

Interact Medical Limited

**Annual report and financial statements
for the year ended 31 December 2019**

Registered number: 03082906



Interact Medical Limited
Annual report and financial statements for the year ended 31 December 2019

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Interact Medical Limited

Directors and advisers

Directors

Colin Gibbs
Graham Grant
Gareth Richards
Laurence Romeo
Marty Bettles
Steve Young
Danny Richards
Richard Moses

Company secretary

Jonathan Payne (resigned 19th July 2019)
Louis Pothireddy (appointed 19th July 2019)

Registered office

The Pinnacle
170 Midsummer Boulevard
Milton Keynes
England
MK9 1BP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Exchange House
Central Business Exchange
Midsummer Boulevard
Central Milton Keynes
MK9 2DF

Bankers

HSBC Bank plc
63 George Street
Luton
Bedfordshire
LU1 2AR

Interact Medical Limited

Strategic report for the year ended 31 December 2019

The directors present their strategic report of the company for the year ended 31 December 2019.

Principal activities

The company's principal activity during the year was the provision of recruitment consultancy services to the medical sector.

Business review

The company is a leading supplier of temporary and permanent medical staffing solutions to both the National Health Service (NHS) and private healthcare sectors.

Turnover and value of engagement services rose by 21% and 9% respectively compared to the prior year reflecting an increase in demand for medical recruitment services through the national frameworks, VAT efficiency models and vendor management solutions.

Financial highlights	2019	2018
Value of engagement services	£95,368,237	£87,511,018
Turnover	£52,252,335	£43,045,017
Gross profit	£8,438,849	£8,210,195
Gross profit margin	16.15%	19.07%
Profit for the financial year	£1,279,735	£1,424,726

Value of engagement services refers to the total value of placements made by the company (which include commission-only sales grossed up to full placement value) for which a non-gaap disclosure has been presented on the face of the profit and loss account.

The directors are not aware at the date of this report of any likely major changes in the company's activities in the forthcoming year.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the directors are of the opinion that analysis using financial or non-financial KPIs other than as disclosed in the business review above is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks as described in the Directors' report for the year.

Demand for medical services will be dependent on government funding levels to the NHS and the company's ability to source and supply locum doctors on frameworks and vendor solutions. Please refer to the Directors' report for Covid-19 impact.

By order of the board:



.....
Louis Pothireddy
Company Secretary
9th December 2020

Interact Medical Limited

Directors' report for the year ended 31 December 2019

The directors present their report together with the audited financial statements of the company of the year ended 31 December 2019.

Future outlook

The Board of directors (the 'Board') remains confident that the company is well positioned despite the Covid-19 pandemic to meet the requirement for industry efficiencies whilst maintaining a high quality of care standards.

Participation on the various frameworks, neutral and master vendor arrangements will provide opportunity for growth of core business.

Financial risk management

The company's operations expose it to a variety of financial risks that include liquidity risk, credit risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Liquidity risk arises from the company's management of working capital and finance charges. Cash flow is managed by way of debt factoring which can provide up to 90% of the value of eligible invoices by the next working day. The debt factoring liability is secured on the trade receivables balance and other assets of the company (note 18).

Credit risk arises from the company's trade receivables. The exposure to the risk is considered to be low due to the large weighting of its customer base towards the NHS. There are no material credit risk concentrations either by customer or customer group.

Interest rate risk arises from the effects of interest rate changes on outstanding debt factor advances. Interest rates are not hedged but are reviewed by management on a regular basis to assess risk.

Results and dividends

The audited financial statements for the year ended 31 December 2019 are set out on pages 8 to 22. The profit for the financial year was £1,279,735 (2018: £1,424,726). An ordinary dividend of £1,415,320 (2018: £1,672,731) was declared and paid during the year.

Political donations

There were no political donations made by the company in either the financial year ended 31 December 2019 or 31 December 2018.

Post balance sheet events and Covid-19 impact

Since the balance sheet date there has been a global pandemic from the outbreak of Coronavirus which is causing a widespread disruption to businesses across the world, including in the UK. The directors assessed this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, the directors are unable to estimate its financial and other effects, with absolute certainty, but at the date of approval of these financial statements, the directors anticipate the business will continue to operate at a consistent level to recent years.

Going Concern

The company meets its day-to-day working capital requirements through its bank facilities. After reviewing the company's forecasts and projections considering the impact of Covid-19, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its annual financial statements.

