Invacare Limited

Report and Financial Statements

30 November 2022

Directors
M Farrell
G Purtill
Kai Zhu

Secretary
J Evans

Auditors
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Strategic Report

The directors present their strategic report for the year ended 30 November 2022.

Review of the business

The company's principal activities during the year continued to be the marketing and sale of healthcare equipment. The results for the year and financial position of the company are as shown in the annexed financial statements. The key financial and other performance indicators during the year were as follows:

	2022	*2021*	*2020*
	£'000	*£'000*	*£'000*
Turnover	66,092	65,091	59,165
Average number of employees	124	139	139

Invacare Limited manages its operations as a single business. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the company are broadly grouped as – competitive, legislative and financial instrument risk.

- **Competitive Risks** – In the UK the company is reliant on certain major local authorities for contracts that are subject to periodic competitive tender. Renewal of these contracts is uncertain and based on financial and performance criteria.
- **Legislative Risks** – In the UK the company's products must comply with the Medical Devices Authorities (MDA) legal requirements.
- **Financial Instrument Risks** – Cash flow management and key performance indicators are monitored regularly so as to limit any such exposure.
- **Exposure to credit, liquidity and cash flow risk**
    - Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in Note 10 to the financial statements.
    - Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets.

Section 172 (1) statement

The directors have acted in a way that they considered, in good faith, to be most likely promote the success of the company in accordance with section 172 of the 2006 Companies Act. Through regular meetings, our Senior Management Team (SMT) ensures that all decisions are taken for the long term, and collectively and individually aims to always uphold the highest standard of conduct. Similarly, our SMT acknowledges that the business can only grow and prosper over the long-term if it understands and respects the views and needs of the company's investors, customers, employees, suppliers and other stakeholders to whom we are accountable, as well as the environment we operate within. The SMT assures itself that the governance structure and systems of controls continue to be robust and follows an agenda that ensures the requirements of section 172 are always met and considered.

Strategic Report

Stakeholder engagement

The SMT will often engage directly with the stakeholders. Stakeholder engagement takes the form of both operational and strategic review and feedback. The SMT considers, discuss and review information from across the organisation to help understand the impact of Invacare UK's operations on key stakeholders. Stakeholders we engage with include: -

Employees:

Our employees are our most valuable asset and ensure the success of our business. Our open dialogue and the spirit of continuous improvement strengthens our culture. The SMT reviews health and safety near misses and misses, reviews of staffing levels and addresses questions from Unions and Employee groups across the organisation.

Customers:

Our customers are split into four main areas, those being the NHS, Local Councils, large scale 3rd party service providers and the retail mobility/independent living sector. Our customers are central to our business, influencing product demand and development. Through regular engagement and understanding of customer needs and priorities, the SMT reviews the market trends and provisions accordingly to reflect the short- and medium-term demand we anticipate.

We engage with our customers in several ways, detailed product review meetings give us a chance to demonstrate our performance to our customers reviewing delivery performance, communication and engagement. The SMT reviews customer performance during monthly Business Reviews.

Suppliers:

The SMT recognises the key role suppliers play in Invacare UK's ability to deliver quality and timely product to our customers. The SMT regularly reviews our supplier performance against our requirements and works with them to focus on improvements where required.

Investors:

Our investor stakeholder group encompasses all parties interested in the success and sustainability of the business. Delivering for our investors ensures the business continues to be successful in the long term.

Invacare Corporation manages key inventor relationships and cascades their interests through key objectives.

By order of the Board

James Evans

J Evans

Secretary

Date: 20 December 2023

Directors' Report

The Directors present their report for the year ended 30 November 2022.

Directors of the company

The current directors are shown on page 1.

Dividends

The company reported a profit after tax of £1,259,000 (2021: £1,483,000) which was transferred to reserves. The directors did not pay any dividend both in 2022 and 2021.

Future Developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years.

Going Concern

During the financial year, the ultimate parent company Invacare Holding Corporation (successor of Invacare Corporation) went through a significant period of transformation and is currently in the process of updating its cash forecasts and projections and therefore no going concern assessment is available at a Group level for a period of twelve months from the date when the financial statements are authorised for issue. The emergence from voluntary bankruptcy on May 5, 2023, for three legal North American entities of the Group viz. Invacare Corporation, Adaptive Switch Laboratories, Inc. and Freedom Designs, Inc, resulted in a transformative finance restructuring program across the Group. The UK based entities of the Group were also used as collateral for this restructuring transaction. In summary of this transaction, the Company has entered into a Debenture deed as a Chargor in connection with an amended and restated credit agreement between Invacare Holdings Corporation as holdings, and Invacare Corporation as borrower (refer note 17).

