

ESSENTIAL HOLDCO GUERNSEY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

ESSENTIAL HOLDCO GUERNSEY LIMITED

COMPANY INFORMATION

Directors	Guy William Semmens Robert John Watson Nikesh Engineer
Registered number	67076
Registered office	First Floor, Albert House South Esplanade St Peter Port GUERNSEY GY1 1AJ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 5 Benham Road Southampton Science Park Chilworth Southampton Hampshire SO16 7QJ

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ESSENTIAL HOLDCO GUERNSEY LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JUNE 2020

Principal activity and business review

The group's principal activity is the provision of pharmaceuticals to pharmacies and hospitals across more than 20 markets in the UK, Europe and other territories including Hong Kong, Singapore and New Zealand. The group focuses predominantly on essential drugs that sell in low volumes and/or are difficult to source and where sustainability of product supply may be a challenge.

The group was formed in November 2019 to facilitate the acquisition of the businesses that make up the Chemidex and Essential Pharma Brands. These businesses were purchased on the 16th December 2019.

As the group transitions under new ownership, it is trading under the Essential Pharma brand, although suppliers and customers will continue to hold their current relationships with other existing group companies.

The Group provides essential, niche therapies across a variety of important therapeutic classes for patients and healthcare systems in Europe and beyond. Operating in a highly regulated industry as a responsible and ethical business operator, the Group plays a very important role in patient care supporting medical providers in multiple markets worldwide.

The Essential Pharma business, acquired in period, has for over thirty years worked and invested to prevent the disappearance of many established, lower volume pharmaceutical products that are important to the well-being of patients.

Revenue in the first period of operation was £35.4m which reflects a little over six months of operations.

To help fund the acquisition of the businesses that make up the Chemidex and Essential Pharma brands, senior debt was secured from the group bankers, Hayfin, with an additional revolving credit facility and a further acquisition facility which will be utilised to expand the business into new products and markets. Geographic expansion and the acquisition of new products are the two key pillars of the group's growth strategy.

The Group has negotiated bank facilities until 16 December 2026, the agreement is structured with a mix of interest payment arrangements including monthly, quarterly and six monthly, while repayment of the senior debt is based on cash generation and leverage.

Key performance indicators

The key performance indicators are as follows:

	£'000
Turnover	35,377
Stock days	464

The directors' are happy with the KPIs in the period in what is the first period the purchased entities have been consolidated. Revenue has been in line with expectations to allow the payment of interest commitments and an accumulation of cash during the period in which to further develop the business.

The business holds large stock balances because of the low volume nature of our products and the need to ensure supply for the final patient. This high stock levels help insulate the business from any importation or production problems due to Brexit or Covid 19.

ESSENTIAL HOLDCO GUERNSEY LIMITED**STRATEGIC REPORT
FOR THE PERIOD ENDED 30 JUNE 2020****Principal risks and uncertainties**

The Group's board meets regularly to evaluate performance and risk appetite, review management information and discuss strategies for growth.

Competitive risk

The group operates in a competitive market in the UK and internationally and aims to have relevant products and therapies for patients that improve outcomes and generate positive cashflows to reinvest into the group's operations and service debt to ensure compliance with covenant requirements.

Product regulation

The Group operates in a highly regulated sector and international markets each with differing requirements and a number of the Group's products and therapies are subject to pricing and other forms of legal or regulatory restrictions from both governmental and regulatory bodies and other third parties. Consequently, the Group can be subject to regulatory oversight, inspection and investigations in the ordinary course of business and may incur penalties for non-compliance. In order to help mitigate these risks the group ensures regulatory compliance with the support of local experts, alongside engaging in dialogue with relevant local bodies, in the markets in which the Group operates.

Product risk

Specialising in niche products, typically legacy drugs, towards the end of their life cycle, there is risk of alternative therapies being recommended, API supply issues or obsolescence from low volumes. The Group's products are typically well established, with a long market history of successful use and regulatory approval in the markets the Group operates. The group has a range of measures in place to ensure continuing regulatory compliance, product quality, supplier monitoring and appropriate liability insurance.

Liquidity risk

The Group manages cash and stock volumes closely to ensure cash is available to fund operations. The Group also has appropriate borrowing facilities in place with term facilities and covenant requirements commensurate with business plans, forecasts, investment requirements and cash generation projections.

Supply chain disruption

The uninterrupted supply of pharmaceuticals requires the co-ordination of third party manufacturers and distributors. A combination of Brexit and COVID-19 will add to this complexity in the near term. As such the group utilises third-party organisations given their expertise and experience to support and work alongside the group's employees. The Group regularly reviews stock levels and the availability of active pharmaceutical ingredients. Our focus on niche and essential therapies typically requires the Group to carry higher stock holdings than traditional pharmaceutical companies and therefore as a business we have a longer period of time before being unable to supply due to possible disruption.

Interest rate risk

The Group has £160m of debt that has interest charges linked to LIBOR, there is no specific interest cover covenant. The board have left the interest rate risk unhedged at this time given the medium- term outlook is interest rates will stay low.

BREXIT

The Groups products and therapies are sold across a range of international markets, albeit predominantly in the UK, and BREXIT may create short term disruption as a result of the UK leaving the EU including product regulation and cross border trading. The group continues to monitor developments and implement strategies to minimise the short term impact including developing the use of its international subsidiaries in Malta, maintaining appropriate stock levels and working with external advisors in ensuring the Group is well-prepared.