Interact Medical Limited

Directors' report for the year ended 31 December 2019 (continued)

Directors

The directors of the company during the year and up to the date of signing the financial statements, unless otherwise stated are as follows:

Colin Gibbs
Graham Grant
Gareth Richards
Laurence Romeo
Marty Bettles
Steve Young
Danny Richards
Richard Moses
Jonathan Payne (resigned 19th July 2019)

In accordance with the company's Articles of Association, none of its directors are required to retire by rotation.

Employee involvement

The company recognises that it is essential to maintain a highly skilled workforce. To this end, the policy of training and development is incorporated in the company plan. It is the policy to promote from within the organisation wherever the possibility exists. Health and safety measures are given particular attention by the directors and a written policy exists and is known throughout the company. The company recognises the need for the employees to be informed of the company's activities and performance. Regular meetings are held between management and employees to allow sharing of information and consultation. Employees participate directly in the performance of the business through the company's bonus arrangements.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Interact Medical Limited

Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Re-appointment of independent auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Chartered Accountants and Statutory Auditors, PricewaterhouseCoopers LLP as auditors of the company.

On behalf of the board:



.....
Steve Young

Director

9th December 2020

Interact Medical Limited

Independent auditors' report to the members of Interact Medical Limited

Report on the audit of the financial statements

Opinion

In our opinion, Interact Medical Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Balance sheet as at 31 December 2019; the Profit and loss account, the Statement of cash flows, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Interact Medical Limited
Independent auditors' report to the members of Interact Medical Limited
(continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

David Martin

David Martin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
10 December 2020

Profit and loss account for the year ended 31 December 2019

	Note	2019 £	2018 £
Value of engagement services	5	95,368,237	87,511,018
Turnover	5	52,252,335	43,045,017
Cost of sales		(43,813,486)	(34,834,822)
Gross profit		8,438,849	8,210,195
Administrative expenses		(6,718,622)	(6,393,967)
Other operating income		94,824	94,824
Operating profit	6	1,815,051	1,911,052
Interest payable and similar expenses	8	(182,502)	(166,396)
Profit before taxation		1,632,549	1,744,656
Tax on profit	9	(352,814)	(319,930)
Profit for the financial year		1,279,735	1,424,726

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of comprehensive income has been presented.

Interact Medical Limited Registered number 03082906
Balance sheet as at 31 December 2019

		2019	2018
	Note	£	£
Fixed assets			
Intangible assets	10	108,825	44,709
Tangible assets	11	138,786	130,699
		<u>247,611</u>	<u>175,408</u>
Current assets			
Debtors	12	10,232,405	8,965,283
Cash at bank and in hand		10,284	11,877
		<u>10,242,689</u>	<u>8,977,160</u>
Creditors: amounts falling due within one year	13	<u>(9,709,520)</u>	<u>(8,249,953)</u>
Net current assets		<u>533,169</u>	<u>727,207</u>
Total assets less current liabilities		<u>780,780</u>	<u>902,615</u>
Provisions for liabilities	14	<u>(47,046)</u>	<u>(33,296)</u>
Net assets		<u>733,734</u>	<u>869,319</u>
Capital and reserves			
Called up share capital	15	1,000	1,000
Capital redemption reserve		1,000	1,000
Profit and loss account		731,734	867,319
Total shareholders' funds		<u>733,734</u>	<u>869,319</u>

The notes on pages 12 to 22 are an integral part of these financial statements.

The financial statements from pages 8 to 22 were approved by the board of directors on 9th December 2020 and signed on its behalf by:

S Young

.....
Steve Young
Director

Statement of changes in equity for the year ended 31 December 2019

	Note	Called up share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds
		£	£	£	£
Balance as at 1 January 2018		1,000	1,000	1,115,324	1,117,324
Profit for the financial year		-	-	1,424,726	1,424,726
Total comprehensive income for the year		-	-	1,424,726	1,424,726
Dividends	15	-	-	(1,672,731)	(1,672,731)
Balance as at 31 December 2018		1,000	1,000	867,319	869,319
Balance as at 1 January 2019	15	1,000	1,000	867,319	869,319
Profit for the financial year		-	-	1,279,735	1,279,735
Total comprehensive income for the year		-	-	1,279,735	1,279,735
Dividends	15	-	-	(1,415,320)	(1,415,320)
Balance as at 31 December 2019		1,000	1,000	731,734	733,734

