

Nightingale Care Beds Ltd
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Company number 12349117

DHG Bidco Limited

**Annual report and consolidated financial statements
for the period ended 31 March 2020**

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DHG Bidco Limited

Annual report and financial statements for the period ended 31 March 2020

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DHG Bidco Limited

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Officers and professional advisors

Company registration number	12349117
Registered office	6-10 Withey Court Western Industrial Estate Caerphilly Mid Glamorgan CF83 1BF
Directors	G J Boyle R B N Brodie G Ewart
Auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

DHG Bidco Limited

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Strategic Report**Introduction**

DHG Bidco Ltd was incorporated following the acquisition of DHGH (and its subsidiaries) in December 2019 by Archimed. These consolidated accounts therefore present the financial performance of the 4 months December 2019 to March 2020.

The group provides products and services that uniquely enables the healthcare challenges associated with reduced patient movement to be anticipated, managed and in many cases resolved to support care providers and those they care for.

Business Review

During the reporting period, the group has traded in line with expectations, generating operating profits before exceptional costs of £2.0mil.

On 4 December 2019, the group acquired 100% of the equity instruments of Direct Healthcare Group Holdings Limited, a UK based business, thereby obtaining control. Direct Healthcare Group Holdings Limited manufactures and sells a range of medical devices that contribute to the delivery of harm free patient care, and was identified as being a strategic fit into the business, with the anticipation that multiple synergies could be established by implementing a buy and build strategy moving forwards.

Exceptional costs in the period mainly relate to deal costs

Principal risks and uncertainties

The principal risks and uncertainties that might affect the Group meeting its objectives are:

Market risk

The Group has a diversified product range across its main divisions: Pressure Area Care; Specialist Seating; Wheelchair cushions and accessories; rental & service; patient handling and is continually developing new and existing products to meet customer requirements. The group also has a well-diversified customer portfolio.

Quality risk

The Group complies with high standards of quality throughout its business. Products are tested throughout the production processes, and the Group adheres to all relevant regulation and legislation, including relevant British and International Standards.

Price risk

Where possible the Group engages in customer contracts to enable any sustained increases or decreases in raw material prices to be reflected in customer prices.

Credit risk

The directors set credit limits for customers based on a combination of payment history and third-party credit references. Trading within these limits and related terms are monitored on a regular basis.

DHG Bidco Limited

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Strategic Report (continued)**Going concern**

Following the acquisition of the Group by Archimed in December 2019, the group has grown revenues and EBITDA both organically and through acquisitions. The business is well placed to continue to support healthcare providers during the current pandemic but also benefit from a post COVID environment.

The initial impact of COVID saw an increase in revenues and EBITDA as the business helped healthcare providers prepare and manage the pandemic.

In the following months since the outbreak, revenues and EBITDA have remained strong – with organic growth of 9% and 14% respectively vs previous year (August YTD 2020 vs 2019).

With the backing of Archimed, the Group of which DHG Bidco is a part has also started to execute on its M&A strategy, during which the Patient Handling Division for EU and ROW had been acquired from Handicare AB in May 2020. This acquisition was part funded through additional equity but also through senior debt which has a bullet repayment in 2026.

Management have prepared financial forecasts for a period of greater than 12 months from signing, that show that the business expects to continue to trade profitably and has sufficient working capital to fund this growth. These forecasts also demonstrate that all covenants are expected to be met.

For these reasons, the Directors believe it is appropriate to apply the going concern basis in preparing the financial statements.

Financial key performance indicators

The Group's success is measured using a range of financial and non-financial key performance indicators ('KPIs') that are closely monitored by the directors.

The non-financial KPIs include customer orders satisfied on time and in full ("OTIF") which again consistently exceeded 98% throughout the period across all product lines. Internal Health & Safety statistics are also monitored with no incidents being reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ("RIDDOR").

Strategic objectives

The Group's key strategic objectives are to support healthcare organisations in the UK and around the world with the delivery of harm-free patient care. This ambition extends across all of the divisions and in both the UK and overseas markets. As part of this the Group intends to continue performing strongly against its KPIs.

Environment, social and governance policy**Environment**

Activity to reduce our environmental impact is focused on environmental management, energy reduction, minimisation of waste, diversion of waste from landfill and water conservation. The Group is certified to Environmental Management System 14001.

Health & safety

The safety and well-being of our staff and all visitors to our facilities remains a priority for everyone within the business. We continue to focus on all aspects of health and safety, with a special emphasis on those areas with the potential to cause serious harm.

DHG Bidco Limited

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Strategic Report (continued)

Employees

The Group remains focused on supporting and developing people through training, communications and engagement. The Group has achieved Investors In People Gold Certification in the period.

Ethical policy

We emphasise the importance of operating a business in both a responsible and ethical manner, and have set up appropriate standards and policies to uphold laws relevant to prevention of bribery and corruption in all the jurisdictions in which we operate. The Group has in place policies and procedures covering Whistleblowing and Anti-Bribery, the latter including policies in respect of gifts and hospitality.

The Group's ethical policy incorporates a Supplier Code of Conduct that has been communicated and rolled out to all suppliers via the purchasing team. All suppliers are expected to agree and adhere to the terms of this code.

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



RBN Brodie
Director

Date: 4 November 2020

DHG Bidco Limited

Annual report and financial statements for the period ended 31 March 2020

Directors' report

The directors present their report and the financial statements for the period ended 31 March 2020.

