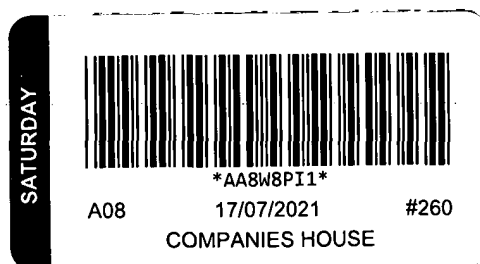


Draeger Medical UK Limited
Annual report and financial statements
for the year ended 31 December 2020

Registered number 4310199



Draeger Medical UK Limited

Annual report for the year ended 31 December 2020

Contents

Page:

2	Strategic report
6	Directors' report
8	Independent auditors' report
11	Income statement
12	Statement of changes in equity
13	Statement of financial position
14	Notes of the financial statements

Directors

Mr M Bedford
Mr M Irving

Company secretary and registered office

Mr M Bedford
The Willows, Mark Road, Hemel Hempstead, Herts, HP2 7BW, England

Registered Number

4310199

Bankers

HSBC Bank Plc, 2 Marlowes Centre, Hemel Hempstead, HP1 1DX

Independent Auditors

PricewaterhouseCoopers LLP
Level 5 and 6 Central Square South, Orchard Street, Newcastle-upon-Tyne NE1 3AZ
Chartered Accountants and Statutory Auditors

Draeger Medical UK Limited

Strategic report for the year ended 31 December 2020

The directors presents their Strategic report of Draeger Medical UK Limited (“the Company”) for the year ended 31 December 2020.

Review of the business

The company’s principal activities during the year continued to be the supply of medical equipment and related activities including the servicing of medical equipment and the supply of consumables and spare parts.

The results for the year reflect another strong performance for the Company. The KPIs for the business are primarily financial and are set out below.

Overall turnover was 69% higher than the previous year, reflecting orders carried over from the prior year as well as additional government investment in the National Health Service. Gross margins at 17.8% were slightly lower from the prior year (2019: 23.2%), due to product mix impacts and continuing careful management of costs.

The company’s distribution and administration costs increased by 26%, reflecting additional investment in the business to take advantage of business opportunities as well as directly sales-related costs (employee and third party commissions). Distribution and administration costs reduced to 14% of turnover (2019: 19%).

Working capital has increased at a faster rate than sales, largely reflecting year end phasing effects. There remains a strong focus on minimising inventories and reducing debtor days. Inventories increased by 87% while Trade Receivables were lower by 13%. These increases reflect an unusually high level of deliveries around the end of the year, resulting in a high level of both debtors from recent deliveries prior to year end and inventories in preparation for further deliveries after year end.

Future developments

The company will continue to act as the UK Sales and Service distributor for the medical products of the Dräger Group. New products are planned for release by the Group during 2021 and this should ensure the company continues to meet the expectations of its shareholders.

Results and dividends

The financial position of the company at 31 December 2020 is set out in the financial statements. The profit for the financial year amounted to £2,638,000 (2019: £5,435,000). An interim dividend of £4,233,000 was paid during the year (2019: £1,600,000). The directors do not recommend payment of a final dividend (2019: £nil). The company expects to pay future dividends in line with profits generated.

Principal risks and uncertainties

The company is highly dependent on sales to the National Health Service (NHS) and ongoing and future cost pressures on the NHS will impact the company. The company continues to monitor the impact of this and future developments. Ongoing careful management of costs during recent years enables the company to remain profitable.

Management has undertaken a review of the potential impacts of the United Kingdom’s exit from the European Union transitional period at the end of December 2020. The company has adjusted its supply chain as necessary to ensure that where it has commitments to deliver goods on specific or limited timescales, this can continue to be achieved without delays.

Management has also reviewed the potential impact of the Covid-19 outbreak and the resulting measures implemented by the UK government. These are expected to have a positive impact on the company’s results in the short term, with potential reduction in longer-term business as a result of accelerated investment in healthcare facilities. Management will keep these impacts under review and will adjust the company’s activities and cost base accordingly.

