Registered number: 00976297

COMPANIES HOUSE

JRI ORTHOPAEDICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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JRI ORTHOPAEDICS LIMITED

COMPANY INFORMATION

Directors	J E Agass S G Ayres W D Guowei (appointed 10 April 2018) Z Xiaohong (appointed 10 April 2018) L Zhijiang (appointed 10 April 2018)
Registered number	00976297
Registered office	18 Churchill Way 35A Business Park SHEFFIELD S35 2PY
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2 Broadfield Court SHEFFIELD S8 0XF

JRI ORTHOPAEDICS LIMITED

CONTENTS

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Principal activity

The principal activity of the Group during the year was the design, manufacture and supply of orthopaedic implants and instruments to the medical industry both in the UK and internationally.

Business review and future developments

Continuing economic pressures within JRI's main customer groups are driving significant changes within the orthopaedic market as they implement strategies to reduce their costs and improve their operational efficiency. These changes include supplier rationalisation and significant pricing pressure being pushed down onto the supply chain.

Group revenues decreased 1.7% to £13.9 million *(2017:* £14.2 million) with an operating profit of £0.3 million *(2017:* loss £1.3 million).

The Group is implementing an operational improvement and sales growth strategy aimed at expanding the breadth of its product portfolio, its manufacturing capacity and its geographic footprint and the Board expects to see strong business growth in the medium term.

Research and development is a fundamental and central part of JRI's growth strategy. Consequently, the Company has continued to invest in research and development programmes that provide innovative new solutions as well as improvements to existing solutions. The main development drivers have been around both modernisation of the product portfolio and expansion.

Principal risks and uncertainties

The Board monitors potential business risks and endeavours to manage those risks through appropriate means including employee involvement, robust financial and business controls and policies and contracts of insurance.

As an international provider of medical devices into health organisations, JRI is subject to many of the same risks faced by similar organisations. Specific risks to JRI that could have a material adverse impact on the financial condition and operating performance of JRI include:

Customer Base
JRI's customer base comprises public and private health organisations in the UK and overseas and as such faces risks associated with changes in economic policies, changes to surgical procedures and changes to customer buying practices. JRI develops and retains strong relationships with its customers and has a strategy involving further expansion of its product portfolio, customer base and geographic markets that will all further diversify the business to moderate the risk.

Competitors
The orthopaedic market is highly competitive and JRI faces risks from competitive factors such as price, service and new products. JRI develops and retains strong relationships with its customers and other healthcare professionals to help identify future customer requirements and allocates appropriate resources into product and service development and into driving operational efficiency to ensure the Company's on-going competitiveness.

Regulatory environment
There are numerous laws and regulations governing the processes necessary for JRI to take products to market. JRI maintains personnel policies necessary to attract, develop and retain appropriately qualified personnel and ensures sufficient resources are allocated to meet the technical and regulatory demands of the business.

Key performance indicators

The key performance indicators used to measure the performance of the Group are as follows:

	2018	*2017*
Revenue (£'000)	**13,935**	*14,177*
Profit/(Loss) from operations (£'000)	**290**	*(1,302)*
Operating margin (%)*	**2**	*(9)*
Return on capital employed (%)**	**4**	*(20)*
Net Cash (£'000)***	**2,683**	*1,921*

* Operating margin is the profit from operations expressed as a percentage of revenue.

** Return on capital employed is the profit from operations expressed as a percentage of capital employed. Capital employed is net assets less net cash.

*** Net cash is the cash at bank and in hand less outstanding finance lease obligations.

This report was approved by the board on 20 December 2018 and signed on its behalf.

S G Ayres
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Principal activity

The principal activity of the Company during the year was the design, manufacture and supply of orthopaedic implants and instruments to the medical industry both in the UK and internationally.

The Strategic Report on pages 1 to 2 provides a review of the performance of the Company in the year, the key performance indicators of the Company, a description of the principal risks and uncertainties facing the Company and an indication of future developments and prospects. They are incorporated in this Director's Report by reference.

Dividends

The profit for the year, after taxation, amounted to £403k *(2017:* loss £1,177k).