The Company has met and continues to meet its day-to-day working capital requirements through the normal business activities and the Company has continued to perform under the guidance of management as described in the Strategic Report on pages 2 and 3. However, the company is reliant on the continued support from its parent undertaking, Invacare Holdings Corporation. The company has not received a letter of financial support from Invacare Holdings Corporation for the year ended November 30, 2022.

The financial statements of the Company have been prepared in accordance with the going concern concept, however, due to the temporary period where no going concern assessment exists at Group level post March 2023 due to continuous restructuring and re-organisation of the Group post emergence from bankruptcy, appointment of new board, audit committee and new auditors of the Group for performing audit of the successor of the erstwhile parent, a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in normal course of business for a period of twelve months from the date when the financial statements are authorised for issue.

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to business risks are described in the Strategic Report on page 2 and 3.

Environment

Invacare Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and has designed and implemented policies to reduce any damage that might be caused by the company's activities. The company operates in accordance with group policies, which are described in the group's annual report which does not form part of this report. Initiatives have been designed to minimise the company's impact on the environment and these include the safe disposal of manufacturing waste, recycling and reducing energy consumption.

Directors' Report

Streamlined Energy & Carbon Reporting Framework (SECR)

Invacare Limited is obligated within the Streamlined Energy & Carbon Reporting (SECR) Framework which was established by Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The company does not use gas as a source of energy and fuel for transport is only incurred indirectly through the use of road hauliers and sales teams.

We are committed to responsible energy management and will practise energy efficiency throughout our organisation, wherever it is cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions. We are currently reviewing our fleet vehicle policies with the aim for switching to electric vehicles where possible.

Currently we are unable to provide information on the company's energy use. We operate from a shared Industrial Estate and Invacare Limited's energy consumption information is not obtainable.

Political Donations

No donations to any political parties have been made during 2022.

Disabled employees

It is the company's policy to offer equal opportunities to disabled persons applying for vacancies, having regard to their aptitudes and abilities relating to the positions for which they apply. As far as possible, arrangements are made to continue the employment of those employees who have become disabled during the course of their employment with the company. In all instances, consideration will be given to arranging appropriate training facilities or providing special aids where necessary. It is the company's policy to provide disabled persons with the same opportunities for training, career development and promotion that are available to all employees, within their capabilities.

Employee involvement

The company utilises a number of methods to communicate and consult with employees, these methods include an open forum with the directors, work councils, and notice boards. Further, there are formal negotiations and consultations with recognised Trade Unions.

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant information and to establish that the auditor is aware of that information.

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

Directors' Report

Auditors

A resolution to appoint Grant Thornton, will be proposed in accordance with the Companies Act, 2006 to perform audit for the financial year ended November 30, 2023, onwards.

By order of the Board

James Evans

J Evans

Secretary

Date: 20 December 2023

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless 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 those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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. They 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.

Independent auditor's report

to the members of Invacare Limited

Disclaimer Opinion

We were engaged to audit the financial statements of Invacare Limited for the year ended November 30,2022, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes1 to17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer opinion

As set out in note 1.5, the company is reliant on the continued support from its parent undertaking, Invacare Holdings Corporation. The company has not received a letter of financial support from Invacare Holdings Corporation, and we have not been able to determine whether Invacare Holdings Corporation is in a position to provide that support. Further, the going concern assessment for the 12 months from the date of approval of these financial statements has not been provided by both the company and the Parent Company. The Directors believe the entity can continue as a going concern for the period of 12 months following the approval of the financial statements, but due to the temporary period where no going concern assessment exists at Group level post March 2023, they have disclosed a material uncertainty in this respect. As a result of these matters, we have not been able to obtain sufficient appropriate audit evidence to support the company's ability to continue as a going concern and therefore we were unable to form a conclusion on whether the going concern basis of preparation for the financial statements is appropriate. Consequently, we were unable to determine whether any additional disclosure or adjustments in relation to this matter were necessary.

Opinions on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the strategic report or directors' report.

Arising from the limitation of our work referred to above:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether adequate accounting records have been kept.