Strategic report for the year ended 31 December 2020 (continued)

s172 statement

All Draeger companies and employees adhere to the Group's Guiding Philosophy "Technology for Life" and its four Strengths: Customer Intimacy; Employees; Innovation; and Quality. The Corporate Employee Handbook sets out the following framework for all actions and decisions: *"We treat our customers, colleagues, suppliers and sales partners professionally and reliably. Our actions influence the company. Therefore, each one of us is responsible for protecting and improving Dräger's reputation around the world."*

Accordingly the company has implemented processes designed to ensure decisions align with these goals. In making decisions, the directors consider the short- and long-term impact of those decisions on employees, customers and suppliers. Employee targets and incentives are aligned with this framework to ensure that decisions at all levels in the company take account of these factors. The directors are not of the view that any decisions made in the current year represent such a change in strategic direction that they should be considered Principal decisions.

The directors identify the company's stakeholders as its shareholders, employees, customers, and suppliers. The impact on each stakeholder is considered during the process of making strategic decisions.

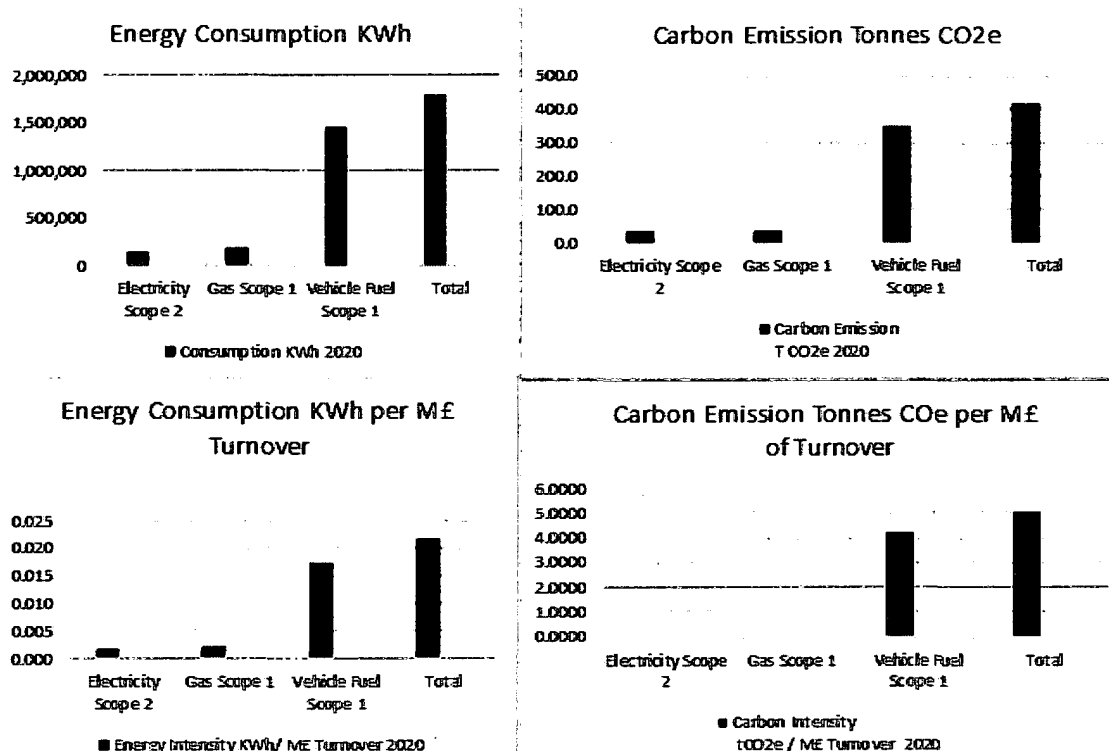
The views of customers are carefully assessed. The company receives feedback from customers both directly through daily interactions with the marketplace and through intermediaries. A sample of customers are routinely contacted on a structured basis following completion of a sale for specific feedback on the transaction. The resulting data, including 'Net Promoter Score' is regularly fed back to the directors and wider company management; and consideration given to the feedback and comments received and resulting scores and trends.