The directors do not recommend a dividend *(2017: £Nil)*.

Directors

The directors who served during the year were:

A J Edge (resigned 10 April 2018)
F T Collins (resigned 10 April 2018)
S H Harkness (resigned 31 August 2017)
J E Agass
S G Ayres

Directors' Responsibilities Statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Post balance sheet events

On 10 April 2018 JRI Orthopaedics Limited was acquired by AK Medical Holdings Limited, as such post year end their ultimate parent undertaking is considered to be AK Medical Holdings Limited.

In addition, since the year end JRI Orthopaedics Limited has entered in to an operating lease agreement with respect to it's premises with Orthopaedic Research UK for £280,000 per annum which covers a period of 5 years.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

This report was approved by the board on 20 December 2018 and signed on its behalf.

S G Ayres
Director

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JRI ORTHOPAEDICS LIMITED

Opinion

We have audited the financial statements of JRI Orthopaedics Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise the Consolidated Statement of Income and Retained Earnings, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows and the related notes, 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 31 March 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

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 Group's or the parent 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.

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JRI ORTHOPAEDICS 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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 Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

GrantThornton

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield

20 December 2018

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	*2017* *£000*
Turnover	4	**13,935**	*14,177*
Cost of sales		**(8,037)**	*(8,927)*
Gross profit		**5,898**	*5,250*
Administrative expenses		**(5,608)**	*(6,866)*
Other operating income	5	**-**	*314*
Operating profit/(loss)	6	**290**	*(1,302)*
Interest receivable	10	**3**	*7*
Interest payable and similar charges	11	**(9)**	*(9)*
Profit/(loss) before tax		**284**	*(1,304)*
Tax on profit/(loss)	12	**260**	*121*
Profit/(loss) after tax		**544**	*(1,183)*
Retained earnings at the beginning of the year		**11,231**	*12,414*
		11,231	*12,414*
Profit/(loss) for the year attributable to the owners of the parent		**544**	*(1,183)*
Retained earnings at the end of the year		**11,775**	*11,231*

The notes on pages 13 to 33 form part of these financial statements.

JRI ORTHOPAEDICS LIMITED
REGISTERED NUMBER:00976297

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2018

	Note		2018 £000		*2017 £000*
Fixed assets					
Intangible assets	13		**1,031**		*1,045*
Tangible assets	14		**1,782**		*1,822*
			2,813		*2,867*
Current assets					
Stocks	16	**4,741**		*4,997*	
Debtors: amounts falling due within one year	17	**3,915**		*4,018*	
Cash at bank and in hand	18	**2,844**		*2,151*	
		11,500		*11,166*	
Creditors: amounts falling due within one year	19	**(2,346)**		*(2,502)*	
Net current assets			**9,154**		*8,664*
Total assets less current liabilities			**11,967**		*11,531*
Creditors: amounts falling due after more than one year	20		**(92)**		*(161)*
Provisions for liabilities					
Deferred taxation	23	-		*(39)*	
			-		*(39)*
Net assets			**11,875**		*11,331*
Capital and reserves					
Called up share capital	25		**100**		*100*
Profit and loss account	24		**11,775**		*11,231*
Equity attributable to owners of the parent Company			**11,875**		*11,331*
			11,875		*11,331*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2018.

S G Ayres
Director

The notes on pages 13 to 33 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2018

	Note		2018 £000		*2017 £000*
Fixed assets					
Intangible assets	13		**675**		*623*
Tangible assets	14		**1,782**		*1,822*
Investments	15		**326**		*324*
			2,783		*2,769*
Current assets					
Stocks	16	**4,741**		*4,997*	
Debtors: amounts falling due within one year	17	**4,249**		*4,402*	
Cash at bank and in hand	18	**2,771**		*2,067*	
		11,761		*11,466*	
Creditors: amounts falling due within one year	19	**(2,709)**		*(2,695)*	
Net current assets			**9,052**		*8,771*
Total assets less current liabilities			**11,835**		*11,540*
Creditors: amounts falling due after more than one year	20		**(92)**		*(161)*
Provisions for liabilities					
Deferred taxation	23	**-**		*(39)*	
			-		*(39)*
Net assets			**11,743**		*11,340*
Capital and reserves					
Called up share capital	25		**100**		*100*
Profit and loss account brought forward	24	**11,240**		*12,417*	
Profit/(loss) for the year	24	**403**		*(1,177)*	
Profit and loss account carried forward			**11,643**		*11,240*
			11,743		*11,340*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2018.