Foreign exchange risk

The Group earns income and profits and incurs expenditure in currencies other than sterling and is subject to exchange rate volatility. The Group does not currently deploy a hedging programme and instead operates a natural hedge given its operations in multiple currencies.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**STRATEGIC REPORT
FOR THE PERIOD ENDED 30 JUNE 2020**

COVID

The Covid 19 outbreak has had an impact for both businesses and individuals. Contract manufacturing and distribution associated with the supply of pharmaceuticals has been protected as an essential industry and workers have been allowed to attend work throughout lockdowns. A prolonged lockdown may impact the ability to source APIs or the API price. If an API could not be sourced this could impact both patients and sales, the group has a variety of products in its portfolio and does not believe sourcing of APIs would have a material impact on earnings unless subjected to a national lock down of more than six months.

On behalf of the board

Robert Watson

Robert John Watson
Director

Date 16/11/2020

ESSENTIAL HOLDCO GUERNSEY LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2020**

The directors present their report and the financial statements for the period ended 30 June 2020.

Dividends paid

There were no dividends paid in the period under review.

Results

The Profit and loss account for the period is set out on page 12.

Directors

The directors who served during the period were:

Guy William Semmens
Robert John Watson
Nikesh Engineer

Political donations

The group paid no political donation in the year.

Future developments

The business will continue to trade in pharmaceuticals making use of trademarks and marketing authorisations owned while also looking to expand with new products and new geographies.

Employment policy

It is company policy to promote equal opportunities for both existing and new applicants.

Corporate governance arrangements

The Group believes that value creation in healthcare and sustainability is inherently linked to social responsibility and governance and is committed to maintaining high standards of integrity and respect. The Group maintains an investment approach that incorporates the consideration of environmental, social, and corporate governance ("ESG") risks and opportunities.

In line with best practice the overall group has a board with both Executive and Non-Executive directors and an audit committee with Non-Executive director representation.

Qualifying third party indemnity provisions

The directors' benefited from a qualifying third party indemnity at the year end and when the financial statements were approved.

ESSENTIAL HOLDCO GUERNSEY LIMITED**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2020**

Going concern

The Group made a loss after tax of £8.1m and at 30 June 2020 has net current liabilities of £60.7m. As is typically of a Private Equity ownership the group has long term structured finance facilities including loan notes and term debt facilities which are due for repayment in December 2026.

The directors have reviewed the company at the balance sheet date and believe a combination of cash and a diversified product portfolio with clinically differential molecules will allow it to continue as a going concern for at least twelve months from the date of signing.

The Group has term debt and a revolving credit facility. In addition, the debt funder has made available a facility to fund future acquisitions. The debt facilities require the group stay within its covenants and make regular interest payments. The Group is within its covenant at 30th June 2020 and has performed a two year forecast that predicts that we will remain compliant with covenant requirements.

Distribution is performed by various specialists mainly in Europe and the UK. In most cases, these distributors have been classified as essential workers during lockdowns associated with the corona virus outbreak, and distribution has continued. It is anticipated this treatment would continue during any future lockdowns. As such we believe our distributors would continue to operate and maintain financial strength during a prolonged lock down. The financial failure of a key distributor would potentially cause volatility to both revenue and profitability, although given the importance of these businesses and their key worker status management assess the risk as low.

The group has relationships with contract manufacturing organisations around Europe. In the recent lockdowns pharmaceuticals production has been protected as an essential industry and workers have been allowed to attend work throughout lockdowns. Although there is no guarantee it is likely this would continue in any future lockdowns. Our focus on niche and essential therapies typically requires the group to carry higher stock holdings than traditional pharmaceuticals companies and therefore as a business we have a longer period of time before being unable to supply our clients. At the year end our inventory is at 464 days. This should provide an element of protection from any short term Brexit, Corona virus or other production supply problems. Active pharmaceutical ingredients (APIs) for our products can be sourced by the group or our third party manufacture, a prolonged lockdown may impact the ability to source APIs or the API price. If an API could not be sourced this could impact both patients and sales, the group has a variety of products in its portfolio and does not believe sourcing of APIs would have a material impact on earnings unless subjected to a national lock down of more than six months.

Key employees and contracted specialists for the business are concentrated around the South of England and Malta. The business has previously demonstrated its ability to move all staff to home working successfully when the UK previously locked down in March 2020.

The Group has not experienced a lengthening of payment terms as a result of COVID or lock downs. Our clients are hospitals, pharmaceutical distributors and pharmacies which have continued to operate throughout lockdowns.

The group is subject to regulatory oversight, inspection and investigations in the ordinary course of business and may incur penalties for non-compliance. Where the group is unable to make a reliable estimate of the expected financial effect of these matters, no provision is recognised and no cash outflows are included in forecasts. The directors do take ongoing investigations into account in their overall assessment of going concern.

The Corona virus outbreak has impacted both individuals and businesses. In making their assessment the directors have given consideration to the risks set out above, the group's cash reserves, funding and covenant requirements, the mitigating actions they have and are able to take, the experience of the impact of the pandemic to date over the last six months on the markets in which the group operates. There has been limited impact on financial performance, save for some changes to the timing of revenues given the nature of the group's products.

ESSENTIAL HOLDCO GUERNSEY LIMITED**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2020**

In preparing their forecasts, whilst taking into consideration the uncertain economic environment the pandemic and Brexit have created, the directors have prepared forecasts based on reasonably foreseeable assumptions and conclude the group will be able to operate within its facilities and in compliance with its covenant requirements for the foreseeable future, a period of not less than twelve months from the date of approval of these financial statements and accordingly these financial statements have been prepared on an going concern basis.