Suppliers are assessed on a rolling schedule, depending on scale of the relationship and risk assessment for each supplier relationship. Feedback and comments are reported regularly to management.

Significant effort is put into employee information and engagement. Regular 'All Employee Briefings' and a weekly 'Company Brief' are produced, including feedback about the results of the company and the main factors impacting its performance. It is common for major decisions affecting employees to be discussed and considered in advance by a group of employees with the resulting feedback provided to the directors and management prior to final decision. Employee incentive schemes are linked directly to the performance of the company and/or achievement of specific targets; and these are aligned to the long-term goals of the company and the shareholder. Employees are provided with the necessary training required to be able to perform their role in accordance with the internal governance framework and external laws and regulations.

The reputation of the company, the Draeger Group and the Dräger family are of paramount importance and there is an explicit expectation, communicated to all employees, that all decisions and behaviour will support and enhance that reputation, which is a source of pride and strength for the company.

Streamlined Energy & Carbon Report



Verification of Draeger Medical UK Limited SECR data and reports have been carried out by Stephanie Monk, Carbon Consultant at EIC.

UK energy use covers the Organisational boundaries for the 2020 period for all Draeger Medical UK Limited Sales & Service sites in Hemel Hempstead and Northampton.

The organisation used 100% certified renewable electricity for the year's usage and has voluntarily declared this as reporting on renewable energy and associated emissions is not a mandatory requirement under the SECR legislation. For 2021 all Medical UK sites, leased or owned will again be using 100% certified renewable electricity.

Draeger Medical UK Limited sell and service products, systems and services for Anaesthesia Patient ventilation and inhalation, paediatrics, supply units, OR lights, patient monitoring incl. software and Medical device training for clinical and technical user. The Vehicle fleet consists of 100 vehicles.

This report is aligned with the GHG protocol methodology and DEFRA 2020 emission factors have been applied. Associated Greenhouse gases have been calculated using 2020 UK Government GHG Conversion Factors for Company Reporting methodology (DEFRA). The utility information was provided by our Utility Broker - Utility Alliance and is the gas and electricity consumption, the vehicle fleet fuel usage has been provided by the fuel card supplier and is the total amount of litres purchased. Fuel for transportation has been converted from litres used to KWh using the 2020 GHG conversion factors for gross calorific value litre / KWh of 10.58. All staff who use a fleet vehicle are issued with a fuel card. No mandatory emissions have been excluded from this report.

Streamlined Energy & Carbon Report (continued)

During 2020 we took the following energy efficiency action:

- Standardised vehicle fleet to 140gCO₂/ Km and updated transport policy with the input of the fleet management company following Worldwide Harmonised Light Vehicle Test Procedure (WLTP) replacing the existing method of calculating CO₂ emissions, the New European Driving Cycle (NEDC).
- Replacement A/C units fitted at Hemel Hempstead, more efficient and economical.
- Replaced current central heating and hot water boiler system at Hemel Hempstead.

Since 2013 the Draeger UK and Ireland organisation has reduced the carbon footprint from 52.7 Kg CO₂e per £1000 of turnover to 4.92 Kg CO₂e per £1000. A reduction of 90.6%.

Approved and signed on behalf of the Board

Matthew Bedford

Matthew Bedford
Director
25 May 2021

Draeger Medical UK Limited

Directors' report for the year ended 31 December 2020

The Directors present their report and the audited financial statements of Draeger Medical UK Limited (the "company") for the year ended 31 December 2020.

Principal activities

The company's principal activities during the year continued to be the supply of medical equipment and related activities including the servicing of medical equipment and the supply of consumables and spare parts.

Research and development

The company operates as a sales, marketing and distribution agent for the Dräger Group. Research and development activities are managed by other entities within the Group.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effect of changes in credit and liquidity risks. The company, as part of the wider Draegerwerk Group, 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 price changes and cash forecasting. This risk management programme is monitored and operated by the Draegerwerk Group.

Credit risk

The company's credit risk is primarily attributable to its trade debtors and is managed by operating credit checks and monitoring its existing customers on a regular basis. Bad debts have been negligible and a significant proportion of the exposure is to NHS and other public sector bodies.