S G Ayres
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £000	*2017* *£000*
Cash flows from operating activities		
Profit/(loss) for the financial year	**544**	*(1,183)*
Adjustments for:		
Amortisation and impairment of intangible assets	**213**	*302*
Depreciation of tangible assets	**651**	*690*
Profit on disposal of tangible assets	**(114)**	*(1)*
Interest paid	**9**	*9*
Interest received	**(3)**	*(7)*
Taxation charge	**(260)**	*(121)*
Decrease in stocks	**256**	*418*
Decrease/(increase) in debtors	**60**	*(530)*
(Decrease) in creditors	**(156)**	*(786)*
Corporation tax received	**264**	*7*
Net cash generated from operating activities	**1,464**	*(1,202)*
Cash flows from investing activities		
Purchase of intangible fixed assets	**(202)**	*(350)*
Purchase of tangible fixed assets	**(688)**	*(555)*
Sale of fixed assets	**196**	*5*
Purchase of fixed asset investments	**(2)**	*(125)*
Interest received	**3**	*7*
Cash on acquisition	**-**	*15*
Net cash from investing activities	**(693)**	*(1,003)*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £000	2017 £000
Cash flows from financing activities		
Hire purchase repayments	**(69)**	*(69)*
Hire purchase interest	**(9)**	*(9)*
Net cash used in financing activities	**(78)**	*(78)*
Net increase/(decrease) in cash and cash equivalents	**693**	*(2,283)*
Cash and cash equivalents at beginning of year	**2,151**	*4,434*
Cash and cash equivalents at the end of year	**2,844**	*2,151*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**2,844**	*2,151*
	2,844	*2,151*

1. General information

JRI Orthopaedics Limited is a private Company limited by shares and incorporated in England and Wales. Registered number 00976297. Its registered head office is located at 18 Churchill Way, 35A Business Park, Sheffield, S35 2PY.

The nature of the Company's operations and its principal activities are the design, manufacture and supply of orthopaedic implants and instruments to the medical industry both in the UK and internationally.

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 Act 2006.

The Company's functional and presentational currency is Sterling (£).

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 judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income and Retained Earnings in these financial statements.

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 Income and Retained Earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2015.

2.3 Going concern

The financial statements have been prepared on the going concern basis. The directors have assessed the going concern position of the Group and Company and have no reason to believe that there is a material uncertainty that would affect the ability of the Group and Company to continue as a going concern for the foreseeable future. The directors have considered the period to December 2019 and have reviewed forecasts for that period in making their assessment.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The company has no long term contract or on-going projects. Revenue relating to stock held at customers' premises on a consignment basis.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Costs comprise direct materials, and direct labour allocable to any given development. Amortisation commences when the intangible asset is available for use and is charged on a straight-line basis of the asset on the following bases:

Software	- 3 years
Development costs	- between 5 and 10 years

Intangible assets are reviewed annually for impairment or more frequently if there are indications that they might be impaired.

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any recognised impairment losses. Depreciation is provided on a straight-line basis so as to charge the cost, less the estimated residual value, to the income statement on a straight-line basis over the expected useful life of the assets concerned which are as follows:

Leasehold Improvements	- Straight line over lease period
Plant & Machinery	- 10% - 15% on cost
Motor Vehicles	- 25% on cost
Fixtures & Fittings	- 20% on cost

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment in the value is charged to income. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out ("FIFO") method. Cost comprises the direct cost of materials and, in relation to finished goods and work in progress manufactured by the Company, direct labour and related production overheads (based on normal operating capacity) that have been incurred in bringing the stocks to their present location and condition. Net realisable value is the estimated selling price less the estimated costs of completion and applicable variable selling expenses.