Post balance sheet events

On 5th October 2020 the Competition and Markets Authority (CMA) notified the directors that certain entities in the group (Essential Pharma Limited, Essential Pharmaceuticals Limited and Essential Pharma Limited (Malta)) are subject to an investigation under Chapter II of the Competition Act 1998 in relation to the supply of lithium based medication for the treatment of bipolar disease, including Priadel 200mg, Priadel 400mg, Camcolit 400mg and Lithium Carbonate 250mg film-coated tablets. The directors consider this matter to be a non-adjusting post balance sheet event. At the date of approval of these financial statements, the investigation is ongoing and the board are cooperating fully with the CMA and The Department of Health and Social Care (DHSC). No conclusions have been reached as to whether there is any evidence of infringement of competition law. At the end of an investigation, where there is sufficient evidence, the CMA may impose financial penalties. The Group are continuing to supply Priadel whilst it reaches a satisfactory pricing agreement with the DHSC. A reasonable estimate of any financial effect cannot be made at this time.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Under the Companies (Guernsey) Law, 2008, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 16/11/2020 and signed on its behalf.

Robert Watson

Robert John Watson
Director

ESSENTIAL HOLDCO GUERNSEY LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2020**

The directors are responsible for preparing the Directors' report and the consolidated financial statements in accordance with applicable law and generally accepted accounting practice.

Company law applicable to companies in Guernsey requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ESSENTIAL HOLDCO GUERNSEY LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSENTIAL HOLDCO GUERNSEY LIMITED**

Opinion

We have audited the financial statements of Essential HoldCo Guernsey Limited (the 'company') for the period ended 30 June 2020 which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company 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 Financial Reporting Standard 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 Group's and of the parent company's affairs as at 30 June 2020 and of the Group's loss for the period then ended;
- are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with the Companies (Guernsey) Law, 2008.

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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSENTIAL HOLDCO GUERNSEY LIMITED
(CONTINUED)**

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.

In our evaluation of the Directors' conclusions, we considered the risks associated with the Group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ESSENTIAL HOLDCO GUERNSEY LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSENTIAL HOLDCO GUERNSEY LIMITED
(CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the company's financial statements are not in agreement with the accounting records and returns; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements which 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.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSENTIAL HOLDCO GUERNSEY LIMITED
(CONTINUED)**

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: 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 section 262 of the Companies (Guernsey) Law, 2008. 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.

Grant Thornton UK LLP

Norman Armstrong BSc FCA (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Senior Statutory Auditor

5 Benham Road
Southampton Science Park
Chilworth
Southampton
Hampshire
SO16 7QJ
Date: 16/11/2020

ESSENTIAL HOLDCO GUERNSEY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**

	Note	2020 £
Turnover	4	35,377,010
Cost of sales		(5,984,394)
Gross profit		<u>29,392,616</u>
Administrative expenses		(23,328,097)
Exceptional administrative expenses	11	(462,404)
Operating profit	5	<u>5,602,115</u>
Interest payable and expenses	9	(13,209,741)
Loss before taxation		<u>(7,607,626)</u>
Tax on loss	10	(496,257)
Loss for the financial period		<u><u>(8,103,883)</u></u>
Exchange losses arising on translation on foreign operations		(29,581)
Other comprehensive loss for the period		<u>(29,581)</u>
Total comprehensive loss for the period		<u><u>(8,133,464)</u></u>
Loss for the period attributable to:		
Owners of the parent Company		(8,103,883)
		<u>(8,103,883)</u>
Total comprehensive loss for the period attributable to:		
Owners of the parent Company		(8,133,464)
		<u><u>(8,133,464)</u></u>

The notes on pages 20 to 46 form part of these financial statements.

The above results relate to the continuing operations of the Group.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020**

	Note	30 June 2020 £
Fixed assets		
Intangible assets	12	265,681,043
Tangible assets	13	1,798,666
		267,479,709
Current assets		
Stocks	15	10,800,396
Debtors: amounts falling due within one year	16	12,853,742
Cash at bank and in hand	17	12,567,804
		36,221,942
Creditors: amounts falling due within one year	18	(96,950,243)
Net current liabilities		(60,728,301)
Total assets less current liabilities		206,751,408
Creditors: amounts falling due after more than one year	19	(183,975,253)
Provisions for liabilities		
Deferred taxation	21	(29,310,519)
		(29,310,519)
Net liabilities		(6,534,364)

ESSENTIAL HOLDCO GUERNSEY LIMITED

**CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2020**

	Note	30 June 2020 £
Capital and reserves		
Called up share capital	22	1,450,000
Foreign exchange reserve	23	(29,581)
Share option reserves	23	149,100
Profit and loss account	23	(8,103,883)
Equity attributable to owners of the parent Company		<u>(6,534,364)</u>
		<u><u>(6,534,364)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
16/11/2020

Robert Watson

Robert John Watson
Director

The notes on pages 20 to 46 form part of these financial statements.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**COMPANY BALANCE SHEET
AS AT 30 JUNE 2020**

	Note		30 June 2020 £
Fixed assets			
Investments	14		1,450,000
			1,450,000
Current assets			
Debtors: amounts falling due within one year	16	90,123,659	
			90,123,659
Creditors: amounts falling due within one year	18	(86,724,563)	
			3,399,096
Net current assets			3,399,096
Total assets less current liabilities			4,849,096
Creditors: amounts falling due after more than one year	19		(3,400,000)
			1,449,096
Net assets			1,449,096
Capital and reserves			
Called up share capital	22		1,450,000
Loss for the period		(904)	
Profit and loss account carried forward			(904)
			1,449,096

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

16/11/2020

Robert Watson

Robert John Watson
Director

The notes on pages 20 to 46 form part of these financial statements.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020**

	Called up share capital £	Foreign exchange reserve £	Share options reserve £	Profit and loss account £	Equity attributable to owners of parent Company £	Total equity £
Comprehensive income for the period						
Loss for the period	-	-	-	(8,103,883)	(8,103,883)	(8,103,883)
Other comprehensive loss	-	(29,581)	-	-	(29,581)	(29,581)
Other comprehensive loss for the period	-	(29,581)	-	-	(29,581)	(29,581)
Total comprehensive loss for the period	-	(29,581)	-	(8,103,883)	(8,133,464)	(8,133,464)
Shares issued during the period	1,450,000	-	-	-	1,450,000	1,450,000
Share based payments	-	-	149,100	-	149,100	149,100
Total transactions with owners	1,450,000	-	149,100	-	1,599,100	1,599,100
At 30 June 2020	1,450,000	(29,581)	149,100	(8,103,883)	(6,534,364)	(6,534,364)