Foreign exchange risk

The company has no material non-sterling transactions.

Liquidity risk

The company participates in a cash-pooling arrangement with its parent such that any requirement for short term funds are met and any surplus cash is invested with the parent. This means that cash funding is limited to the availability of cash within the Draegerwerk Group. Management has and had no reason to doubt the solvency of Draegerwerk Group. Market interest rates are charged on all balances under this arrangement. Management is required to actively forecast cash requirements, in order to ensure the company has sufficient available funds for operations and planned expansions. No other financial instruments are used by the company.

Political and charitable donations

There were no political or charitable donations for the year (2019: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr M Norris	(resigned 31 March 2020)
Mr A Wolters	(appointed 31 March 2020, resigned 22 October 2020)
Mr M Irving	(appointed 22 October 2020)
Mr M Bedford	(appointed 22 October 2020)

Qualifying third party indemnity provision

For the purposes of the Companies Act 2006, a qualifying third party indemnity provision was in place for the directors of the company during the year and up to the date of signing the financial statements.

Strategic report

Dividends and future developments are disclosed within the Strategic report on page 2.

Draeger Medical UK Limited

Directors' report for the year ended 31 December 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic report and Directors' 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 101 "Reduced Disclosure Framework", 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 these 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 101, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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.

Directors' confirmations

In the case of the directors in office at the date the directors' report is approved:

- so far as the directors are 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 directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved and signed on behalf of the Board

Matthew Bedford

Matthew Bedford
Director
25 May 2021

Report on the audit of the financial statements

Opinion

In our opinion, Draeger Medical UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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: the statement of financial position as at 31 December 2020; the income statement and the statement of changes in equity for the year then ended; and the notes of 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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.

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 statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax and companies legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or increase the company's EBITDA, or through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws, regulations and fraud;
- Review of board minutes;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to assumptions made in impairment of trade receivables, useful economic lives of property, plant and equipment, assessing the provision on inventory and consideration of the impact of COVID-19 on going concern;

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

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.



Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle
25 May 2021

Draeger Medical UK Limited**Income statement for the year ended 31 December 2020**

	Note	2020 £'000	2019 £'000
Revenue	3	82,371	48,794
Cost of sales		(67,688)	(37,466)
		<hr/>	<hr/>
Gross profit		14,683	11,328
Distribution costs		(9,785)	(6,465)
Administrative expenses		(1,854)	(2,809)
		<hr/>	<hr/>
Operating profit	4	3,044	2,054
Profit on sale of subsidiary	20	-	3,637
Finance Income	7	258	231
Finance Costs	7	(78)	(47)
		<hr/>	<hr/>
Profit before taxation		3,224	5,875
Tax on profit	8	(586)	(440)
		<hr/>	<hr/>
Profit for the financial year		2,638	5,435
		<hr/>	<hr/>

All operations of the company are continuing.

Draeger Medical UK Limited

Statement of changes in equity for the year ended 31 December 2020

	Note	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 January 2019		4,296	1,699	5,995
Profit and total comprehensive income for the financial year		-	5,435	5,435
Total transactions with shareholders - dividends	19	-	(1,600)	(1,600)
Balance as at 31 December 2019		4,296	5,534	9,830
Balance as at 1 January 2020		4,296	5,534	9,830
Profit and total comprehensive income for the financial year		-	2,638	2,638
Total transactions with shareholders - dividends	19	-	(4,233)	(4,233)
Balance as at 31 December 2020		4,296	3,939	8,235