Statement of cash flows for the year ended 31 December 2019

	Note	2019	2018
		£	£
Net cash from operating activities	17	1,568,421	2,016,895
Taxation paid		(300,186)	(206,038)
Net cash generated from operating activities		1,268,235	1,810,857
Cash flow from investing activities			
Purchase of tangible assets	11	(39,404)	(4,913)
Purchase of intangible assets	10	(81,261)	-
Net cash used in investing activities		(120,665)	(4,913)
Cash flow from financing activities			
Interest paid	8	(182,502)	(166,396)
Dividends paid	15	(1,415,320)	(1,672,731)
Increase in advance received from bank for debt factoring	13	448,659	27,941
Net cash used in financing activities		(1,149,163)	(1,811,186)
Net decrease in cash and cash equivalents		(1,593)	(5,242)
Cash and cash equivalents at the beginning of the year		11,877	17,119
Cash and cash equivalents at the end of the year		10,284	11,877
Cash and cash equivalents consist of:			
Cash at bank and in hand		10,284	11,877
Cash and cash equivalents		10,284	11,877

Interact Medical Limited

Notes to the financial statements for the year ended 31 December 2019

1. General information

Interact Medical Limited (the company) is a private limited company by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is The Pinnacle, 170 Midsummer Boulevard, Milton Keynes, England, MK9 1BP

The principal activity of Interact Medical Limited (the company) during the year was the provision of recruitment consultancy services to both the National Health Service (NHS) and private health sectors.

2. Statement of compliance

The individual financial statements of Interact Medical Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

(a) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost basis.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

(b) Going concern

The company meets its day-to-day working capital requirements through its bank facilities (note 13). After reviewing the company's forecasts and projections considering the impact of Covid-19, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its annual financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has not taken advantage of any available exemption for qualifying entities.

(d) Consolidated financial statements

These financial statements are the company's separate financial statements.

(e) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is pound sterling.

(ii) Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of transactions are recognised in the profit and loss account.

Interact Medical Limited
Notes to the financial statements for the year ended 31 December 2019
(continued)

3. Summary of significant accounting policies (continued)

(f) Revenue recognition

Revenue represents the income receivable and accrued (excluding value added tax) in the ordinary course of business for recruitment consultancy services provided. This consists of:

- Revenue from temporary placements which represents amounts billed for the services of temporary staff including the salary cost of these staff. This is recognised when the service has been provided.
- Revenue from direct engagement sales which represents commission only amounts billed for the provision of staff through VAT efficiency models. This is recognised when the service has been provided.
- Revenue for permanent placements is recognised at the date at which the placement commences. Revenue is only recognised once any material contingencies have been resolved.

Value of engagement services refers to the total value of placements made by the company (which include commission-only sales grossed up to the estimated full placement value) for which a non-gaap disclosure has been presented on the face of the profit and loss account.

The directors consider this to be relevant information given the nature of business in which the contracts are held with multiple clients. In the opinion of the directors, the value of services provided under direct engagement services are vital to the business and the users of the financial statements to appreciate the true value of the services provided.

(g) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

a. Short term benefits

Short term benefits, including holiday pay and other non-monetary benefits, are recognised as an expense in the period in which the service is received.

b. Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown as accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

c. Annual bonus plan

The company operates an annual bonus plan for the employees. An expense is recognised in the profit and loss account when the company has legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

a. Current tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Interact Medical Limited

Notes to the financial statements for the year ended 31 December 2019

(continued)

3. Summary of significant accounting policies (continued)

(h) Taxation (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b. Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

(i) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of 5 years on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(j) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs are capitalised.

Depreciation of assets is calculated at rates expected to write off the cost, less the estimated residual value of the relevant assets over their estimated economic lives, which are principally as follows:

Fixtures, fittings and equipment are depreciated annually at 25% using the reducing balance method.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

(k) Leased assets

At inception the company assesses agreements that transfer the rights to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets:

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

(l) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand.

Interact Medical Limited
Notes to the financial statements for the year ended 31 December 2019
(continued)

3. Summary of significant accounting policies (continued)

(m) Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances recognised at transaction price.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans are classified as debt, are recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at transaction price.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(n) Provisions and contingencies

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of obligation can be estimated reliably.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events, when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(o) Share capital

Ordinary shares are classified as equity.

(p) Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which dividends and other distributions are approved by the company's directors. These amounts are recognised in the statement of changes in equity.

Interact Medical Limited

Notes to the financial statements for the year ended 31 December 2019

(continued)

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no significant accounting estimates and assumptions that will have a material adjustment to the carrying amounts of assets and liabilities.

5. Turnover

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

All the revenue generated is from operations in the UK.