The notes on pages 20 to 46 form part of these financial statements.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020**

	Called up share capital £	Profit and loss account £	Total equity £
Comprehensive income for the year			
Loss for the period	-	(904)	(904)
Other comprehensive loss for the period	-	-	-
Total comprehensive loss for the period	-	(904)	(904)
Contributions by and distributions to owners			
Shares issued during the period	1,450,000	-	1,450,000
Total transactions with owners	1,450,000	-	1,450,000
At 30 June 2020	1,450,000	(904)	1,449,096

The notes on pages 20 to 46 form part of these financial statements.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020**

	30 June 2020 £
Cash flows from operating activities	
Loss for the financial period	(8,103,883)
Adjustments for:	
Amortisation of intangible assets	17,670,707
Depreciation of tangible assets	142,357
Interest expense	13,209,741
Taxation charge	496,257
(Increase) in stocks	(1,545,417)
(Increase) in debtors	(2,635,966)
Increase in creditors	1,489,928
Share based payment charge	149,100
Corporation tax (paid)	(4,598,086)
Net cash generated from operating activities	16,274,738
Cash flows used in investing activities	
Purchase of subsidiaries net of cash acquired	(232,983,110)
Purchase of tangible fixed assets	(898,252)
Net cash used in investing activities	(233,881,362)
Cash flows from financing activities	
Issue of ordinary shares	1,450,000
Other new loans	154,082,094
New loans from group companies	82,264,843
Interest paid	(7,695,660)
Net cash from financing activities	230,101,277
Net increase in cash and cash equivalents	12,494,653
Foreign exchange gains and losses	73,151
Cash and cash equivalents at the end of period	12,567,804
Cash and cash equivalents at the end of period comprise:	
Cash at bank and in hand	12,567,804

The notes on pages 20 to 46 form part of these financial statements.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE PERIOD ENDED 30 JUNE 2020**

	Cash flows £	Acquisition and disposal of subsidiaries £	New loans £	Other non- cash changes £	At 30 June 2020 £
Cash at bank and in hand	7,305,708	(232,983,110)	236,336,937	1,908,269	12,567,804
Debt due after 1 year	-	-	(154,082,094)	-	(154,082,094)
Debt due within 1 year	-	-	(82,254,843)	(4,615,696)	(86,870,539)
	<u>7,305,708</u>	<u>(232,983,110)</u>	<u>-</u>	<u>(2,707,427)</u>	<u>(228,384,829)</u>

The notes on pages 20 to 46 form part of these financial statements.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

1. General information

Essential HoldCo Guernsey Limited (the 'Company') is a private company limited by shares incorporated in Guernsey. The registered address of the Company is First Floor, Albert House, South Esplanade, St Peter Port, GUERNSEY, GY1 1AJ.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies (Guernsey) Law, 2008.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In preparing the consolidated financial statements the Company has elected to produce Group primary statements only, as permitted under section 244 of the Companies Law.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

2. Accounting policies (continued)**2.3 Going concern**

The Group made a loss after tax of £8.1m and at 30 June 2020 has net current liabilities of £60.7m. As is typically of a Private Equity ownership the group has long term structured finance facilities including loan notes and term debt facilities which are due for repayment in December 2026.

The directors have reviewed the company at the balance sheet date and believe a combination of cash and a diversified product portfolio with clinically differential molecules will allow it to continue as a going concern for at least twelve months from the date of signing.

The Group has term debt and a revolving credit facility. In addition, the debt funder has made available a facility to fund future acquisitions. The debt facilities require the group stay within its covenants and make regular interest payments. The Group is within its covenant at 30th June 2020 and has performed a two year forecast that predicts that we will remain compliant with covenant requirements.

Distribution is performed by various specialists mainly in Europe and the UK. In most cases, these distributors have been classified as essential workers during lockdowns associated with the corona virus outbreak, and distribution has continued. It is anticipated this treatment would continue during any future lockdowns. As such we believe our distributors would continue to operate and maintain financial strength during a prolonged lock down. The financial failure of a key distributor would potentially cause volatility to both revenue and profitability, although given the importance of these businesses and their key worker status management assess the risk as low.

The group has relationships with contract manufacturing organisations around Europe. In the recent lockdowns pharmaceuticals production has been protected as an essential industry and workers have been allowed to attend work throughout lockdowns. Although there is no guarantee it is likely this would continue in any future lockdowns. Our focus on niche and essential therapies typically requires the group to carry higher stock holdings than traditional pharmaceuticals companies and therefore as a business we have a longer period of time before being unable to supply our clients. At the year end our inventory is at 464 days. This should provide an element of protection from any short term Brexit, Corona virus or other production supply problems. Active pharmaceutical ingredients (APIs) for our products can be sourced by the group or our third party manufacture, a prolonged lockdown may impact the ability to source APIs or the API price. If an API could not be sourced this could impact both patients and sales, the group has a variety of products in its portfolio and does not believe sourcing of APIs would have a material impact on earnings unless subjected to a national lock down of more than six months.

Key employees and contracted specialists for the business are concentrated around the South of England and Malta. The business has previously demonstrated its ability to move all staff to home working successfully when the UK previously locked down in March 2020.

The Group has not experienced a lengthening of payment terms as a result of COVID or lock downs. Our clients are hospitals, pharmaceutical distributors and pharmacies which have continued to operate throughout lockdowns.