Draeger Medical UK Limited

Statement of financial position as at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Fixed assets			
Intangible assets	10	125	124
Tangible assets	11	1,514	1,129
Right-of-use assets	12	2,718	1,123
		<hr/>	<hr/>
		4,357	2,376
Current assets			
Inventories	13	6,121	3,271
Trade and other receivables (including £122,000 (2019: £74,000) of deferred taxes due after one year)	14	29,996	22,342
Cash and cash equivalents		100	100
		<hr/>	<hr/>
		36,217	25,713
Creditors: amounts falling due within one year (including £16,000 (2019: £16,000) of deferred taxes due after one year)	15	(29,007)	(16,529)
Lease liability falling due within one year	16	(491)	(617)
		<hr/>	<hr/>
Net current assets		6,719	8,567
Total assets less current liabilities		<hr/>	<hr/>
		11,076	10,943
		<hr/>	<hr/>
Provisions for liabilities	17	(570)	(589)
Lease liability falling due after more than one year	16	(2,271)	(524)
		<hr/>	<hr/>
Net assets		8,235	9,830
Equity			
Called up share capital	19	4,296	4,296
Retained earnings		3,939	5,534
		<hr/>	<hr/>
Total shareholders' funds		8,235	9,830
		<hr/>	<hr/>

The financial statements on pages 11 to 27 were approved by the Board of Directors on 25 May 2021 and signed on the company's behalf by:

Matthew Bedford

Matthew Bedford
Director

Draeger Medical UK Limited
Registered number 4310199

General information

The company is a private company limited by shares and is incorporated and domiciled in England, UK. The address of the registered company is The Willows, Mark Road, Hemel Hempstead, Herts, HP2 7BW.

1 Basis of preparation

The financial statements of Draeger Medical UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework (FRS 101)' and the Companies Act 2006 as applicable to FRS 101. The financial statements have been prepared under the historical cost convention.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - statement of compliance with all IFRS;
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2 Accounting policies

Going concern

The company will continue to act as the UK Sales and Service distributor for the medical products of the Dräger Group. New products have been released by the Group during 2020 and are planned during 2021, and this should ensure the company continues to meet the expectations of its shareholders. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash and cash pooling reserves and borrowings. 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 financial statements.

Management has also reviewed the potential impact of the Covid-19 outbreak and the resulting measures implemented by the UK government. These are expected to have a positive impact on the company's results in the short term, with potential reduction in longer-term business as a result of accelerated investment in healthcare facilities. Management will keep these impacts under review and will adjust the company's activities and cost base accordingly.

2 Accounting policies (continued)

Consolidation

The company is a wholly-owned subsidiary of Drägerwerk AG & Co. KGaA and is included in the consolidated financial statements of Drägerwerk AG & Co. KGaA which are publicly available.

Goodwill

Goodwill is recognised arising from the UK element of the Group's acquisition of the patient monitoring business of Siemens under a global Joint Venture in 2003.

Goodwill is the difference between consideration paid and the fair value of assets acquired. It is not amortised but it is assessed for impairment annually in accordance to IAS 36. The recoverable amount of this Goodwill has been determined based on value-in-use calculations and is in excess of £124,000. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

Intangible fixed assets

Intangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Amortisation is provided on the cost of intangible fixed assets on a straight-line basis at the following rates, which are calculated to write off each asset over its estimated useful life:

Software - 25% per annum

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on the cost of tangible fixed assets on a straight-line basis at the following rates, which are calculated to write off each asset over its estimated useful life:

Plant and machinery - 10%-33% per annum

Leasehold improvements - 20%-25% per annum

Residual value and useful economic lives are evaluated annually and updated as and when required.

Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis.

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

2 Accounting policies (continued)

Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of plant and machinery (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Inventories and work in progress

Inventory and work in progress are stated at the lower of cost and net realisable value. Inventory is valued using the weighted average method; provision is made for slow-moving or obsolete inventory.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

Work in progress – is valued at the cost of direct materials and labour or at net realisable value if lower.

Demonstration equipment is presented within Inventory and is valued at historical cost less provisions. Provisions are made to reflect the decrease in recoverable value as the equipment is used.

Trade and other receivables

Trade and other receivables are non-interest-bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Trade and other payables

Trade and other payables are non-interest-bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2 Accounting policies (continued)

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences have been taken to the income statement.

Pensions

Pension contributions to defined contribution arrangements are charged to the income statement in the year in respect of which they are payable.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	- 10% - 33% per annum
Other & vehicles	- 10% - 33% per annum

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of plant and machinery (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2 Accounting policies (continued)

Taxation

Current tax is provided on the company's taxable profits, at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below.