Independent auditor's report

to the members of Invacare Limited (continued)

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are – those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom.
- We understood how Invacare limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions. We performed procedures, including reading minutes of the board meetings and making enquiries with the management for any correspondence of non-compliance with the tax authorities, and noted no significant issues. We

performed journal entry testing to ensure that there are no unusual legal or penalty expenses incurred during the year and to ensure that the management is in compliance with the applicable framework.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a fraud risk of management override of controls associated with meeting earnings guidance which may include manipulation of accruals and reserves. Further, we have identified fraud risks of revenue recognition in relation to improper cut-off procedures and understatement of accrual for customer bonus reserve to boost revenue. In relation to management override of controls, we have obtained an understanding of the process for initiation, recording, authorisation and review of journals entries, performed mandatory fraud journal entry testing using analytics tool to select journals to test, remained sceptical around significant new or unusual transactions, transactions with newly identified related parties and transactions outside the course of business identified during our audit. In relation to fraud risks of revenue recognition in relation to improper cut-off procedures, we reviewed the terms and conditions of new customer contracts to identify the possible existence of side-agreements or other unusual terms, performed an understanding of the volume rebates to customers and the related accrual process, performed data analysis procedures to identify any unusual spikes or trends in revenue recognition and reviewed cut-off at year-end. In relation to fraud risks of revenue recognition of under accruing for customer bonus reserve, we obtained a listing of all customer rebates as at the year end, reviewed the calculation for reasonableness and consistency, obtained an understanding of the assumptions used in the calculation and assess their reasonableness, recalculated the provision based on the assumptions used and selected a sample of items, traced back to the contract and ensured the provision has been applied correctly. Further, we performed a review of the credit notes listing report issued two weeks post year end, we obtained the listing of top 10 customers by revenue in the year, we determined whether these customers are on rebate agreement, query the results with the client and performed a sensibility analysis on the balances and we performed substantive analytical procedures by comparing the current year balances to our expectations.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiry of management and those charged with governance with no indication of non-compliance identified.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

Date 20 December 2023

Income Statement

for the year ended 30 November 2022

	Note	2022 £'000	2021 £'000
Turnover	2	66,092	65,091
Cost of sales		(59,627)	(58,543)
Gross profit		6,465	6,548
Other operating expenses		(4,754)	(4,598)
Operating profit	3	1,711	1,950
Interest payable and similar charges	5	(154)	(112)
Profit on ordinary activities before taxation		1,557	1,838
Tax on profit on ordinary activities	6	(298)	(355)
Profit for the financial year		1,259	1,483

The company does not have any unrecognised profits or losses other than the above.

There is no material difference between the profit on ordinary activities before tax and the profit for the financial year stated above and their historical equivalents.

All amounts relate to continuing activities.

The notes from 1 to 17 form part of these financial statements.

Statement of comprehensive income

for the year ended 30 November 2022

	2022	*2021*
	£'000	*£'000*
Profit for the financial year	1,259	1,483
Total comprehensive income for the year	1,259	1,483

Statement of changes in equity

for the year ended 30 November 2022

	Called-up capital £'000 (note 12)	*Profit and loss account £'000*	*Total equity £'000*
At 1 December 2020	50	14,525	14,575
Profit for the year	-	1,483	1,483
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,483	1,483
At 30 November 2021	50	16,008	16,058
Profit for the year	-	1,259	1,259
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,259	1,259
At 30 November 2022	50	17,267	17,317

Statement of financial position

at 30 November 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	7	33	55
		33	55
Current assets			
Stock	8	352	481
Debtors	9	20,570	28,379
Cash at bank and in hand		2,399	341
		23,321	29,201
Creditors: amounts falling due within one year	10	(6,030)	(13,187)
Net current assets		17,291	16,014
Total assets less current liabilities		17,324	16,069
Provisions for liabilities			
Deferred taxation	6	(7)	(11)
Net Assets		17,317	16,058
Capital and Reserves			
Called up share capital	11	50	50
Profit and loss account		17,267	16,008
Shareholder's funds		17,317	16,058

Approved by the Board

Mike Farrell

M Farrell
Director

Date: 20 December 2023

Notes to the financial statements

for the year ended 30 November 2022

1. Accounting policies

1.1. Statement of compliance

Invacare Limited is a private company limited by shares incorporated in England. The Registered Office is Unit 4 Pencoed Technology Park, Pencoed, Bridgend, CF35 5AQ.