Directors

The directors who served during the year were:

P F Demieitner (appointed 4 December 2019, resigned 17 December 2019)

A C M Faguer (appointed 4 December 2019, resigned 17 December 2019)

R B N Brodie (appointed 17 December 2019)

G Ewart (appointed 17 December 2019)

G J Boyle (appointed 17 December 2019)

Results and dividends

The loss for the period, after taxation, amounted to £2,710,000. Dividends of £3,200,000 were declared and paid during the period.

Future developments

The Group expects to continue with its buy and build strategy alongside organic growth driven by product development and an increasing customer base.

Disclosure of information to the auditor

As required by Section 418 of the Companies Act 2006, each Director serving at the date of approval of the financial statements confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Subsequent events

On 4 May 2020, the Group of which DHG Bidco is a part acquired the Handicare EU patient handling business, with operations in UK, Sweden, Netherlands, Norway and Denmark. The UK operation, Handicare PH Limited was acquired directly by DHG Bidco alongside the Dutch entity, Handicare Bathroom Safety BV

On 9 June 2020, the Company entered into a debenture in favour of CSC Trustees Limited as a security agent and on behalf of Muzinich Pan European Private Debt Luxco S.à r.l and Muzinich Firstlight Middle Market Luxco S.à r.l. The debenture took the form of a fixed and floating charge over the Group's assets. The security was given in connection with funding secured by the Group's holding companies to facilitate a number of acquisitions.

Research and development

The business continues to invest significantly in research and development activities and this continued during the year.

DHG Bidco Limited

Annual report and financial statements for the period ended 31 March 2020

Directors' report (continued)

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

A handwritten signature in black ink, appearing to read 'R. Brodie', followed by a long horizontal flourish.

RBN Brodie
Director

Date: 4 November 2020

DHG Bidco Limited

Annual report and financial statements for the period ended 31 March 2020

Statement of directors' responsibilities in respect of the annual report and financial statements

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the Group and 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 International Financial Reporting Standards (International Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (International Accounting Standards and applicable law) have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 Group and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

DHG Bidco Limited

Annual report and financial statements for the period ended 31 March 2020

Independent auditor's report to the members of DHG Bidco Limited**Opinion**

We have audited the financial statements of DHG Bidco Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 31 March 2020, which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Company Statement of Changes in Equity, the Group and Company 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

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 2020 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs adopted by the EU; 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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.

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 Group's or the parent 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 Group's or the parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group and the parent company associated with these particular events.

DHG Bldco Limited

Annual report and financial statements for the period ended 31 March 2020

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's or the parent company's business model, including effects arising from macro-economic uncertainties such as COVID-19 and Brexit, and analysed how those risks might affect the Group's or the parent 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 Group and the parent company will continue in operation.

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 Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under 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 strategic report or the directors' report.

DHG Bidco Limited

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Matters on which we are required to report by exception

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.

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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 9, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.



David Munton BSc (Hons) FCA (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Birmingham

Date: 6 November 2020

DHG Bidco Limited

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Group Statement of Comprehensive Income

for the period 4 December 2019 to 31 March 2020

	Note	Before amortisation and exceptional items £'000	Amortisation and exceptional items (note 7) £'000	Total £'000
Revenue	5	8,327	-	8,327
Cost of Sales		(3,320)	-	(3,320)
Gross Profit		5,007	-	5,007
Expenses				
Intangibles amortisation	15	-	(636)	(636)
Administrative expenses		(3,082)	(3,558)	(6,640)
Other operating income	6	4	-	4
Operating profit/(loss)		1,929	(4,194)	(2,265)
Finance costs	10	(196)	-	(196)
Profit / (loss) before taxation		1,733	(4,194)	(2,461)
Taxation	12	(249)	-	(249)
Profit / (loss) for the period		1,484	(4,194)	(2,710)
Total comprehensive income / (expense)		1,484	(4,194)	(2,710)

All amounts relate to continuing operations, and there were no gains or losses for period ended 31 March 2020, other than those included in the Statement of Comprehensive Income. The loss for the parent company for the period was £2,979k.

The Group has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the parent company profit and loss account.

The accompanying notes on pages 17 to 44 are an integral part of these consolidated financial statements.

DHG Bidco Limited

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Group and Parent Company Statement of Financial Position

As at 31 March 2020

	Note	Group 2020 £'000	Company 2020 £'000
Assets			
Non-current assets			
Property and equipment	13	4,198	-
Intangible assets	15	56,835	-
Investments	16	-	36,240
Total non-current assets		61,034	36,240
Current assets			
Inventories	17	1,751	-
Trade and other receivables	18	4,826	23,086
Cash and cash equivalents		5,121	2,467
Total current assets		11,698	25,553
Total assets		72,732	61,793
Equity and liabilities			
Capital and reserves			
Share capital	23	1	1
Share premium account	24	54,468	54,468
Retained earnings	25	1,590	1,203
Total equity		56,058	55,672
Non-current liabilities			
Lease liabilities	14	(2,733)	-
Deferred tax liability	20	(4,555)	-
		(7,288)	-
Current liabilities			
Trade and other payables	21	(8,857)	(6,098)
Corporation tax payable		(489)	(23)
Lease liabilities	14	(40)	-
		(9,386)	(6,121)
Total equity and liabilities		(72,732)	(61,793)

The financial statements were approved by the Board of Directors and authorised for issue and were signed on its behalf by:



RBN Brodie

Director

Date: 4 November 2020

Registered number: 12349117

The accompanying notes on pages 17 to 44 are an integral part of these consolidated financial statements.