2. Accounting policies (continued)

2.10 Debtors

Trade debtors are recognised initially at transaction price and subsequently less any appropriate provision for impairment. A provision for impairment is established for estimated irrecoverable amounts when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. The amount of provision is the difference between the net asset's carrying amount and the present value of future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognised in the Statement of Income and Retained Earnings.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash deposits with financial institutions that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 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 non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 Income and Retained Earnings.

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.

2. Accounting policies (continued)

2.13 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.

2.14 Foreign currency translation

The functional and presentational currency is in GBP.

Foreign currency transactions are translated into the functional currency using the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange gains or losses arising on the settlement of monetary items, and on the retranslation of monetary items, are included within profit from operations.

2.15 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings 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.

2.16 Dividends

Dividend payments are recognised as a liability in the period in which the dividend payment is approved by the Company's shareholders.

2.17 Leases

Finance Leases

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of Income and Retained Earnings over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Income and Retained Earnings over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the Statement of Income and Retained Earnings on a straight line basis over the term of the lease.

2. Accounting policies (continued)

2.18 Pensions

The Company operates and contributes to a series of personal defined contribution pension plans. The assets of the schemes are held separately from those of the Company in independently administered funds. The contributions to the schemes are recognised as an expense in the Statement of income and retained earnings as incurred.

2.19 Interest income

Interest income is recognised in the Consolidated Statement of Income and Retained Earnings 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 the Statement of Income and Retained Earnings 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.

2.21 Taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation which is provided in full using the liability method, on temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The charge for taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the temporary differences reverse.

2.22 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 is 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.

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

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

When applying the Company's accounting policies, management must make estimates and judgements concerning the future. The actual outcome may differ. The key judgements and sources of estimation that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities are presented below:

Inventory provisioning
The Company designs and manufactures orthopaedic implants and in order to efficiently meet customer demands the Company holds high levels of inventory much of which has a defined shelf life. As a result it is necessary to consider the cost of inventory and the associated level of provisioning required. When calculating the inventory provision, management consider the nature and condition of the inventory, as well as applying assumptions around the anticipated salability of finished goods and the future usage of raw materials. See note 16 for the net carrying amount of inventory and the associated provision

Impairment of Intangible Assets - Development Costs
Intangible assets are tested for impairment whenever events or circumstances indicate that their carrying amounts might be impaired. Impairment losses may be recognised on these assets if changes become necessary to the assumptions underlying the estimated future cash flows to be derived from individual product developments. See note 13 for the carrying amount of intangible assets.

4. Analysis of turnover

The whole of the turnover is attributable to the one principal activity of the Company.

Analysis of turnover by country of destination:

	2018	*2017*
	£000	*£000*
United Kingdom	**7,914**	*8,961*
Overseas	**6,021**	*5,216*
	13,935	*14,177*

5. Other operating income

	2018	*2017*
	£000	*£000*
Sundry income	**-**	*314*

6. Operating profit/(loss)

The operating loss is stated after charging/(crediting):

	2018 £000	*2017 £000*
Net research & development charged as an expense	**346**	*591*
Depreciation of tangible fixed assets	**651**	*690*
Amortisation and impairment of intangible assets	**213**	*130*
Exchange differences	**19**	*37*
Operating lease rentals		
- motor vehicles	**130**	*169*
- other operating leases	**280**	*280*

7. Auditor's remuneration

	2018 £000	*2017 £000*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	**29**	*26*
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	**7**	*7*

8. Employees

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

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Wages and salaries	**4,288**	*4,285*	**4,288**	*4,285*
Social security costs	**497**	*495*	**497**	*495*
Cost of defined contribution scheme	**240**	*309*	**240**	*309*
	5,025	*5,089*	**5,025**	*5,089*

The Company operates a stakeholder defined contribution personal pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the Company.

Pension payments recognised as an expense in the year were £240k (*2017: £309k*). An amount of £21k (*2017: £24k*) was included in accruals at the year-end relating to the above mentioned scheme.