The Company's financial statements have been prepared in compliance with United Kingdom (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) as it applies to the financial statements of the Company for the year ended 30 November 2022. The financial statements of the Company were authorised for issue by the board of directors on 20th December 2023.

1.2. Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with FRS 102. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The company has applied FRS 102 as issued in March 2018, as well as amendments to FRS 102 that have been made since March 2018 that are effective for accounting periods beginning on or after 1st January 2020. These amendments have had no material impact on the financial statements of the company.

1.3. Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102:

(a) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).

(b) The requirement of Section 33 Related Party Disclosures paragraph 33.7.

1.4 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments

The Company as a lessee obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The Company does not have any key sources of estimation uncertainty.

1.5 Going concern

During the financial year, the ultimate parent company Invacare Holding Corporation (successor of Invacare Corporation) went through a significant period of transformation and is currently in the process of updating its cash forecasts and projections and therefore no going concern assessment is available at a Group level for a period of twelve months from the date when the financial statements are authorised for issue. The emergence from voluntary bankruptcy on May 5, 2023, for three legal North American entities of the Group viz. Invacare Corporation, Adaptive Switch Laboratories, Inc. and Freedom Designs, Inc, resulted in a transformative finance restructuring program across the Group. The UK based entities of the Group were also used as collateral for this restructuring transaction. In summary of this transaction, the Company has entered into a Debenture deed as a Chargor in connection with an amended and restated credit agreement between Invacare Holdings Corporation as holdings, and Invacare Corporation as borrower (refer note 17).

Notes to the financial statements

for the year ended 30 November 2022

1. Accounting policies (continued)

1.5 Going concern (continued)

The Company has met and continues to meet its day-to-day working capital requirements through the normal business activities and the Company has continued to perform under the guidance of management as described in the Strategic Report on pages 2 and 3. However, the company is reliant on the continued support from its parent undertaking, Invacare Holdings Corporation. The company has not received a letter of financial support from Invacare Holdings Corporation for the year ended November 30, 2022.

The financial statements of the Company have been prepared in accordance with the going concern concept, however, due to the temporary period where no going concern assessment exists at Group level post March 2023 due to continuous restructuring and re-organisation of the Group post emergence from bankruptcy, appointment of new board, audit committee and new auditors of the Group for performing audit of the successor of the erstwhile parent, a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in normal course of business for a period of twelve months from the date when the financial statements are authorised for issue.

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to business risks are described in the Strategic Report on page 2 and 3.

1.6. Significant accounting policies

1.6.1. Revenue recognition

Turnover represents the amounts derived from the marketing and sale of healthcare equipment.

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.

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

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of services

Revenue from services is recognised on a straight line basis over the life of the contract or at the moment the service is delivered, depending on the type of agreement with the customer.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

1.6.2. Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

1.6.3. Pension costs

The company operates a defined contribution pension plan. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the plan.

1.6.4. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Notes to the financial statements

for the year ended 30 November 2022

1. Accounting policies (continued)

1.6. Significant accounting policies (continued)

1.6.4. Plant and Equipment (continued)

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Fixtures and fittings	-	5 years
Vehicles, plant and equipment	-	3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

1.6.5. Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

1.6.6. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on timing difference between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets are generally recognised for all deductible timing differences to the extent that it is probable that taxable profits will be available against which those deductible timing differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

1.6.7. Foreign currencies

Functional currency and presentation currency

The financial statements of the entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Transactions and balances

In preparing the financial statements of the entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period,

Notes to the financial statements

for the year ended 30 November 2022

1. Accounting policies (continued)

1.6. Significant accounting policies (continued)

1.6.7. Foreign currencies (continued)

monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise.

1.6.8. Financial instruments

The company has chosen to adopt the requirements of sections 11 and 12 of FRS 102 in respect of the measurement and disclosure of financial instruments.

Trade and other debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with other short-term highly liquid investments with original maturities of three months or less.

Trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

The company does not have any 'other' financial instruments.

1.6.9. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Notes to the financial statements

at 30 November 2022

2. Turnover

Turnover represents the amounts derived from the marketing and sale of healthcare equipment and provision of services including reconditioning and Approved Repairer contracts.