DHG Bidco Limited

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**Group and Parent Company Statement of Changes in Equity
for the period ended 31 March 2020**

Group	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 4 December 2019	-	-	-	-
Shares issued	-	61,968	-	61,968
Cancellation of share premium	-	(7,500)	7,500	-
Dividends	-	-	(3,200)	(3,200)
Total transactions with owners	-	54,468	4,300	58,768
Net loss for the period	-	-	(2,710)	(2,710)
Balance at 31 March 2020	-	54,468	1,590	56,058
Company	Called up share Capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 4 December 2019	-	-	-	-
Shares issued	-	61,968	-	61,968
Cancellation of share premium	-	(7,500)	7,500	-
Dividends	-	-	(3,200)	(3,200)
Total transactions with owners	-	54,468	4,300	58,768
Net loss for the period	-	-	(3,097)	(3,097)
Balance at 31 March 2020	-	54,468	1,203	55,671

The accompanying notes on pages 17 to 44 are an integral part of these consolidated financial statements.

DHG Bidco Limited

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**Group and Parent Statement of Cash Flows
for the period ended 31 March 2020**

	Note	Group 2020 £	Company 2020 £
Operating activities			
Net profit/(loss) for the period		(2,710)	(2,979)
Items not involving cash:			
Amortisation	15	636	-
Depreciation	13	486	-
Interest payable		196	153
Corporation tax expense	12	249	-
Inventories		(97)	-
Trade and other receivables		(581)	(23,197)
Trade and other payables		1,250	971
Tax paid		(491)	-
Net cash utilised by operating activities		(1,062)	(25,052)
Financing activities			
(Repayment of)/new lease liabilities		(292)	-
Interest paid		78	-
Dividends paid		(3,200)	(3,200)
Net cash (used in) financing activities		(3,414)	(3,200)
Investing activities			
Purchase of intangible assets		(96)	-
Purchase of property and equipment	13	(185)	-
Acquisition of subsidiaries	29	(31,249)	(31,249)
Cash received from equity raise		61,968	61,968
Debt repaid in respect of acquisition of subsidiaries		(22,948)	-
Cash acquired on acquisition		2,107	-
Net cash (used in) investing activities		9,597	30,719
Change in cash during the period		5,121	2,467
Cash and cash equivalents at end of the period		5,121	2,467

The accompanying notes on pages 17 to 44 are an integral part of these consolidated financial statements.

DHG Bidco Limited

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**Notes to the financial statements
for the period ended 31 March 2020****1 Reporting entity**

DHG Bidco Limited is a private company limited by shares and incorporated in England and Wales on 4 December 2019. The company's registered office can be found on the Company Information page. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group') for the period from date of incorporation being 4 December 2019 to 31 March 2020.

The principal activity of the group is the design, manufacture and sale of equipment and accessories used within the medical profession.

The principal activity of the company is that of a holding company. The principal activities of the group are described in the Group Strategic Report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The Company's accounting policies are consistent with those of the Group unless otherwise stated.

Basis of preparation

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that not readily apparent from other sources.

The estimates and underlying judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in future periods if the revision affects both current and future periods.

In preparation of these financial statements, estimates and judgements have been made by management concerning the selection of useful lives of property, plant and equipment and intangible assets other than goodwill, provisions necessary for certain liabilities, discount rates used in impairment reviews, the incremental borrowing rate used in calculation of lease liabilities and categorisation of research and development expenditure. Actual amounts could differ from those estimates.

DHG Bidco Limited

Annual report and consolidated financial statements for the period ended 31 March 2020

2 Summary of significant accounting policies (continued)**Going concern**

The directors have considered a period of not less than twelve months following the period end, and have concluded that, due to the ongoing levels of cash generation, the profitability of the group and forecasts for the following period, there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Business combinations

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 Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date, and any goodwill that arises is tested annually for impairment. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement for the period. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with IFRS 2 Share Based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

Items included in the financial statements of each consolidated entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in pounds sterling, which is the Group's presentational and functional currency. These financial statements are rounded to the nearest pound.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognised in the consolidated statement of profit and comprehensive income in administrative expenses.

2 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Group companies

Non-monetary items are not retranslated at period end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Where a gain or loss on a non-monetary item is recognized in other comprehensive income the foreign exchange component of that gain or loss is also recognized in other comprehensive income.

Taxation

The income tax expense represents the sum of tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income, or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes 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.

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2 Summary of significant accounting policies (continued)**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated cost of completion and costs to sell.

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.

Leases

For any new contracts entered into the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right of use asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company.
- The company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.
- The company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentive received).

The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the group measures the leases liability at the present value of the lease payments unpaid at that date, discounted using the group's incremental borrowing rate of 4.31%. The group has elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics using practical expedients.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in lease liabilities.

2 Summary of significant accounting policies (continued)

Measurement and recognition of leases as a lessee (continued)

Right-of-use assets are transferred between group companies on a nil profit or loss basis.

Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the Group's Balance sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

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 impairment losses. Refer to Note 15 for a description of impairment testing procedures.

Initial recognition of intangible assets

Patents

Patents are initially recognized at cost.

Brands, manufacturing know-how and customers lists

Brand names, manufacturing know-how and customer lists acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values.