In respect of the sales of goods, the revenue is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery.

In respect of maintenance contracts, the turnover is recognised rateably over the period of the contract. This gives rise to deferred income during the course of the contract in cases where the customer is invoiced in advance of or at the start of the contract period. Warranty liabilities longer than standard 12 months warranty are recognised as deferred service contract revenue.

In respect of installation contracts, revenue and profits are allocated to individual elements of the contracts. Revenue and profits are only recognised when the overall profitability of the contract can be established with reasonable certainty. The revenue and attributable profits of each element of the contracts are recognised at the point at which the risks and rewards for that element of the contract have been passed to the customer.

2 Accounting policies (continued)*Critical judgements assumptions and estimates*

Application of certain company accounting policies requires management to make judgements, assumptions and estimates concerning the future as detailed below:

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and above for the useful economic lives for each class of assets.

(b) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 14 for the net carrying amount of the receivables and associated impairment provision.

(c) Inventory

Inventory is stated at the lower of cost (including works overheads in the case of own manufactured goods) and net realisable value, determined on a FIFO basis. Where necessary provision is made for obsolete, slow moving and defective stocks. See note 13 for the net carrying amount of the inventory and associated provision.

3 Revenue

Revenue is attributable to one class of business, namely the supply, installation and maintenance of high technology equipment, and is derived solely within the United Kingdom.

4 Operating profit

Operating profit is stated after charging:

	2020 £'000	2019 £'000
Staff costs	12,987	9,983
Depreciation of tangible fixed assets	364	283
Depreciation of right-of-use assets	633	607
Auditors' remuneration		
- audit services	42	43
	<hr/>	<hr/>

Draeger Medical UK Limited**Notes of the financial statements for the year ended 31 December 2020 (continued)****5 Staff costs and employee information**

	2020 £'000	2019 £'000
Wages and salaries	10,635	8,074
Social security costs	1,374	1,031
Other pension costs (see note 21)	978	878
	<hr/>	<hr/>
Staff costs	12,987	9,983
	<hr/>	<hr/>

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

By activity	2020 Number	2019 Number
Office and management	25	27
Selling, distribution and servicing	140	131
	<hr/>	<hr/>
	165	158
	<hr/>	<hr/>

6 Directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	-	-
Pension contribution	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The directors had no benefits accruing under money purchase pension schemes (2019: £nil).

The directors received remuneration which was paid by a fellow subsidiary undertaking and not recharged to the company. Payments from the fellow subsidiary were, £65,000 for loss of office (2019: nil). M A. Norris was the highest paid director: £185,000 (2019: £232,000). Total remuneration paid by the fellow subsidiary was £564,000 (2019: £232,000).

Draeger Medical UK Limited**Notes of the financial statements for the year ended 31 December 2020 (continued)****7 Finance income and finance costs**

	2020 £'000	2019 £'000
Finance income		
Interest receivable from group undertakings	258	230
Interest receivable from third parties	-	1
	<u>258</u>	<u>231</u>
Finance costs		
Interest payable on leases	(78)	(47)
	<u>(78)</u>	<u>(47)</u>

8 Tax on profit**(a) Analysis of charge in the year**

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on profit for the year	624	421
Adjustments in respect of prior years	10	11
	<u>634</u>	<u>432</u>
Total current tax		
	634	432
Deferred tax:		
Origination and reversal of timing differences	(48)	8
	<u>(48)</u>	<u>8</u>
Tax on profit	<u>586</u>	<u>440</u>

Draeger Medical UK Limited**Notes of the financial statements for the year ended 31 December 2020 (continued)****8 Tax on profit (continued)****(b) Factors affecting tax charge in the year**

Tax expense for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before taxation	3,224	5,875
Profit before taxation multiplied by standard rate in the UK 19% (2019: 19%)	613	1,116
Effects of:		
Profit from sale of subsidiary not chargeable to tax	-	(691)
Expenses not deductible for tax purposes	3	4
Depreciation higher than capital allowances	-	5
Other timing differences	(40)	(5)
Adjustments in respect of prior years	10	11
Total tax charge for the year	586	440

(c) Factors affecting and future tax charges:

The standard rate of corporation tax in the UK reduced from 20% to 19% with effect from 1 April 2019. Accordingly, the company's profits for the accounting year are taxed at a rate of 19%.