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2018 No.	Group 2017 No.	Company 2018 No.	Company 2017 No.
Production	**40**	*40*	*40*	*40*
Selling and Distribution	**21**	*24*	*21*	*24*
Administration	**44**	*42*	*44*	*42*
	105	*106*	*105*	*106*

9. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	**660**	*543*
Company contributions to defined contribution pension schemes	**19**	*47*
	679	*590*

During the year retirement benefits were accruing to 3 directors *(2017: 4)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £251k *(2017 - £216k)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8k *(2017: £17k)*

10. Interest receivable

	2018 £000	*2017 £000*
Bank and other interest receivable	**3**	*7*

11. Interest payable and similar charges

	2018 £000	*2017 £000*
Finance leases and hire purchase contracts	**9**	*9*

12. Taxation

	2018 £000	*2017 £000*
Corporation tax		
Current tax on profits for the year	**(4)**	*(122)*
Adjustments in respect of prior periods	**(9)**	*17*
Total current tax	**(13)**	*(105)*
Deferred tax		
Origination and reversal of timing differences	**47**	*(9)*
Adjustments in respect of prior periods	**(294)**	*(7)*
Total deferred tax	**(247)**	*(16)*
Taxation on loss on ordinary activities	**(260)**	*(121)*

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2017: lower than)* the standard rate of corporation tax in the UK of 19% *(2017: 20%)*. The differences are explained below:

	2018 £000	*2017 £000*
Profit/(loss) on ordinary activities before tax	**284**	*(1,304)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	**54**	*(261)*
Effects of:		
Adjustments to tax charge in respect of prior periods	**(303)**	*10*
Unprovided deferred tax assets	**-**	*144*
Surrender of losses for UK R&D tax credits at 14.5%	**1**	*44*
Permanent timing differences - R&D tax credits	**(34)**	*(89)*
Other permanent timing differences	**27**	*4*
Re-measurement of deferred tax - change in tax rate	**(5)**	*27*
Total tax charge for the year	**(260)**	*(121)*

Factors that may affect future tax charges

Changes to corporation tax rates may affect future tax charges.

Unrelieved tax losses of approximately £1,571k *(2017: £1,580k)* remain available to offset against future taxable trading profits.

13. Intangible assets

Group

	Software £000	Development costs £000	Goodwill £000	Total £000
Cost				
At 1 April 2017	566	503	473	1,542
Additions	112	90	2	204
Disposals	(5)	-	-	(5)
At 31 March 2018	673	593	475	1,741
Amortisation				
At 1 April 2017	274	172	51	497
Charge for the year	111	-	68	179
Impairment charge	-	34	-	34
At 31 March 2018	385	206	119	710
Net book value				
At 31 March 2018	288	387	356	1,031
At 31 March 2017	*292*	*331*	*422*	*1,045*

13. Intangible assets (continued)

Company

	Software £000	Development costs £000	Total £000
Cost			
At 1 April 2017	566	503	1,069
Additions	112	90	202
Disposals	(5)	-	(5)
At 31 March 2018	673	593	1,266
Amortisation			
At 1 April 2017	274	172	446
Charge for the year	111	-	111
Impairment charge	-	34	34
At 31 March 2018	385	206	591
Net book value			
At 31 March 2018	288	387	675
At 31 March 2017	*292*	*331*	*623*

Amortisation of intangible assets is included in administrative expenses.

14. Tangible fixed assets

Group and Company

	L/Term Leasehold Property £000	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 April 2017	173	8,746	95	376	9,390
Additions	-	641	-	47	688
Disposals	-	(198)	-	(4)	(202)
At 31 March 2018	173	9,189	95	419	9,876
Depreciation					
At 1 April 2017	103	7,106	86	273	7,568
Charge for the year on owned assets	17	573	3	58	651
Disposals	-	(121)	-	(4)	(125)
At 31 March 2018	120	7,558	89	327	8,094
Net book value					
At 31 March 2018	53	1,631	6	92	1,782
At 31 March 2017	*70*	*1,640*	*9*	*103*	*1,822*

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £000	*2017 £000*
Plant and machinery	249	*308*