Internally developed medical technology and apparatus

Expenditure on the research of projects to develop new specialist medical equipment is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- The development costs can be measured reliably;
- The project is technically and commercially feasible;
- The company intends to and has sufficient resources to complete the project;
- The company has the ability to use or sell the software;
- The specialist medical equipment will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

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2 Summary of significant accounting policies (continued)

Subsequent measurement

All finite-lived intangible assets, including capitalized internally generated development medical technology and apparatus, are accounted for using the cost model whereby capitalized costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 15. The following useful lives are applied:

Patents	- 5 years
Manufacturing know-how	- 10 years
Trademarks	- 25 years
Brands and customer relationships	- 15 years
-Development costs	- 6 years

Any capitalized internally generated development medical apparatus and technology that is not yet complete is not amortised but is subject to impairment testing.

Amortisation is included within depreciation, amortisation and impairment of non-financial assets.

When an intangible asset is disposed, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within other income or expenses.

Property, plant and equipment

Property, plant and equipment 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Depreciation is provided on the following basis:

Leasehold improvements	- 3 to 7 years
Plant and machinery	- 3 to 10 years
Motor vehicles	- 4 years
Fixtures and fittings	- 3 years
Right of use assets	- over length of lease
Hire equipment	- 5 years

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 the consolidated statement of comprehensive income.

Assets under construction are not depreciated until brought into use. In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

2 Summary of significant accounting policies (continued)

Development costs

Expenditure on research and non-qualifying development is written off against profits in the financial period in which it is incurred.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are carried at cost, less accumulated impairment provision. Such investments are subject to review and any impairment is charged to the consolidated statement of comprehensive income.

Share capital and share premium

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied stated net of value added taxes. The Group recognises revenue when performance obligations have been satisfied and for the group this is when the goods (sale of specialist medical equipment) and services (hire, servicing and cleaning of specialist medical equipment) have transferred to the customer and the customer has control of these. The Group's activities are described in detail below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transactions and the specifics of each arrangement. Discounts and returns are highly immaterial.

(a) Sale of goods

The Group manufactures and sells a range of specialist medical equipment. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer where the company provides delivery or upon collection by the customer if no delivery is provided. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred and the customer has accepted the products including objective evidence of acceptance.

(b) Hire of equipment

The Group hires out specialist medical equipment. Revenue is recognised on a straight-line basis over the hire period as economic benefits are derived across the life of the rental period. Any hire agreements have been assessed in order to determine whether the contract contains a lease. Given that the Group retains the right to direct how and for what purpose the asset is used throughout the period of use, then these agreements are not considered to contain a lease as defined by IFRS 16 "Leases".

(c) Servicing

The company provides service, repair and decontamination services. The associated revenue is recognised when the performance obligations associated with the contract are substantially met, which is over the time the service is provided.

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. See Note 7 for further details.

2 Summary of significant accounting policies (continued)

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are individually tested for impairments and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount which is the higher of fair value less costs of disposal and value-in-use. To determine value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

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 the Consolidated statement of comprehensive income 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.

Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the period in which they are incurred and reported in finance costs.

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 Consolidated statement of comprehensive income in the period 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 Summary of significant accounting policies (continued)

Financial instruments

Financial assets, loans and receivables

The assets generated from goods or services transferred to customers are presented as either receivables or contract assets, in accordance with IFRS 15. The assessment of impairment of receivables is in accordance with IFRS 9 'Financial Instruments'. The group does not have any contract assets.

All cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the company's revenue streams are therefore initially measured at their fair value, which is considered to be their transaction price (as defined in IFRS 15) and are subsequently remeasured at amortised cost.

Under IFRS 9, the company recognises a loss allowance for expected credit losses (ECL) on financial assets subsequently measured at amortised cost using a the 'simplified approach'. Individually significant balances are reviewed separately for impairment based on credit terms agreed with the customer. Other balances are assessed into credit risk categories and reviewed in aggregate.

Trade receivable and cash at bank and in hand are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are initially recorded at fair value net of transaction costs, being invoiced amounts less any provisional estimate for impairment necessary due to a loss event. Trade receivables are subsequently remeasured at invoiced value, less an updated provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit and loss account.

Cash and cash equivalents include cash at bank and in hand and bank deposits available with no notice or less than three months' notice from inception that are subject to an insignificant risk of changes in value. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances.

Following initial recognition, financial assets are subsequently remeasured at amortised cost using the effective interest method.

Financial liabilities

The company's financial liabilities are trade and other payables including accrued expenses, and amounts owed to company companies.

All interest related charges are recognised as an expense in 'Interest payable and similar charges' in the profit and loss account.

Bank and other borrowings are initially recognised at fair value net of transaction costs. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in finance income and finance costs. Borrowing costs are recognised as an expense in the period in which they are incurred.

Trade payables on normal terms are not interest bearing and are stated at their fair value on initial recognition and subsequently at amortised cost.

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics. Refer to Note 18 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

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3 New standards, amendments and IFRIC Interpretations

IFRS 16 Leases is a new accounting standard effective for periods ending on or after 31 December 2019. The company elected to early adopt this standard for the period ended 31 March 2019.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 March 2020 that have had a material impact on the group. There are no other amendments to accounting standards, or IFRIC interpretations that are not yet effective that are expected to have a material impact on the group.

4 Critical accounting estimates and judgements

There are no critical judgements in the preparation of these financial statements. Estimates have been made by management concerning the following:

Incremental borrowing rate applied to right-of-use assets

Determining the incremental borrowing rate applied in calculating lease liabilities under IFRS 16 requires the use of certain methodologies and assumptions. When determining the rate management assess various factors including the lease term, nature of the asset and the level of security for the right of use asset.