The group is subject to regulatory oversight, inspection and investigations in the ordinary course of business and may incur penalties for non-compliance. Where the group is unable to make a reliable estimate of the expected financial effect of these matters, no provision is recognised and no cash outflows are included in forecasts. The directors do take ongoing investigations into account in their overall assessment of going concern.

The Corona virus outbreak has impacted both individuals and businesses. In making their assessment the directors have given consideration to the risks set out above, the group's cash reserves, funding and covenant requirements, the mitigating actions they have and are able to take,

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

2. Accounting policies (continued)**2.3 Going concern (continued)**

the experience of the impact of the pandemic to date over the last six months on the markets in which the group operates. There has been limited impact on financial performance, save for some changes to the timing of revenues given the nature of the group's products.

In preparing their forecasts, whilst taking into consideration the uncertain economic environment the pandemic and Brexit have created, the directors have prepared forecasts based on reasonably foreseeable assumptions and conclude the group will be able to operate within its facilities and in compliance with its covenant requirements for the foreseeable future, a period of not less than twelve months from the date of approval of these financial statements and accordingly these financial statements have been prepared on an going concern basis.

2.4 Foreign currency translation**Functional and presentation currency**

The Company's functional and presentational currency is GBP. The group's financial statements are presented in pound sterling and rounded to the nearest pound.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

2. Accounting policies (continued)**2.5 Revenue**

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts and settlement discounts.

Revenue is usually recognised when the significant risks and rewards of ownership have been transferred to the buyer (usually at dispatch of goods), the amount of revenue can be reliably measured, it is probable economic benefits will transfer to the company and the costs incurred in respect of the transaction can be measured reliably.

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.7 Finance costs

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

2.8 Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 Pensions**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.10 Share based payments

Transactions in shares with employees are valued for a share based payments charge that is recognised on a straight line basis over the expected life of the payments. In the event a final payment is triggered the remaining charge is expensed in the period. If a part payment is made no change in charge is recognised.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

2. Accounting policies (continued)**2.11 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

ESSENTIAL HOLDCO GUERNSEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Product rights	-	10	years
Goodwill	-	10	years

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

2. Accounting policies (continued)**2.14 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

The estimated useful lives range as follows:

Plant and machinery	- 20%
Motor vehicles	- 25%
Fixtures and fittings	- 15% - 20%
Office equipment	- 15% - 20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.15 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

2. Accounting policies (continued)**2.18 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.19 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.20 Provisions for liabilities

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

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

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

2. Accounting policies (continued)**2.21 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Certain of the Groups significant accounting policies are considered by the directors to be critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements.

Transaction costs

Transaction costs are incurred to minimise risk and help finance acquisitions. A judgement is made regarding if costs should be capitalised as part of the cost of acquisition, held against the debt or expensed. Costs that are capitalised must be wholly attributable to the acquisition to be eligible for capitalisation.

Valuation of intangibles

The Group values intangibles assets acquired with a business. These valuations are subjective and based on market and internal inputs and an estimation of the cashflows generated by these assets over multiple years. Future cash flows are discounted at an applicable discount rate that is selected by management with advice from advisors, the discount rate has a material impact on the final valuation.

Consideration paid for acquisitions

Consideration can be paid in cash or deferred over a number of years with performance measures triggering payment. As such the directors make a critical judgement when deciding the amount of deferred consideration to include. This will be based on prudent forward looking forecasts and the directors best view of likely performance. When consideration for an acquisition is paid to a director or a related party of a director there is a critical judgement regarding the treatment as remuneration or part of the consideration. To reach this judgement consideration would be given to the commercial agreements, continuing service, duration of continuing employment and the level of remuneration provided.

Amortisation periods

The amortisation period for goodwill and acquisition intangibles has been set at ten years. The period is based on an estimate by management of the useful life of portfolio of products and the period over which the assets have economic value.

Revenue

Revenue is recognised on dispatch as the best estimate of when risk and reward are transferred to the client. Fees paid to distributors are either booked as a cost of sale or revenue is booked net of this cost, depending upon individual commercial arrangement.

Stock

Stock is typically provided for six months before expiry or when the stock becomes unsaleable in the local market. If it is likely stock is valued at more than the net recoverable value or it is likely stock will remain unsold given current sales volumes a provision will be made.

Regulatory oversight

The Group operates in a highly regulated sector and international markets each with differing requirements and a number of the group's brands and products are subject to pricing and other forms of legal or regulatory restrictions from both governmental and regulatory bodies and other third parties. Consequently, the group can be subject to regulatory oversight, inspection and investigations in the ordinary course of business and may incur penalties for non-compliance. Such matters are often highly complex and rely on estimates and assumptions as to future events, accordingly assessments as to whether or not to recognise provisions in respect of these matters are judgmental. Where the group is

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

3. Judgments in applying accounting policies (continued)

unable to make a reliable estimate of the expected financial effect of these investigations no provision is made.

Share based payments

An employee share scheme is in place and as such a share based payments charge is included that is based on a valuation from suitably qualified advisors. The valuation is based on assumptions including but not limited to the value of the final investment, exit date, exit multiple, net debt at exit and any transaction costs incurred. The valuation was based on an expected return analysis.

Tax

A subsidiary has been subject to a now closed tax enquiry by Her Majesties Revenue and Customs. As such the directors have taken independent advice to value the assets in questions and other professional advice to assess the position taken in the accounts.