Analysis of turnover by geographical market is given below:

	2022	*2021*
	£'000	*£'000*
United Kingdom/Ireland	64,454	62,574
Rest of the World	1,638	2,517
	66,092	65,091

Analysis of turnover by type is given below:

	2022	*2021*
	£'000	*£'000*
Equipment	63,903	62,981
Services	2,189	2,110
	66,092	65,091

3. Operating profit

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

		Note	*2022*	*2021*
			£'000	*£'000*
Depreciation of owned assets		7	22	18
Foreign exchange differences			4	5
Operating lease rentals	- leasehold and buildings		155	153
	- plant and machinery		3	3
	- vehicles		276	276
	- hardware		4	4

Audit fees for the Invacare Group's UK operations are borne by Invacare UK Operations Ltd.

Notes to the financial statements
at 30 November 2022

4. Staff costs

(a) Staff costs

	2022 £'000	2021 £'000
Wages and salaries	4,376	4,406
Social security costs	399	404
Other pension costs	275	291
	5,050	5,101

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

	2022 No.	2021 No.
Sales and administration	124	139

(b) Directors' remuneration

	2022 £'000	2021 £'000
Aggregate remuneration in respect of qualifying services	150	189
Directors' pension contributions to stakeholder schemes	13	12

	2022 No.	2021 No.
Members of stakeholder pension schemes	1	1

5. Interest payable and similar charges

	2022 £'000	2021 £'000
Bank loan interest	111	76
Bank charges	39	36
Foreign exchange losses	4	5
	154	117

Notes to the financial statements
at 30 November 2022

6. Taxation

a) Tax on profit on ordinary activities
The tax charge on the profit on ordinary activities is made up as follows:

	2022	*2021*
	£'000	*£'000*
Current tax		
UK corporation tax at 19% (2021: 19%)	309	349
Prior year adjustment	(7)	(4)
Total current tax	302	345
Deferred tax		
Origination and reversal of timing differences	(4)	10
Total deferred tax	(4)	10
Tax on profit on ordinary activities	298	355

b) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The difference is reconciled below:

	2022	*2021*
	£'000	*£'000*
Profit on ordinary activities before taxation	1,557	1,838
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021:19%)	296	349
Expenses non-deductible for tax purposes	(4)	6
Prior year adjustment	6	-
Total tax expense	298	355

c) Factors that may affect future tax charges

On 11 March 2020, the Chancellor of the Exchequer announced that the main rate of corporation tax would remain at 19%. Deferred tax has therefore been calculated at the appropriate rate depending on when the underlying capital allowances are expected to reverse.

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 25% (2021 – 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

Notes to the financial statements

at 30 November 2022

6. Taxation (continued)

c) Factors that may affect future tax charges (continued)

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. The UK deferred tax assets and liabilities at 30 November 2022 have been calculated based on the rate of 25%, being the substantively enacted rate at the balance sheet date, due to apply from April 2023. Adjustments have been made for any timing differences expected to reverse before the UK tax rate changes from 19% to 25% from April 2023.

d) Deferred taxation

The deferred tax included in the balance sheet is as follows:

	2022	*2021*
	£'000	*£'000*
Included in provisions for liabilities / fixed assets	(7)	(11)

The deferred tax (liability) / asset calculated is dealt with in the financial statements as follows:

	2022	*2021*
	£'000	*£'000*
Fixed asset timing differences	(12)	(17)
Other short-term differences	5	6
Deferred tax liability	(7)	(11)

The movements in deferred taxation during the year are as follows:

	Deferred tax
	£'000
As at 1 December 2021	(11)
Deferred tax charge to profit and loss account	4
At 30 November 2022	(7)

Notes to the financial statements

at 30 November 2022

7. Tangible fixed assets

	Vehicle, Plant and equipment £'000	*Fixtures and fittings £'000*	*Total £'000*
Cost:			
At 1 December 2021	216	80	296
Additions	-	-	-
Disposals	-	-	-
At 30 November 2022	216	80	296
Depreciation:			
At 1 December 2021	179	62	241
Charge for the year	14	8	22
Disposals	-	-	-
At 30 November 2022	192	70	262
Net book value:			
At 30 November 2022	23	10	33
At 30 November 2021	37	18	55

8. Stock

	2022 £'000	*2021 £'000*
Finished goods	352	481

Notes to the financial statements

at 30 November 2022

9. Debtors: Amounts falling due within one year

	2022	*2021*
	£'000	*£'000*
Trade debtors	7,948	9,241
Amounts owed by group undertakings	12,252	19,037
Prepayments and accrued income	370	101
	20,570	28,379

Amounts falling due after more than one year include in the above are:

	2022	*2021*
	£'000	*£'000*
Amounts owed by group undertakings	11,547	11,547

Intercompany receivables are payable within 30 days through the group netting cycles.
Amounts falling due after more than one year are intercompany receivables that are payable on demand but not expected to be repaid in the near future.