The Group has applied an Incremental borrowing rate of 4.3% in determining the value of the right of use assets. This is based upon a weighted average cost of capital reflecting Group experience of bank and secured finance and has been prepared in accordance with IFRS16.

The Group has approximately 65 active leases denominated in GBP and mainly relate to properties and vehicles. Most leases have a term of between 3-8 years

Impairment of intangible assets other than goodwill

Determining whether intangible assets are impaired requires an estimate of the value in use. The value-in-use calculation involves an estimate of the future cash flows of the respective intangible asset and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated using the current one-year budget forecast, extrapolated for a future growth rate. The estimated growth rates are based on past experience and knowledge of the individual sector's markets. Changes in estimated growth rate could result in variations to the carrying value of these intangibles.

Impairment of goodwill

When assessing goodwill, management made certain assumptions in respect of future cash flows, namely around the growth rate of these cash flows and the discount rate applied to determine their present value (see Note 15).

Fair value of net assets acquired as part of a business combination

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of separable intangible assets other than goodwill is dependent on many variables including the future profitability of the acquiree's trade (see Note 29).

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5 Revenue

An analysis of the Group's revenue by destination is as follows (all operations are continuing):

For the period ended 31 March 2020	Pressure area care £'000	Specialist seating £'000	Rental and service £'000	Wheelchair products £'000	Total £'000
UK	3,669	1,022	1,759	690	7,141
Europe	159	124	8	-	291
Rest of the world	875	12	10	-	896
Consolidated revenue	<u>4,703</u>	<u>1,158</u>	<u>1,777</u>	<u>690</u>	<u>8,328</u>

6 Other operating income

	Period ended 31 March 2020 £'000
Government grants	<u>4</u>

7 Exceptional Items

	Period ended 31 March 2020 £'000
Group professional fees	100
Deal costs on acquisition of subsidiaries	3,412
M&A related travel and director costs	46
	<u>3,558</u>

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8 Operating expense*Operating expenses includes the following:*

	Period ended 31 March 2020 £'000
Employee costs	2,326
Depreciation expense	486
Amortisation expense	636
R&D expense	13
Foreign exchange gains/losses	6
	<u>3,467</u>

9 Auditor's remuneration

	Period ended 31 March 2020 £'000
Fees payable to the Group's auditors:	
Annual audit – parent company and consolidated financial statements	10
Audit of company's subsidiaries pursuant of legislation	58
	<u>68</u>
Non-audit services	
Tax compliance services	7
Tax and other advisory services	32
Accounts preparation	8
	<u>47</u>

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10 Finance costs

	Period ended 31 March 2020 £'000
Interest payable on bank loans and overdrafts	3
Interest payable on loan from group undertaking	153
Leasing arrangements	42
	<hr/> 197 <hr/>

11 Staff costs

The company has no employees other than the directors who are remunerated through subsidiary companies. Group staff costs recognised as an expense, including directors' remuneration, were as follows:

	Period ended 31 March 2020 £'000
Wages and salaries	2,045
Social security costs	205
Pension – defined contribution	76
	<hr/> 2,326 <hr/>

Directors' remuneration disclosures are included in note 30.

The average number of persons, including executive directors, employed by the group during the period was as follows:

	2020 Number
Manufacturing	129
Administration	63
	<hr/> 192 <hr/>

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12 Taxation

	Period ended 31 March 2020 £'000
Current tax:	
UK corporation tax in current period	272
Deferred tax (credit):	
Timing differences	96
On business combination	(120)
	(23)
Tax charge for the period	249

Corporation tax is calculated at 19% of the estimated taxable profit for the period. The tax charge for the period can be reconciled to the profit per the Income statement as follows:

	Period ended 31 March 2020 £'000
Profit/(loss) before tax on continuing operations	(2,461)
Tax at the UK corporation tax rate of 19%	(467)
Tax effect of:	
Expenses that are not deductible in determining taxable profit	611
R&D expenditure credits	2
Adjustments to opening deferred tax	60
Other deferred tax adjustments	43
Tax charge for the period	249

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate of 19% and reflected in the financial statements.

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13 Tangible fixed assets

Group	Leasehold improvements £'000	Assets under construction £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures & fittings £'000	Right of use assets £'000	Total £'000
Cost							
Additions	69	-	77	-	39	72	257
Arising on acquisition	731	91	3,727	294	391	3,622	8,856
Disposals	-	-	(69)	-	-	-	(69)
Transfers between classes	-	(51)	51	-	-	-	-
As at 31 March 2020	800	40	3,786	294	430	3,694	9,044
Depreciation							
Charge for the period	51	-	181	4	22	228	486
Arising on acquisition	294	-	2,457	278	290	1,097	4,416
Disposals	-	-	(56)	-	-	-	(56)
As at 31 March 2020	345	-	2,582	282	312	1,325	4,846
Net book value							
As at 31 March 2020	455	40	1,203	12	118	2,369	4,198

None of the Group's tangible fixed assets are held in the parent company.

Assets pledged as security

During the period, the Group held equipment with a carrying amount of £247,000 which were financed by finance leases and secured by the lessor's title to the leased assets.