4. Turnover

	Period from 22 November 2019 to 30 June 2020 £
United Kingdom	28,194,677
Rest of Europe	6,198,380
Rest of the world	983,953
	35,377,010

5. Operating profit

The operating profit is stated after charging:

	Period from 22 November 2019 to 30 June 2020 £
Research & development charged as an expense	436,410
Exchange differences	303,105
Share based payment	149,100
	888,615

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

6. Auditor's remuneration

	Period from 22 November 2019 to 30 June 2020 £
Fees payable to the EP TopCo Guernsey Limited's auditor and its associates for the audit of the Group's annual financial statements	135,500
Fees payable to the Group's auditor and its associates in respect of:	
Taxation compliance services	63,500
Accounts production	37,700
All other services	29,864
	131,064

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Period from 22 November 2019 to 30 June 2020 £
Wages and salaries	1,624,265
Social security costs	178,457
Cost of defined contribution scheme	38,530
	1,841,252

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The directors are key management for the Group.

The total remuneration for the key management personnel during the year was £282,350.

The average monthly number of employees employed by the Group, including the directors, during the period was 25.

The Company has no employees.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

8. Directors' remuneration

	2020 £
Directors' emoluments	200,000
	200,000

The highest paid director received remuneration of £200,000.

9. Interest payable and similar expenses

	Period from 22 November 2019 to 30 June 2020 £
Bank interest payable	147
Other loan interest payable	13,209,594
	13,209,741

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

10. Taxation

	Period from 22 November 2019 to 30 June 2020 £
Corporation tax	
Current tax on profits for the year	2,785,949
	2,785,949
Total current tax	2,785,949
Deferred tax	
Deferred tax credit	(2,289,692)
Total deferred tax	(2,289,692)
Taxation on profit on ordinary activities	496,257
Factors affecting tax charge for the period/year	
<p>The tax assessed for the period/year is lower than the standard rate of corporation tax of 19%. The differences are explained below:</p>	
	Period from 22 November 2019 to 30 June 2020 £
(Loss)/profit on ordinary activities before tax	(7,607,626)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax of 19%	(1,445,449)
Effects of:	
Other expenses not deductible for tax purposes	2,391,761
Other differences leading to an increase (decrease) in the tax charge	(582,418)
Deferred tax not recognised	132,363
Total tax charge for the period/year	496,257

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

10. Taxation (continued)

Factors that may affect future tax charges

There are no significant factors impacting future tax charges.

11. Exceptional items

	Period from 22 November 2019 to 30 June 2020 £
Acquisition related expenses	462,404
	462,404

Exceptional costs include professional legal and accounting fees incurred in relation to the acquisitions of the businesses that make up the Chemidex and Essential Pharma Brands.

12. Intangible assets

Group

	Product rights £	Goodwill £	Total £
Cost			
Acquisitions	206,644,184	-	206,644,184
Additions	-	75,859,987	75,859,987
Foreign exchange movement	847,579	-	847,579
At 30 June 2020	207,491,763	75,859,987	283,351,750
Amortisation			
Charge for the period	13,546,912	4,123,795	17,670,707
At 30 June 2020	13,546,912	4,123,795	17,670,707
Net book value			
At 30 June 2020	193,944,851	71,736,192	265,681,043

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

12. Intangible assets (continued)

The Company has no intangible assets.

13. Tangible fixed assets

Group

	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
Acquisitions	1,099	1,040,806	866	1,042,771
Additions	-	879,735	18,517	898,252
At 30 June 2020	<u>1,099</u>	<u>1,920,541</u>	<u>19,383</u>	<u>1,941,023</u>
Depreciation				
Charge for the period	274	140,112	1,971	142,357
At 30 June 2020	<u>274</u>	<u>140,112</u>	<u>1,971</u>	<u>142,357</u>
Net book value				
At 30 June 2020	<u><u>825</u></u>	<u><u>1,780,429</u></u>	<u><u>17,412</u></u>	<u><u>1,798,666</u></u>

The Company has no fixed assets.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

14. Investments

Company

	Investments in subsidiary companies £	Total £
Cost or valuation		
Additions	1,450,000	1,450,000
At 30 June 2020	1,450,000	1,450,000

Direct subsidiary undertaking

The following was a direct subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
EP MidCo Guernsey Limited	First Floor, Albert House, South Esplanade, St Peter Port, GUERNSEY, GY1 1AJ	Ordinary	100%

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

14. Investments (continued)

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Chemidex Pharma Limited	Chemidex House Unit 7, Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
Chemidex Generics Limited	Chemidex House Unit 7, Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
Essential Pharma Limited	7 Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
Essential Pharmaceuticals Limited	7 Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
Tarus Laboratories Limited	7 Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
NHS Generics Limited	Chemidex House Unit 7, Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
FirstChem Limited	Chemidex House Unit 7, Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
Essential Generics Limited	Chemidex House Unit 7, Egham Business Village, Egham, Surrey, TW20 8RB	Ordinary	100%
Healthcare Generics Limited	Chemidex House Unit 7, Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
Tarus Group Limited	Chemidex House Unit 7, Egham Business Village, Crabtree Road, Egham, Surrey, TW20 8RB	Ordinary	100%
Chemidex Pharma Holdings Limited	Vision Exchange Building, Triq It-Territorjals, Zone 1, Central Business District, BIRKIRKARA CBD 1070 MALTA	Ordinary	100%