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Joint Replacement Instrumentation Limited	Ordinary	100 %	Dormant
JRI (Manufacturing) Limited	Ordinary	100 %	Dormant
Osmetis Limited	Ordinary	100 %	Dormant
Sheffield Medical Products Limited	Ordinary	100 %	Design and supply of orthopaedic implants and associated instrumentation

The aggregate of the share capital and reserves as at 31 March 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/(loss) £000
Joint Replacement Instrumentation Limited	100	-
JRI (Manufacturing) Limited	100	-
Osmetis Limited	-	-
Sheffield Medical Products Limited	(98)	209

Fixed asset investments comprise:

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2017	324
Additions	2
At 31 March 2018	326
Net book value	
At 31 March 2018	326
At 31 March 2017	*324*

15. Fixed asset investments (continued)

16. Stocks

	Group	*Group As restated*	**Company**	*Company As restated*
	2018	*2017*	**2018**	*2017*
	£000	*£000*	**£000**	*£000*
Raw materials and consumables	**562**	*656*	**562**	*656*
Work in progress	**1,333**	*908*	**1,333**	*908*
Finished goods and goods for resale	**2,846**	*3,433*	**2,846**	*3,433*
	4,741	*4,997*	**4,741**	*4,997*

Stock recognised in cost of sales during the year as an expense was £4,804k *(2017: £4,353k)*.

An impairment gain of £355k (*2017: £671k loss*) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock. At the year end there was a provision against stock of £3,112k (*2017: £3,680k*). The impairment related to raw materials £425k (*2017: £387k*) and finished goods £2,687k (*2017: £3,293k*).

The prior year stocks note has been restated to show the correct split of the provision at year end between raw materials and finished goods.

17. Debtors

	Group	*Group*	**Company**	*Company*
	2018	*2017*	**2018**	*2017*
	£000	*£000*	**£000**	*£000*
Trade debtors	**2,804**	*3,060*	**2,804**	*3,060*
Amounts owed by group undertakings	**-**	*-*	**392**	*384*
Other debtors	**570**	*362*	**570**	*362*
Prepayments and accrued income	**329**	*341*	**329**	*341*
Tax recoverable	**4**	*255*	**4**	*255*
Deferred taxation	**208**	*-*	**150**	*-*
	3,915	*4,018*	**4,249**	*4,402*

Trade debtors are stated after provisions for impairment of £66k (*2017: £139k*). The expense recognised in the Profit or Loss for period relating to bad debts was £47k (*2017: £20k*).

Deferred taxation included within debtors of £207,754 relates to amounts falling due after more than one year.

18. Cash and cash equivalents

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Cash at bank and in hand	**2,844**	*2,151*	**2,771**	*2,067*

19. Creditors: Amounts falling due within one year

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Trade creditors	**854**	*926*	**854**	*924*
Amounts owed to group undertakings	**-**	*70*	**369**	*279*
Other taxation and social security	**154**	*222*	**154**	*222*
Obligations under finance lease and hire purchase contracts	**69**	*69*	**69**	*69*
Accruals and deferred income	**1,269**	*1,215*	**1,263**	*1,201*
	2,346	*2,502*	**2,709**	*2,695*

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Obligations under finance leases	**92**	*161*	**92**	*161*

21. Finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Within one year	**78**	*78*	**78**	*78*
Between 1-5 years	**104**	*182*	**104**	*182*
Less: Finance charges	**(21)**	*(30)*	**(21)**	*(30)*
	161	*230*	**161**	*230*

The amounts are secured against assets of the Company. The amounts are repayable over the period until July 2020, and carry a fixed rate of interest of 5% per annum.