9 Deferred tax asset

An analysis of deferred tax is set out below:

	31 December 2020 £'000	31 December 2019 £'000
Accelerated capital allowances	122	74
Short term timing differences	(16)	(16)
	106	58
Deferred tax brought forward	58	66
Credit/(debit) to the profit and loss account (note 8)	48	(8)
Deferred tax net asset carried forward	106	58

Draeger Medical UK Limited

Notes of the financial statements for the year ended 31 December 2020 (continued)

10 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
<i>Cost</i>			
At 1 January 2020	124	-	124
Disposals	-	-	-
Addition	-	1	1
At 31 December 2020	124	1	125
<i>Accumulated amortisation</i>			
At 1 January 2020	-	-	-
Disposals	-	-	-
At 31 December 2020	-	-	-
Net book amount			
As at 31 December 2019	124	-	124
At 31 December 2020	124	1	125

The recoverable amount of Goodwill is estimated by management to be in excess of £124,000.

11 Tangible assets

	Plant and machinery £'000	Leasehold improvements £'000	Total £'000
<i>Cost</i>			
At 1 January 2020	2,686	686	3,372
Additions	698	51	749
Disposals	-	-	-
At 31 December 2020	3,384	737	4,121
<i>Accumulated depreciation</i>			
At 1 January 2020	(2,008)	(235)	(2,243)
Depreciation	(307)	(57)	(364)
Disposals	-	-	-
At 31 December 2020	(2,315)	(292)	(2,607)
Net book amount			
As at 31 December 2019	679	451	1,130
At 31 December 2020	1,069	445	1,514

Draeger Medical UK Limited

Notes of the financial statements for the year ended 31 December 2020 (continued)

12 Right-of-use assets

	2019 Land and buildings £'000	2019 Other & vehicles £'000	2019 Total £'000
At 1 January 2019	683	664	1,347
Additions	-	392	392
Disposals	-	(9)	(9)
Depreciation	(242)	(362)	(607)
Disposals			
At 31 December 2019	438	685	1,123
	2020 Land and buildings £'000	2020 Other & vehicles £'000	2020 Total £'000
At 1 January 2020	438	685	1,123
Additions	2,033	195	2,228
Disposals	-	(170)	(170)
Depreciation	(242)	(391)	(633)
Disposals		170	170
At 31 December 2020	2,229	489	2,718

13 Inventories

	31 December 2020 £'000	31 December 2019 £'000
Goods in transit	1,774	94
Work in progress	290	111
Finished goods and goods for resale	4,057	3,066
	6,121	3,271

A net amount of £1,292,000 (2019: £1,303,000) of demonstration equipment is held at customer and other sites and is included in Finished Goods.

Draeger Medical UK Limited**Notes of the financial statements for the year ended 31 December 2020 (continued)****13 Inventories (continued)**

The total cost of Inventories recognised as an expense and included in "Cost of Sales" amounted to £59,211,000 (2019: £30,824,000).

The carrying amount of inventories is stated after provision for impairment of £695,000 (2019: £416,000). The amount of write-down in the year was £288,000 (2019: £416,000) and reversals of write-downs in the year were £123,000 (2019: £nil).

14 Trade and other receivables

	31 December 2020 £'000	31 December 2019 £'000
Trade receivables	8,096	9,316
Amounts owed by group undertakings	20,737	12,439
Other receivables	322	136
Prepayments and accrued income	719	377
Deferred tax (see note 9)	122	74
	<u>29,996</u>	<u>22,342</u>

Trade receivables are stated after provisions for impairment of £8,000 (2019: £11,000).

Amounts owed by group undertakings are unsecured, including trading balances on standard payment terms and other balances repayable on demand.