10. Creditors: amounts falling due within one year

	2022	*2021*
	£'000	*£'000*
Short term loan	-	4,500
Trade creditors	263	487
Amounts owed to group undertakings	3,705	6,053
Corporation tax	271	176
Social security and other taxes	114	127
VAT	340	317
Accruals and deferred income	1,337	1,527
	6,030	13,187

Amounts due from group undertakings are unsecured, repayable on demand and interest free. The company has a cash pooling arrangement in place which was a debit balance included in Debtors (Note 9) at 30 November 2022.

11. Allotted and issued share capital

	2022	*2021*
	£'000	*£'000*
Allotted, issued and fully paid:		
49,607 Ordinary shares of £1 each	50	50

Notes to the financial statements

at 30 November 2022

12. Related party disclosures

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group. The balances held with related parties are presented in aggregate within notes 9 and 10 (amounts owed to/ by group companies).

13. Pension commitments

During the year the company operated a group Personal Pension Scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme range from 3% to 5% of pay for employees whilst those for the employer range from 4.6% to 9.9%. There were accrued pension costs of £61 [£'000] at 30 November 2022 (2021: £60) [£'000].

14. Financial Instruments

The company has the following financial instruments:

	2022	*2021*
	£'000	*£'000*
Financial assets measured at amortised cost:		
Trade debtors (note 9)	7,948	9,241
Amounts owed by group undertakings (note 9)	12,251	19,037
Total	20,199	28,278
Financial liabilities measured at amortised cost:		
Trade creditors (note 10)	263	487
Amounts owed by group undertakings (note 10)	3,705	6,053
Asset Based Lending – short term loan (note 10)	-	4,500
Total	3,968	11,040

15. Financial Commitments

Non-cancellable operating leases – company as a lessee

At 30 November 2022 the company had commitments under non-cancellable operating leases in relation to assets other than land and buildings as set out below:

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2022	*2021*
	£'000	*£'000*
Not later than one year	62	36
Later than one year and not later than five years	11	284
	73	320

Notes to the financial statements

at 30 November 2022

Financial Commitments (continued)

Charges over the company's assets

On 30 September 2015, the Company signed (together with other group companies) a revolving credit agreement with JP Morgan Chase. This agreement contains a fixed charge over all of the Company's titles, interest and other rights from time to time in any intellectual property. Although no particular intellectual property is specified, this fixed charge would include any intellectual property registered (or required to be registered) in the UK in which the Company has any rights from time to time.

The Company has first fixed charges under this agreement over: goodwill, receivables, blocked accounts, shares and investments, intellectual property rights, licenses and other documents (as specified in the agreement). The Company assigned all of its rights in its receivables, its insurances and insurance proceeds to the Lender. The Company also has floating charges over the whole of its undertaking and other assets.

The facility was discontinued during 2022.

16. Ultimate parent undertaking

The company's immediate parent undertaking is Invacare UK Operations Limited, which is incorporated in Great Britain. The immediate parent undertaking of Invacare UK Operations Limited is Invacare Holdings Two BV, a company incorporated in the Netherlands and which prepares group financial statements which include Invacare Limited. This is the smallest group in which the results of the company are consolidated.

The ultimate parent undertaking and controlling party is Invacare Holdings Corporation of Delaware, USA, which is incorporated in the USA. Copies of its group financial statements, which include the company, are publicly available from Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware, 19801. This is the largest group in which the results of the company are consolidated.

Invacare Holding Corporation became the successor to Invacare Corporation (Ultimate Parent as on the Balance Sheet Date) upon its emergence from Bankruptcy on May 5, 2023.

17. Subsequent events

The three legal entities of Group successfully emerged from the voluntary bankruptcy proceedings on May 5, 2023, resulting in a transformative finance restructuring program across the Group. The UK based entities of the Group were also used as collateral for this restructuring transaction. In summary of this transaction, the Company has entered into a Debenture as a Chargor in connection with an amended and restated credit agreement between Invacare Holdings Corporation as holdings, and Invacare Corporation as borrower. Charge over all present and future assets and related rights of the Company has been created under this inter-creditor arrangement. The charge details have been filed with Companies House on May 5, 2023.