis of charge in period

	2016 £	2015 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Group relief payable	494,086	394,869
Adjustment in respect of previous periods	(5,771)	(2,335)
	<u>488,315</u>	<u>392,534</u>
<i>Deferred tax (see note 13)</i>		
Origination of timing differences	(3,253)	(7,969)
Adjustments in respect of previous periods	-	271
Effect of changes in tax rate	1,210	495
	<u>(2,043)</u>	<u>(7,203)</u>
Tax on profit on ordinary activities	<u>486,272</u>	<u>385,331</u>

Reconciliation of effective tax rate

	2016 £	2015 £
Profit for the year	1,934,787	1,387,765
Total tax expense	<u>(486,272)</u>	<u>(385,331)</u>
Profit excluding taxation	2,421,059	1,773,096
Tax using the corporation tax rate of 20.16% (2015: 21.32%)	488,085	378,024
Non-deductible expenses	2,484	8,876
Prior year adjustments – current tax	(5,771)	(2,335)
Prior year adjustments – deferred tax	-	271
Reduction in tax rate on deferred tax balances	1,210	495
Other	264	-
Total tax expense	<u>486,272</u>	<u>385,331</u>

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated based on these rates.

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Office equipment £	Total £
<i>Cost</i>				
At 1 February 2014	3,186	19,861	128,223	151,270
Other acquisitions	-	-	-	-
At 31 January 2015	3,186	19,861	128,223	151,270
At 1 February 2015	3,186	19,861	128,223	151,270
Other acquisitions	-	775	4,904	5,679
At 31 January 2016	3,186	20,636	133,127	156,949
<i>Depreciation and impairment</i>				
At 1 February 2014	266	3,560	31,876	35,702
Depreciation charge for the year	637	16,301	42,742	59,680
At 31 January 2015	903	19,861	74,618	95,382
At 1 February 2015	903	19,861	74,618	95,382
Depreciation charge for the year	650	-	39,675	40,325
At 31 January 2016	1,553	19,861	114,293	135,707
<i>Net book value</i>				
At 31 January 2015	2,283	-	53,605	55,888
At 31 January 2016	1,633	775	18,834	21,242

Notes (continued)

9 Intangible assets

	Product development £	Software development £	Total £
Cost			
At 1 February 2014	-	-	-
Other acquisitions – internally generated	-	41,646	41,646
At 31 January 2015	-	41,646	41,646
At 1 February 2015	-	41,646	41,646
Other acquisitions – internally generated	46,241	92,994	139,235
At 31 January 2016	46,241	134,640	180,881
Amortisation			
At 1 February 2014	-	-	-
Amortisation for the year	-	-	-
At 31 January 2015	-	-	-
At 1 February 2015	-	-	-
Amortisation for the year	-	1,609	1,609
At 31 January 2016	-	1,609	1,609
Net book value			
At 31 January 2015	-	41,646	41,646
At 31 January 2016	46,241	133,031	179,272

The amortisation charge is recognised in the following line items in the profit and loss account.

	2016 £	2015 £
Administrative expenses	1,609	-

10 Stocks

	2016 £	2015 £
Finished goods and goods for resale	1,188,078	1,042,799

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £7,344,202 (2015: £5,425,811).

Notes (continued)

11 Debtors

	2016 £	2015 £
Trade debtors	1,278,645	1,124,126
Amounts owed by group undertakings	4,481,083	3,065,600
Prepayments and accrued income	58,692	17,128
Corporation tax	350,304	273,155
Deferred tax assets (see note 13)	10,654	8,611
	<u>6,179,378</u>	<u>4,488,620</u>

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	665,201	301,432
Amounts owed to group undertakings	624,508	768,195
Other taxation and social security	307,894	194,507
Accruals and deferred income	329,546	483,044
	<u>1,927,149</u>	<u>1,747,178</u>

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Tangible fixed assets	10,654	8,611	-	-	10,654	8,611
Tax assets	10,654	8,611	-	-	10,654	8,611

Movement in deferred tax during the year

	1 February 2015 £	Recognised in income £	31 January 2016 £
Tangible fixed assets	8,611	2,043	10,654

Notes (continued)

13 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the prior year

	1 February 2014 £	Recognised in income £	31 January 2015 £
Tangible fixed assets	1,408	7,203	8,611

14 Called up share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

15 Contingent liabilities

The company is party to a composite guarantee with the group's lenders whereby the company is liable, jointly and severally with other members of the group in respect of borrowings within the group.

The group's bankers and other lenders also have in place a debenture over the company's assets in support of borrowings within the group which amounted to £29,250,000 (2015: £15,000,000) at the balance sheet date.

16 Employee benefits

The company contributes to the personal pension schemes of certain employees. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £25,477 (2015: £15,760).

Contributions amounting to £1,620 (2015: £668) were payable to the scheme and included in creditors.

17 Share based payments

The company's ultimate parent company operates a number of share awards plans which are all equity settled schemes.

Details of the scheme award plans affecting the company are as follows:

Name	Grant date	Employees	Number of options	Vesting contracts	Contractual life of options
LTIP	11 December 2014	Executive directors and share management	227,500	Subject to EBITDA performance conditions	3 years
SAYE	15 July 2015	All employees with over 6 months service	75,557	Contractual employment	1-13 years

All options granted are still outstanding at the end of the year.

The fair value of services received in return for share options granted are measured by reference to the fair value of options granted. The fair value of share options granted is measured by using a Black Scholes Valuation Model.

Notes (continued)

17 Share based payments (continued)

The expected volatility is based on the median volatility of healthcare constituents of FTSE Aim.

The risk free rate of return is the yield as at the grant date on zero coupon UK government bonds of a term commensurate with the expected life.

Measurement assumptions are as follows:

At grant date:

	LITP	SAYE
Grant date	11 December 2019	15 July 2015
Share price	£1.00	£1.56
Exercise price	£1.00	£1.296
Expected volatility	40.9%	38%
Expected option life	3 years	3.13 years
Expected dividends	1.25%	0.18%
Risk free interest rate	0.89%	1.09%
Fair value per award	£0.263	£0.54

The weighted average share price of each award is as follows:

	2016 £
LITP	1.0
SAYE	1.296

The total expense recognised for share based payments are as follows:

	2016 £	2015 £
LITP	2,425	5,105
SAYE	7,132	-
	<u>9,557</u>	<u>5,105</u>

18 Commitments

Commitments under non-cancellable operating leases are as follows:

	2016 Land and buildings £	2016 Other £	2015 Land and buildings £	2015 Other £
Operating leases which expire:				
Within one year	8,750	15,230	21,000	4,048
In the second to fifth years inclusive	-	13,012	8,750	1,687
	<u>8,750</u>	<u>28,242</u>	<u>29,750</u>	<u>5,735</u>

Notes *(continued)*

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary of Quantum Pharmaceutical Limited. Quantum Pharmaceutical Limited's ultimate parent company is Quantum Pharma Plc.

The only group in which the results of the company are consolidated is that headed by Quantum Pharma Plc, incorporated in the United Kingdom. The consolidated financial statements of the group are available to the public and may be obtained from Companies House.