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

14. Investments (continued)

Indirect subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
Essential Pharma Holdings Limited	Vision Exchange Building, Triq It-Territorjals, Zone 1, Central Business District, BIRKIRKARA CBD 1070 MALTA	Ordinary	100%
Essential Pharma (M) Holdings Ltd	Vision Exchange Building, Triq It-Territorjals, Zone 1, Central Business District, BIRKIRKARA CBD 1070 MALTA	Ordinary	100%
Essential Pharmaceuticals Holdings Limited	Vision Exchange Building, Triq It-Territorjals, Zone 1, Central Business District, BIRKIRKARA CBD 1070 MALTA	Ordinary	100%
Chemidex Pharma Limited	Vision Exchange Building, Triq It-Territorjals, Zone 1, Central Business District, BIRKIRKARA CBD 1070 MALTA	Ordinary	100%
Essential Pharma Limited	Vision Exchange Building, Triq It-Territorjals, Zone 1, Central Business District, BIRKIRKARA CBD 1070 MALTA	Ordinary	100%
Essential Pharma (M) Ltd	Vision Exchange Building, Triq It-Territorjals, Zone 1, Central Business District, BIRKIRKARA CBD 1070 MALTA	Ordinary	100%
Essential Pharmaceuticals Limited	Vision Exchange Building, Triq It-Territorjals, Zone 1, Central Business District, BIRKIRKARA CBD 1070 MALTA	Ordinary	100%
Elliaz Limited	Cyprus	Ordinary	100%
E.P. Essential Pharma CY Limited	Cyprus	Ordinary	100%
Essential Holdings Limited	First Floor, Albert House, South Esplanade, St Peter Port, GUERNSEY, GY1 1AJ	Ordinary	100%

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

15. Stocks

	Group 30 June 2020 £
Finished goods and goods for resale	10,800,396
	10,800,396
	10,800,396

The difference between purchase price or production cost of stocks and their replacement cost is not material. Stocks are stated after provisions for impairment of £289,451.

The Company has no inventories at 30 June 2020.

16. Debtors

Debtors due within one year

	Group 30 June 2020 £	Company 30 June 2020 £
Trade debtors	12,230,285	-
Amounts owed by group undertakings	-	90,123,659
Other debtors	236,395	-
Prepayments and accrued income	387,062	-
	12,853,742	90,123,659
	12,853,742	90,123,659

Trade debtors are stated after provisions for impairment of £nil.

Amounts owed by group undertakings are unsecured, and repayable up to thirty days after repayment is requested. The interest rate is 10%.

17. Cash and cash equivalents

	Group 30 June 2020 £
Cash at bank and in hand	12,567,804
	12,567,804
	12,567,804

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

18. Creditors: Amounts falling due within one year

	Group 30 June 2020 £	Company 30 June 2020 £
Trade creditors	2,247,476	-
Amounts owed to group undertakings	86,550,164	86,548,585
Corporation tax	1,196,585	-
Other taxation and social security	4,076,874	-
Other creditors	4,283	-
Accruals and deferred income	2,874,861	175,978
	<u>96,950,243</u>	<u>86,724,563</u>

Amounts due to group undertakings are unsecured, and repayable up to thirty days after repayment is requested. The interest rate is 10%.

19. Creditors: Amounts falling due after more than one year

	Group 30 June 2020 £	Company 30 June 2020 £
Vendor loan	26,000,000	-
Other loans	157,975,253	3,400,000
	<u>183,975,253</u>	<u>3,400,000</u>

Other loans include £154,575,253 (original loan amount of £160,000,000 less unamortised transaction costs of £5,424,747) from Hayfin which are repayable in seven years on the 16th December 2026. The interest rate is 7.5% over the relevant LIBOR.

Hayfin has a fixed and floating charge over the assets to both the group and major subsidiary companies.

The balance of £3,400,000 in other loans is held by the vendors and Nikesh Engineer (see note 29) and are repayable in seven years on 16 December 2026. The interest rate is 10%.

The Vendor note of £26,000,000 attracts interest at 5% which is paid quarterly. The principal is due for repayment if certain requirements are met at the earlier of a change of control, significant sale or 16th December 2026.

The group has £85,554,843 and £26,000,000 fixed rate, subordinated, secured loan notes which are listed on The International Stock Exchange.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

20. Financial instruments

	Group 30 June 2020 £	Company 30 June 2020 £
Financial assets		
Financial assets measured at amortised cost	<u>25,038,497</u>	<u>90,123,659</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>272,872,863</u>	<u>89,948,585</u>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by group undertakings.

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

21. Deferred taxation

Group

	2020 £
Charged to profit or loss	2,285,102
Arising on business combinations	(31,595,621)
At end of year	<u>(29,310,519)</u>

	Group 30 June 2020 £
Tax losses carried forward	582,418
Acquired business combinations	(29,892,937)
	<u>(29,310,519)</u>

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

22. Share capital

	30 June 2020 £
Authorised	
1,450,000 Ordinary shares of £1.00 each	1,450,000
Allotted, called up and fully paid	
1,449,999 Ordinary shares of £1.00 each	1,449,999
Allotted, called up and partly paid	
1 Ordinary share of £1.00	1 -

In December 2019, the Company issued 1,449,999 Ordinary shares at par value.

There is a single class of ordinary shares. The shares confer the right to receive notice of and to attend, speak and vote at general meetings of the Company. There are no restrictions on the distribution of dividends and the repayments of capital.

23. Reserves

Foreign exchange reserve

Gain/losses arising from retranslating the net assets of overseas operations into pounds sterling.

Other reserves

Gain/losses arising from fair value charge of share based payments.

Profit and loss account

All other net gains and losses and transactions with owners not recognised elsewhere.

24. Share based payments

The Group operates a scheme to allow the purchase, for cash, of shares at a price of £1.07 each in EP Topco Limited, a company incorporated in Guernsey. The shares will benefit from future distributions under certain circumstances. Classes of shares in EP Topco Limited have different rights when a distribution is paid, further information is available from the Guernsey Registry.

The shares have been accounted for as a share based payment under FRS 102. A charge of £149,100 has been recognised in the period.

ESSENTIAL HOLDCO GUERNSEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

25. Business combinations

On the 16th December 2019 the Group acquired a 100% of the share capital of a number of privately owned businesses as below from one vendor that made up a pharmaceuticals business that trades throughout Europe and the rest of world but is concentrated in the UK. The businesses specialise in the sale of low volume but essential therapies for patients.