22. Financial instruments

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Financial assets measured at amortised cost				
Trade debtors	**2,804**	*3,060*	**2,804**	*3,060*
Amounts owed by group companies	**-**	*-*	**392**	*384*
	2,804	*3,060*	**3,196**	*3,444*
Financial liabilities measured at amortised cost				
Trade creditors	**854**	*926*	**854**	*924*
Obligations under finance leases and hire purchase contracts	**161**	*230*	**161**	*230*
Accruals	**1,269**	*1,215*	**1,263**	*1,201*
Amounts owed to group undertakings	**-**	*70*	**369**	*279*
	2,284	*2,441*	**2,647**	*2,634*

23. Deferred taxation

Group

	2018 £000	*2017 £000*
At beginning of year	(39)	*(55)*
Charged to profit or loss	247	*16*
At end of year	208	*(39)*

Company

	2018 £000	*2017 £000*
At beginning of year	(39)	*(55)*
Charged to profit or loss	189	*16*
At end of year	150	*(39)*

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Accelerated capital allowances	(131)	*(52)*	(131)	*(52)*
Tax losses carried forward	323	-	267	-
Other timing differences	16	*13*	14	*13*
	208	*(39)*	150	*(39)*

The Group has recognised deferred tax assets of £323k *(2017:* £NIL) in respect of losses amounting to £1,572k *(2017:* £1,580k) that can be carried forward indefinitely to offset future taxable income.

24. Reserves

Profit & loss account

Includes all current and prior period retained profits and losses.

25. Share capital

	2018 £000	*2017 £000*
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	**100**	*100*

26. Capital commitments

At 31 March 2018 the Company had capital commitments as follows:

	2018 £000	*2017 £000*
Contracted for but not provided in these financial statements	**14**	*95*

Capital commitments are included for purchase contracts which have been agreed at the year end, where the asset has not yet been received.

27. Pension commitments

The Company operates a stakeholder defined contribution personal pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company.

Pension payments recognised as an expense in the year were £240k *(2017: £309k)*. An amount of £21k *(2017: £24k)* was included in accruals at the year-end relating to the above mentioned scheme.

28. Commitments under operating leases

At 31 March 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2018 £000	*2017 £000*
Not later than 1 year	**75**	*167*
Later than 1 year and not later than 5 years	**29**	*114*
	104	*281*

The amount recognised in the Profit or Loss for the period relating to operating lease charges was £310k *(2017: £449k)*.

29. Related party transactions

The Company paid rent of £280k *(2017:* £280k) to its parent Company Orthopaedic Research UK.

During the year, the Company declared and paid dividends of £Nil *(2017:* £Nil) to Orthopaedic Research UK.

At 31 March 2018 the Company owed £Nil *(2017:* £70k) to Orthopaedic Research UK.

At 31 March 2018 the Company was owed £392k *(2017:* £380k) by its subsidiary Sheffield Medical Products Limited in respect of a loan which also accrued interest of £9k *(2017:* £4k) in the year. The interest was also still outstanding at the year end.

In the year until 31 March 2018 the company incurred a quarterly license fee to Sheffield Medical Products Limited *(2017: £120k)*, this amount at the year end had not been invoiced but an accrual of £160k was included in the accounts..

At 31 March 2018 the Company owed £100k *(2017:* £100k) and £100k *(2017:* £100k) to its subsidiaries JRI (Manufacturing) Limited and Joint Replacement Instrumentation Limited respectively and £9k to Sheffield Medical Products Limited.

The key management personnel of the Company comprise the directors and members of senior management. The total employee benefits of the key management personnel of the Company were £1,179k *(2017:* £1,002k).

30. Post balance sheet events

On 10 April 2018 JRI Orthopaedics Limited was acquired by AK Medical Holdings Limited, as such post year end their ultimate parent undertaking is considered to be AK Medical Holdings Limited.

In addition, since the year end JRI Orthopaedics Limited has entered in to an operating lease agreement with respect to it's premises with Orthopaedic Research UK for £280,000 per annum which covers a period of 5 years.

31. Controlling party

The directors consider that the ultimate parent undertaking, by virtue of its ownership of the entire issued ordinary share capital, of the Company during the year was Orthopaedic Research UK. On 10 April 2018 the company was purchased by AK Medical Holdings Limited, which is incorporated in the Cayman Islands, which the directors now consider to be the ultimate parent undertaking by virtue of its ownership of the entire issued ordinary share capital of the Company. This is the only group undertaking in which the results of this Company are consolidated.

The largest and smallest group of undertaking for which group accounts have been drawn up is JRI Orthopaedics Limited