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14 Leases

					2020
					£'000
Net book value right of use assets					2,369
At 31 March 2020					<u>2,369</u>
Net book value of right of use assets					
	Property	Motor vehicles	Other	Total	
	£	£	£	£	
Additions	72	-	-	72	
Acquisition of subsidiaries	2,057	388	80	2,525	
Disposals	-	(34)	-	(34)	
Depreciation charge	(145)	(75)	(8)	(228)	
Eliminated on disposal	-	34	-	34	
At 31 March 2020	<u>1,984</u>	<u>313</u>	<u>72</u>	<u>2,369</u>	
Lease liability in the balance sheet at 31 March					2020
					£'000
Current					40
Non-current					2,733
At 31 March 2020					<u>2,773</u>
Amounts charged in the statement of income					2020
					£'000
Depreciation charge on right of use assets					228
Interest on lease liabilities					42
At 31 March 2020					<u>272</u>
Cash outflow					2020
					£'000
Total cash outflow for leases					<u>292</u>

Expenses recognised in relation to low-value and short-term leases are considered highly immaterial to these financial statements.

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15 Intangibles							
Group	Patents	Development costs	Manufacturing know-how	Brands and customer list	Goodwill	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
Cost							
Arising from acquisitions	442	632	428	347	7	1,849	
Arising from business combinations	-	-	-	22,966	32,800	55,773	
Additions	30	66	-	-	-	96	
At 31 March 2020	472	698	428	23,313	32,807	57,718	
Amortisation							
Arising on acquisition	110	-	75	62	-	247	
Charge for the year	16	-	14	606	-	636	
At 31 March 2020	126	-	89	668	-	883	
Net book value							
At 31 March 2020	346	698	339	22,645	32,807	56,835	

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15 Intangibles (continued)**Goodwill impairment testing**

For the purpose of annual impairment testing, goodwill is compared to its recoverable amount.

The goodwill has been assessed for impairment using a discounted cash flow forecast, followed by extrapolation of expected cash flows for its indefinite useful life. Management have assumed a 0% growth rate and a pre-tax 8% discount rate, both of which they acknowledge are extremely prudent. Despite this, the calculations still results in significant headroom between the value in use and carrying value of the assets in question. This indicates no impairment is deemed necessary. The group is run on an entity-wide basis and therefore there is deemed to be only one cash generating unit.

The directors believe that any reasonably possible change in key assumptions, namely discount rate and growth rate, upon which the recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount.

Intangibles other than goodwill

Development expenditure is internally generated and relates to the development of specialist medical equipment. Amortisation will commence once the development is complete over its expected useful economic life of 6 years. All other intangibles and goodwill are separately acquired. Research and development costs of £13k were recognized as other expenses.

Amortisation of intangible assets is included within the intangibles amortisation expense in the consolidated statement of income.

16 Investments in subsidiaries

Company	Investment £'000
Cost	
Additions	36,240
Net book value	
At 31 March 2020	36,240

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16 Investments in subsidiaries (continued)**The following were direct subsidiary undertakings of the company:**

Name	Country of registration or incorporation	Principal activity	Class of shares	2020 %
Direct Healthcare Group Holdings Limited	UK	Holding company	Ordinary	100
Direct Healthcare Group Management Limited	UK	Holding company	Ordinary	100
Direct Healthcare Group Limited	UK	Design and manufacture of equipment to the medical industry	Ordinary	100
Nightingale Care Beds Limited	UK	Sale, rental, repair and refurbishment of medical equipment	Ordinary	100
The Kirton Healthcare Group Limited	UK	Design and manufacture of furniture	Ordinary	100
Poshchair Medical Limited	UK	Rental service of medical equipment	Ordinary	100
Qbitus Products Limited	UK	Manufacture of wheelchair and accessories	Ordinary	100

The following were subsidiary undertakings of Direct Healthcare Group Limited:

Direct Healthcare Group PTY Limited	Australia	Dormant	Ordinary	100
Direct Healthcare Services Limited	UK	Dormant	Ordinary	100

Direct Healthcare Group Holdings Limited is directly held and all other subsidiaries are indirectly held. All subsidiary undertakings prepare accounts to 31 March 2020 and are included in the consolidation.

By virtue of section 479A of the Companies Act 2006, Poshchair Medical Limited, The Kirton Healthcare Group Limited and Nightingale Care Beds Limited are exempt from the requirement relating to the audit of individual accounts, with the parent company, DHG Bidco Limited, providing a guarantee under section 479C of the Companies Act 2006.

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17 Inventories

	Group 2020 £'000	Company 2020 £'000
Raw materials and consumables	1,289	-
Work in progress	24	-
Finished goods	439	-
	<u>1,751</u>	<u>-</u>

During the period, inventories of £2,590k were recognised as an expense during the year and included in cost of sales.

In addition, inventories have been reduced by £178k as a result of the write-down to net realisable value. This write-down was recognised as an expense during the period.

18 Trade and other receivables

	Group 2020 £'000	Company 2020 £'000
Trade receivables	4,305	-
Receivables from related parties	-	23,086
Other receivables	-	-
Prepayments	521	-
	<u>4,826</u>	<u>23,086</u>

	Group 2020 £'000	Company 2020 £'000
Trade receivables	4,349	-
Allowance for credit losses	(44)	-
At 31 March 2020	<u>4,305</u>	<u>-</u>

All amounts are short-term and are generally due for payment in 30 days. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the group's trade and other receivables in the comparative periods have been reviewed for indicators of impairment.

Note 28 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

19 Capital commitments

	2020 £
Contracted for but not provided in these financial statements	40

20 Deferred tax

The following deferred tax asset exists within the Group:

	Temporary differences £'000	Intangibles £'000	Total £'000
At 4 December 2019	90	-	90
Deferred tax recognised on acquisition	-	(4,668)	(4,668)
(Charge)/credit to income	(96)	120	24
At 31 March 2020	(6)	(4,548)	(4,554)

A deferred tax liability of £4,082k is provided on the difference between the fair value and tax base of identifiable assets and liabilities acquired in a business combination, with a corresponding adjustment to goodwill. Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the temporary differences have been calculated at rates of 19%.