15 Creditors: amounts falling due within one year

	31 December 2020 £'000	31 December 2019 £'000
Trade payables	548	644
Amounts due to group undertakings	7,990	5,849
Other taxation and social security	6,439	1,909
Corporation tax	-	221
Deferred tax (see note 9)	16	16
Other payables	618	264
Deferred income	8,562	5,439
Accruals	4,834	2,187
	<u>29,007</u>	<u>16,529</u>

Amounts due to group undertakings are unsecured, including trading balances on standard payment terms and other balances repayable on demand.

Draeger Medical UK Limited

Notes of the financial statements for the year ended 31 December 2020 (continued)

16 Lease liability

	31 December 2020 £'000	31 December 2019 £'000
Current liability	491	617
Non current liability	2,271	524
	<hr/>	<hr/>
	2,762	1,141
	<hr/>	<hr/>

The ageing is broken down as follows:

Liability <1 year	491	617
Liability >1 – 2 years	371	423
Liability <2 – 10 years	1,900	101
	<hr/>	<hr/>
	2,762	1,141
	<hr/>	<hr/>

Office lease renewal for 10 years resulted in movement of £1,799,000

17 Provisions for liabilities

	WEEE liabilities £'000	Dilapidations £'000	Total £'000
1 January 2019	127	278	405
Charged to the profit and loss account	9	175	184
	<hr/>	<hr/>	<hr/>
31 December 2019	136	453	589
	<hr/>	<hr/>	<hr/>
1 January 2020	136	453	589
Charged/(credited) to the profit and loss account	11	(30)	(19)
	<hr/>	<hr/>	<hr/>
31 December 2020	147	423	570
	<hr/>	<hr/>	<hr/>

WEEE liabilities comprise future liabilities for disposal of equipment under the WEEE Regulations at the end of its economic life. Dilapidations comprise a future liability for re-instatement of the company's leased premises under its full repairing lease at the end of the lease.

The WEEE and dilapidations provisions are expected to be fully utilised after more than 5 years.

18 Dividends

	31 December 2020 £'000	31 December 2019 £'000
Interim dividend paid: £0.99 (2019: £0.37) per £1 ordinary share	4,233	1,600
Final dividend paid: £0.00 (2019: £0.00) per £1 ordinary share	-	-
	<hr/>	<hr/>
No final dividend is proposed (2019: nil)	4,233	1,600
	<hr/>	<hr/>

Draeger Medical UK Limited**Notes of the financial statements for the year ended 31 December 2020 (continued)****19 Called up share capital**

	2020 No.	2020 £'000	2019 No.	2019 £'000
At 1 January	4,296,000	4,296	4,296,000	4,296
Issued during the year	-	-	-	-
At 31 December	4,296,000	4,296	4,296,000	4,296

All shares rank pari passu in all respects.

20 Sale of subsidiary

On 8 February 2019 the Company's entire shareholding in Dräger Ireland Limited was sold to Dräger Medical International GmbH, a fellow subsidiary of Drägerwerk AG & Co KGaA. The sale took place at arms-length valuation and the resulting surplus against the book value of the investment was £3,637,366.

21 Contingent liabilities

As at 31 December 2020 there were outstanding bank guarantees in place that amounted to £100,000 (2019 £100,000).

22 Pension commitments

The company currently operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in a trustee administered fund.

The pension charge represents contributions payable by the company during the year and amounted to £978,000 (2019: £878,000). Contributions to the defined contribution scheme were made in accordance with the scheme's rules. The company's funding policy is to make contributions to the scheme for the benefit of individual members at rates in accordance with the scheme's rules. There were no contributions prepaid or due to the fund at the year end.

23 Capital and other commitments

At 31 December 2020 capital expenditure authorised and contracted was £nil (2019: £nil).

24 Ultimate parent undertaking

The immediate and ultimate parent undertaking party is Drägerwerk AG & Co. KGaA, a company incorporated in Germany. Drägerwerk AG & Co. KGaA is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2020. These consolidated financial statements are available from Drägerwerk AG & Co. KGaA, Moislinger Allee 53/55, 23541 Lübeck, Germany.