- Chemidex Pharma Limited (UK)
- Chemidex Generics Limited (UK)
- Essential Pharma Limited (UK)
- Essential Pharmaceuticals Limited (UK)
- Tarus Laboratories Limited (UK)
- NHS Generics Limited (UK)
- FirstChem Limited (UK)
- Essential Generics Limited (UK)
- Healthcare Generics Limited (UK)
- Tarus Group Limited (UK)
- Chemidex Pharma Holdings Limited (Malta)
- Essential Pharma Holdings Limited (Malta)
- Essential Pharma (M) Holdings Ltd (Malta)
- Essential Pharmaceuticals Holdings Limited (Malta)
- Chemidex Pharma Limited (Malta)
- Essential Pharma Limited (Malta)
- Essential Pharma (M) Ltd (Malta)
- Essential Pharmaceuticals Limited (Malta)
- Elliaz Limited (Cyprus)
- E.P. Essential Pharma CY Limited (Cyprus)

The subsidiaries acquired by the Group have been accounted for used the purchase method of accounting.

Management has estimated the useful life of the goodwill at ten years. All the therapies are sold competitively, so other entrants may enter the market and alternative therapies may be introduced.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. Business combinations (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustment £	Fair value £
Tangible	1,049,037	-	1,049,037
Intangible	41,106,184	165,538,000	206,644,184
	<u>42,155,221</u>	<u>165,538,000</u>	<u>207,693,221</u>
Stocks	9,254,979	-	9,254,979
Debtors	10,217,525	-	10,217,525
Cash at bank and in hand	7,157,939	-	7,157,939
Total assets	<u>68,785,664</u>	<u>165,538,000</u>	<u>234,323,664</u>
Trade and other creditors	(9,142,391)	-	(9,142,391)
Deferred tax	(147,991)	(31,452,220)	(31,600,211)
Total identifiable net assets	<u>59,495,282</u>	<u>134,085,780</u>	<u>193,581,062</u>
Goodwill			<u>75,859,987</u>
Total purchase consideration			<u>269,441,049</u>
Consideration			£
Cash			214,710,403
Other loan notes			3,400,000
Vendor loan notes			26,000,000
Transaction costs			5,401,397
Loans settled on acquisition			19,929,249
Total purchase consideration			<u>269,441,049</u>

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

25. Business combinations (continued)

Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	234,739,652
Directly attributable costs	5,401,397
	<u>240,141,049</u>
Less: Cash and cash equivalents acquired	(7,157,939)
Net cash outflow on acquisition	<u><u>232,983,110</u></u>

Purchase consideration settled in cash above includes £19,929,249 of loans settled on acquisition.

The group has made adjustments to intangibles to reflect the value of product rights as a result of the ownership of marketing authorisations and trademarks at acquisition.

The vendor loan note pays interest at 5% each quarter and is subject to certain provisions that can trigger or prevent payment (see note 19).

26. Contingent liabilities and guarantees

Her Majesties Revenue & Customs (HMRC) had previously opened an enquiry into Chemidex Generics Limited (CGL), a group subsidiary, which has subsequently been closed since the period end. HMRC dispute the valuation of product intellectual property purchased from the Chemidex Partnership in the financial year ending June 2013. The value of amortisation booked in the P&L to date is £28,891k (2019: £24,906k).

The directors are contesting this matter via tribunal with their position supported by an independent, professional valuation. At this time, an outcome cannot be assessed with any reasonable certainty.

Certain companies within the group are part of a selection of group entities which have provided a guarantee with respect to a loan owned by Essential Holdings Limited. The loan outstanding is £160,000,000 before .

27. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £38,530. No contributions were payable to the fund at the balance sheet date.

ESSENTIAL HOLDCO GUERNSEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

28. Commitments under operating leases

At 30 June 2020 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 30 June 2020 £
Not later than 1 year	200,000
Later than 1 year and not later than 5 years	695,068
	895,068

29. Related party transactions

The group has a loan payable to Essential TopCo Guernsey Limited, a company registered in Guernsey and an intermediate parent, of £82,154,843.

The parents of Nikesh Engineer, a director, Navinchandra and Varsha Engineer sold the businesses acquired by the Group in December 2019. There is currently a vendor loan note for £26.0m outstanding with certain conditions placed upon payment (note 19).

There are certain loan notes issued to Nikesh Engineer as part of the acquisition in the year totalling £680,000 which remain outstanding at year end. The interest charged on these in the year was £36,313.

30. Post balance sheet events

On 5th October 2020 the Competition and Markets Authority (CMA) notified the directors that certain entities in the group (Essential Pharma Limited, Essential Pharmaceuticals Limited and Essential Pharma Limited (Malta) are subject to an investigation under Chapter II of the Competition Act 1998 in relation to the supply of lithium based medication for the treatment of bipolar disease, including Priadel 200mg, Priadel 400mg, Camcolit 400mg and Lithium Carbonate 250mg film-coated tablets. The directors consider this matter to be a non-adjusting post balance sheet event. At the date of approval of these financial statements, the investigation is ongoing and the board are cooperating fully with the CMA and The Department of Health and Social Care (DHSC). No conclusions have been reached as to whether there is any evidence of infringement of competition law. At the end of an investigation, where there is sufficient evidence, the CMA may impose financial penalties. The Group are continuing to supply Priadel whilst it reaches a satisfactory pricing agreement with the DHSC. A reasonable estimate of any financial effect cannot be made at this time.

31. Controlling party

In the directors' opinion, at 30th June 2020 the ultimate controlling party is Cortex 3 Guernsey Limited, a private company registered in Guernsey.

The immediate and ultimate parent company is EP TopCo Guernsey Limited, a private company registered in Guernsey and the largest parent to produce publicly available consolidated accounts.