21 Current trade and other payables

	Group 2020 £'000	Company 2020 £'000
Trade payables	1,549	-
Other taxation and social security	451	-
Due to parent company	5,127	5,127
Accruals and deferred income	1,730	971
	<u>8,857</u>	<u>6,098</u>

All amounts are short-term. The carrying values of trade payables is considered to be a reasonable approximation of fair value.

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22 Lease liabilities

At the balance sheet date the Group had outstanding lease liabilities due as follows:

	2020 £'000
Within one year	40
In the second to fifth years inclusive	2,518
More than five years	215
	<u>2,773</u>

23 Share capital**Group and company**

	2020 £
Allotted, called up and fully paid:	
102 ordinary shares of £1 each	102

The Company was incorporated on 4 December 2019 and on that date issued £1 ordinary share at par value to its immediate holding company. On 6 December 2019, a further 101 ordinary shares were issued to the immediate holding company for a consideration of £61,967k, thereby generating a share premium of £61,967k.

The ordinary shares enable the ordinary shareholders to vote at a general meeting of the Company and to receive dividends and, in respect of capital, to participate in a distribution.

On 21 February 2020 and by way of a capital reduction, £7,500k of share premium was cancelled and credited to the profit and loss account. On 4 June 2020, a further £39,468k of the share premium was cancelled and credited to the profit and loss account.

24 Share premium

	2020 £'000
Group and company	
Balance at 4 December 2019 and 31 March 2020	<u>54,468</u>

The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

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25 Retained earnings

	Group £'000	Company £'000
Balance at 4 December 2019	-	-
Transfer from share premium	7,500	7,500
Dividend paid	(3,200)	(3,200)
Net loss for the year	(2,710)	(3,097)
Balance at 31 March 2020	<u>1,590</u>	<u>1,203</u>

The retained earnings reserve includes all current and prior period retained profits and losses.

26 Dividends

	Group £'000	Company £'000
Paid during the year	3,200	3,200
At 31 March 2020	<u>3,200</u>	<u>3,200</u>

27 Reconciliation of movements in net debt

	Bank debt, loan notes and Leases £'000	Cash and cash equivalents £'000	Net Funds / (Debt) £'000
Net debt as at 4 December 2019	-	-	-
Acquired with subsidiaries	(25,721)	2,107	(23,614)
Cash flows	22,948	3,014	25,962
Balance at 31 March 2020	<u>(2,733)</u>	<u>5,121</u>	<u>2,388</u>

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28 Financial Instruments**Capital management**

The Group's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth to provide returns to its shareholders. The Group defines the capital it manages as the aggregate of its equity, which comprises share capital, contributed surplus, deficit and accumulated other comprehensive income.

The Group is not subject to externally imposed capital requirements.

Categories of financial instruments

	2020 £'000
Financial assets at amortised cost:	
Trade and other receivables (excluding prepayments)	4,305
Cash and cash equivalents	5,121
	<hr/> 9,426 <hr/>
Financial liabilities at amortised cost:	
Trade payables	1,549
Other payables	6,857
Lease liabilities	2,773
	<hr/> 11,179 <hr/>

The carrying amounts of accounts receivable, accounts payable and certain accrued liabilities, all of which are financial instruments, are considered to approximate the fair value of these items due to the short-term nature of the amounts involved.

Financial risk management objectives

The Group's Finance function is responsible for all aspects of corporate treasury. It co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal reports which analyse exposures by degree and magnitude. The risks reviewed include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

Market risk is the risk changes in market prices, such as fluctuations in foreign exchange rates and interest rates, affect the Group's earnings or the value of its financial instruments. The Group's financial instruments do not have any significant exposure to interest rates.

Concentration risk

The Group and the company's financial instruments are exposed to certain risks and concentrations. The concentration of credit risk on accounts receivable relates to a small number of large customer balances owing at any time. As at 31 March 2020 no one customer represented approximately 8% of the total accounts receivable.

28 Financial Instruments (continued)

Foreign exchange risk

The Group is exposed to the following currency risk on its net investment in self-sustaining operations as at 31 March 2020:

	Net assets held in foreign currencies 2020 £
Receivables in Euro	49
Payables in Euro	(175)
Receivables in US Dollars	28
Payables in US Dollars	(62)
	<hr/>
Balance at 31 March 2020	(160)
	<hr/>

Foreign currency sensitivity analysis

A one pence reduction in the foreign exchange translation rate of pounds sterling to the above currencies would impact other comprehensive income (on a pre-tax basis) by an highly immaterial amount, less than £1,000.

Credit risk management

Credit risk represents the financial loss the Group would experience if a counter-party to a financial instrument, in which the Group has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Group.

The Group's credit risk is primarily attributable to its accounts receivable as cash balances are deposited with reputable financial institutions. The Group performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of accounts receivable in order to mitigate any possible credit losses. The accounts receivable amounts disclosed in the financial statements are net of allowances for doubtful accounts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

Liquidity risk management

Liquidity risk is the risk the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk through the management of its capital structure as outlined above. All accounts payable and certain accrued liabilities, which are financial instruments, are due in 2020 and the required contractual cash flows approximate the carrying amount of these financial liabilities.