	2019	2018
	£	£
Value of engagement services	95,368,237	87,511,018
Grossed up value of direct engagement services (note 3(f))	(43,115,902)	(44,466,001)
Turnover	52,252,335	43,045,017

6. Operating profit

Operating profit is stated after charging:

	2019	2018
	£	£
Wages and salaries	3,520,975	3,355,784
Social security costs	437,722	414,932
Other pension costs (note 20)	39,314	30,554
Staff costs	3,998,011	3,801,270

Fees payable to the company's auditors:

- for the audit of the company's annual financial statements	35,473	38,996
- other services relating to taxation and compliance	26,649	54,606
Operating lease rentals – other	425,793	430,296
Impairment of trade debtors	-	-

Interact Medical Limited**Notes to the financial statements for the year ended 31 December 2019****(continued)****7. Employees and directors**

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

By activity	2019	2018
	Number	Number
Sales	61	58
Administration	14	14
	<u>75</u>	<u>72</u>

Directors' emoluments

The directors' emoluments were as follows:

	2019	2018
	£	£
Aggregate emoluments	897,964	879,921
Aggregate value of contributions paid to a defined contribution scheme	<u>2,513</u>	<u>4,840</u>

The company does not accrue or pay any post-employment benefits to any of its directors. Three directors are members of defined contribution pension scheme.

Highest paid director

The highest paid director's emoluments were as follows:

	2019	2018
	£	£
Total amount of emoluments	<u>190,356</u>	<u>155,180</u>

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2019	2018
	£	£
Salaries and benefits	<u>897,964</u>	<u>879,921</u>

8. Interest payable and similar expenses

	2019	2018
	£	£
Interest paid on invoice debt factoring	169,953	155,180
Bank charges	12,549	11,216
Total interest payable and similar expenses	<u>182,502</u>	<u>166,396</u>

Interact Medical Limited

Notes to the financial statements for the year ended 31 December 2019

(continued)

9. Tax on profit

a) Tax expense included in profit or loss

	2019	2018
	£	£
Current tax:		
UK corporation tax on profits of the year	331,093	346,985
Adjustments in respect of prior years	7,971	(16,647)
Total current tax	339,064	330,338

	2019	2018
	£	£
Deferred tax:		
Origination of timing differences	13,750	(10,408)
Total deferred tax	13,750	(10,408)
Tax on profit	352,814	319,930

b) Reconciliation of tax charge

The tax assessed for the year is higher than (2018: lower than) the effective standard rate of corporation tax in the United Kingdom for the year ended 31st December 2019 of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
Profit before taxation	1,632,549	1,744,656
Profit before taxation multiplied by the effective rate in the UK of 19% (2018: 19%)	310,184	331,485
Effects of:		
-Expenses not deductible for tax purposes	17,068	5,155
-Adjustments in respect of prior years	7,971	(16,647)
-Loans to participants	23,130	-
-Effective tax rate changes	(5,539)	(63)
Tax charge for the year	352,814	319,930

c) Tax rate changes

The main rate of corporation tax reduced from 20% to 19% on 1 April 2018. Finance Act 2016 further reduced the main rate of corporation tax to 17% from 1 April 2020. Therefore, any deferred tax assets and liabilities reflect these rates.

At Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

Interact Medical Limited
Notes to the financial statements for the year ended 31 December 2019
(continued)

10. Intangible assets

	Software £
At 1 January 2019	
Cost	139,219
Accumulated amortisation and impairment	(94,510)
Net book amount	44,709
Year ended 31 December 2019	
Opening net book amount	44,709
Additions	81,261
Amortisation	(17,145)
Closing net book amount	108,825
At 31 December 2019	
Cost	220,480
Accumulated amortisation and impairment	(111,655)
Net book amount	108,825

11. Tangible assets

	Fixtures, fittings and equipment £
At 1 January 2019	
Cost	354,160
Accumulated depreciation and impairment	(223,461)
Net book amount	130,699
Year ended 31 December 2019	
Opening net book amount	130,699
Additions	39,404
Depreciation	(31,317)
Closing net book amount	138,786
At 31 December 2019	
Cost	393,564
Accumulated depreciation and impairment	(254,778)
Net book amount	138,786

Interact Medical Limited

Notes to the financial statements for the year ended 31 December 2019

(continued)

12. Debtors

	2019 £	2018 £
Amount falling due within one year:		
Trade debtors	7,161,356	7,133,821
Other debtors	118,255	53,994
Prepayments and accrued income	2,952,794	1,777,468
	10,232,405	8,965,283

Trade debtors are stated after provision for impairment of £nil (2018: £nil)

13. Creditors: amounts falling due within one year

	2019 £	2018 £
Advances received from bank for debt factoring	5,523,453	5,074,794
Trade creditors	516,135	144,119
Other taxation and social security	1,447,411	1,072,427
Corporation tax	234,093	195,215
Accruals and deferred income	1,988,428	1,763,398
	9,709,520	8,249,953

Advances received from bank for debt factoring is repayable when the associated trade debtor is settled. Amounts are interest bearing at 1.85% over base rate and secured against the assets of the company as set out in note 18.