Undiscounted cash flows

	Lease liabilities £'000	Total £'000
Due up to one year	40	40
Due in more than one year and less than five years	2,518	2,518
Due in more than five years	215	215
	<hr/>	<hr/>
	2,773	2,773
	<hr/>	<hr/>

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Statements approximate to their fair values.

29 Business combinations

Acquisition of Direct Healthcare Group Holdings Limited

On 4 December 2019, the group acquired 100% of the equity instruments of Direct Healthcare Group Holdings Limited, a UK based business, thereby obtaining control. Direct Healthcare Group Holdings Limited manufactures and sells a range of medical devices that contribute to the delivery of harm free patient care, and was identified as being a strategic fit into the business, with the anticipation that multiple synergies could be established by implementing a buy and build strategy moving forwards.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Adjustment to opening balance sheet £'000	Fair value adjustment £'000	Fair value £'000
Tangible fixed assets	4,443	-	-	4,443
Goodwill and Intangible assets	18,233	(16,629)	22,966	24,570
	22,676	(16,629)	22,966	29,013
Financial assets				
Inventory	1,654	-	-	1,654
Receivables	4,245	-	-	4,245
Cash	2,107	-	-	2,107
Total assets	8,006	-	-	8,006
Financial liabilities				
Payables	(2,204)	-	-	(2,204)
Corporation tax	(583)	-	-	(583)
VAT	(403)	-	-	(403)
Bank debt and finance leases	(12,707)	-	-	(12,707)
Loan notes	(13,014)	-	-	(13,014)
Total liabilities	(28,911)	-	-	(28,911)
Other non-financial liabilities				
Deferred tax on Intangible assets	(587)	587	(4,668)	(4,668)
Fair value of net assets acquired	1,184	(16,042)	18,298	3,440
Goodwill				32,800
Fair value of equity consideration				36,240

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29 Business combinations (continued)

Consideration comprised cash of £31.2m and consideration loan notes of £5.0m. The consideration loan notes were exchanged for an inter company balance with a holding company subsequent to the transaction.

None of the goodwill is expected to be deductible for tax purposes.

The fair value adjustments arising comprise customer relationships of £13.6m and brand of £9.3m. The group has a stable and established customer base which provides a recurring stream of income. The company has a history of entering into agreements with its customers and has detailed knowledge of and contact details for its customers. The group operates under the "Direct Healthcare" brand and sells to the market on this basis. The name is widely recognised by healthcare and care home professionals. The Group also has a portfolio of registered names which have a high degree of recognition in target markets e.g. Nightingale, Kirton, Transflo, Dyna-Form and ProServe.

No other material intangible assets were identified.

Valuation methodologies adopted

The excess earnings method has been used to value customer relationships. This has involved projecting customer relationship revenues and deriving an appropriate profit margin. An adjustment is made to reflect the contribution from other assets in the business and then the resulting earnings are discounted to present value. The key assumptions used were customer revenue projections, forecast profit margins, contributory asset charges, discount rate and the expected useful economic life.

FY20 revenues have been used for the basis of the calculation and a growth rate of 5% has been applied to 2029 and 3% thereafter. Growth rates are based on management's expectations of market conditions and include an attrition rate of 1.9%, based on historical experience.

The profit margin applied is based on management forecast and a discount rate of 20.7% has been applied, which correlates to the rate implicit to the internal rate of return.

The relief from royalty method has been used to value the brand. This involves deriving a hypothetical royalty saving made from ownership of the brand and discounting the resulting earnings to present value at an appropriate discount rate. The key assumptions applied relate to revenue projections, an appropriate royalty rate, the discount rate and the useful economic life. Management believe that all revenue generated by the business are relevant to the value of the brand. A royalty rate of 4.5% has been applied to value the brand which is based on a review of similar historic royalty rates. A discount rate of 20.7% has been applied to determine the present value of cash flows which is again derived from the rate implicit to the internal rate of return.

Remuneration of key management personnel

The key management personnel are the directors of the Company. The remuneration that they have received during the year is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2020 £'000
Directors	
Aggregate emoluments	300
Company contributions to defined benefit contribution pension schemes	9
	<hr/> 309 <hr/>

Remuneration of the highest paid director was £90k.

The value of the company's contributions to a defined contribution pension scheme in relation to the highest paid director was £nil.

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30 Related party transactions (continued)

During the year retirement benefits were accruing to 4 directors in respect of defined contribution pension schemes.

Transactions involving directors and key management personnel

No advances, credits or guarantees have been entered into with any of the Directors of the Company.

Balances and transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

31 Ultimate controlling party

On 6 December 2019, DHG Bidco acquired 100% of the issued share capital of Direct Healthcare Group Holdings Limited. The immediate holding company of DHG Bidco is DHG Midco s.a.r.l, a company incorporated in Luxembourg. The ultimate parent company is DHG Holdco s.a.r.l, also incorporated in Luxembourg. The ultimate controlling parties are Denis Ribon and Vincent Guillaumot who own a group of funds managed by Archimed.

32 Subsequent events

On 4 May 2020, the Group of which DHG Bidco is a part acquired the Handicare EU patient handling business, with operations in UK, Sweden, Netherlands, Norway and Denmark. The UK operation, Handicare PH Limited was acquired directly by DHG Bidco alongside the Dutch entity, Handicare Bathroom Safety BV

On 9 June 2020, the Company entered into a debenture in favour of CSC Trustees Limited in the form of a fixed and floating charge over the Group's assets. The security was given in connection with funding secured by the Group's holding companies to facilitate a number of acquisitions.