The company has entered into a debt factoring arrangement with HSBC Invoice Finance (UK) Limited whereby the bank will advance up to 90% (2018: 90%) of the existing and future debts arising from contracts of sale.

Security to the bank is provided under note 18.

The factoring charge in the year, in respect of the above transactions, amounted to £169,953 (2018: £155,180) and is included in interest payable and similar expenses in note 8.

14. Provisions for liabilities

	Deferred tax £
At 1 January 2019	33,296
Credit to the profit and loss account	13,750
At 31 December 2019	47,046

The provision for deferred tax consists of the following deferred tax liabilities:

	2019 £	2018 £
Accelerated capital allowances	47,046	33,328
Other timing difference	-	(32)
Total provision	47,046	33,296

Interact Medical Limited
Notes to the financial statements for the year ended 31 December 2019
(continued)

14. Provisions for liabilities (continued)

There are no unused tax losses or unused tax credits.

15. Called up share capital.

'B' Ordinary shares of £0.01 each

	2019 No.	2019 £
Allotted and fully paid		
At 1 January and 31 December	100,000	1,000
Dividends		
	2019 £	2018 £
Final dividend of £14.15 (2018: £16.73) per ordinary share	1,415,320	1,672,731
Total dividends paid	1,415,320	1,672,731

16. Shares held by directors

	2019 No.	2018 No.
Colin Gibbs	14,500	14,500
Graham Grant	14,500	14,500
Gareth Richards	16,875	16,875
Laurence Romeo	16,875	16,875
Marty Bettles	16,875	16,875
Steven Young	16,875	16,875

17. Notes to the statement of cash flows

	2019 £	2018 £
Profit for the financial year	1,279,735	1,424,726
Tax on profit	352,814	319,930
Interest payable and similar expenses	182,502	166,396
Operating profit	1,815,051	1,911,052
Amortisation of intangible assets	17,145	20,237
Depreciation on tangible fixed assets	31,317	36,504
Working capital movements:		
(Increase)/decrease in trade debtors	(27,535)	305,555
(Increase)/decrease in other debtors, prepayments and accrued income	(1,239,587)	381,082
Increase/(decrease) in trade creditors	372,016	(425,342)
Increase/(decrease) in other taxation and social security	374,984	(142,719)
Increase/(decrease) in accruals	225,030	(69,474)
Cash flow from operating activities	1,568,421	2,016,895

Interact Medical Limited

Notes to the financial statements for the year ended 31 December 2019

(continued)

18. Contingent liabilities

The company has provided security to HSBC plc by way of a fixed charge over all book and other debts and floating charge over all assets including tangible assets both present and future, plus a charge over contract monies.

The company has provided security to HSBC Invoice Finance (UK) Limited by way of a fixed charge over all book and other debts and floating charge over all assets in respect of debts purchased that fail to vest.

The company has provided a joint and several guarantee and indemnity together with Surgi-Call Locums Limited, HealthTemps Limited and HealthMedix Limited to HSBC Invoice Finance (UK) Limited and HSBC Plc for sums due and losses from each other.

19. Capital and other commitments

At 31 December, the company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019	2018
	£	£
Payments due:		
Not later than one year	192,330	192,330
Later than one year and not later than five years	-	530,823
Later than five years	-	-
	<u>192,330</u>	<u>723,153</u>

The company had no capital commitments at the yearend (2018: none).

20. Pension commitments

The company operates a defined contribution pension scheme in respect of its employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £39,314 (2018: £30,554). The balance outstanding at year end amounted to £6,750 (2018: £6,520)

21. Related party transactions

During the year the company provided property rental services to Surgi-Call Locums Limited, a company whose entire share capital is owned by the B ordinary shareholders of Interact Medical Limited. The value of services amounted to £94,824 (2018: £94,824) and was provided at cost to Surgi-Call Locums Limited. The balance owing by the company at the end of the year amounted to £nil (2018: £7,902).

During the year the company procured manpower and property rental services from Surgi-Call Locums Limited, a company whose entire share capital is owned by the B ordinary shareholders of Interact Medical Limited. The value of services amounted to £735,623 (2018: £715,952) and was provided at cost from Surgi-Call Locums Limited. The balance owing by the company at the end of the year amounted to £244,978 (2018: £74,014). The cost of these services is included in administrative expenses.

See note 7 for disclosure of the directors' remuneration and key management compensation.

22. Ultimate controlling party

As none of the shareholders has a controlling interest in the company, none are deemed to be a controlling party.