

Registered number 09458917

GBUK Group Limited
Report and consolidated financial statements
for the year ended 30 June 2018

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GBUK Group Limited

Report and consolidated financial statements for the year ended 30 June 2018

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GBUK Group Limited

Directors and advisers

Directors

M C Thompson
M R Garbett
P V J Spiller
M J Geering
P H L Kalverboer
G R R Dew
G R Mills

Secretary

M R Garbett

Registered Office

Woodland House
Blackwood Hall Business Park
Selby
North Yorkshire
YO8 5DD

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Bankers

Clydesdale Bank Plc (trading as Yorkshire Bank)
94-96 Briggate
Leeds
LS1 6NP

Registered Number

09458917

GBUK Group Limited

Strategic report for the year ended 30 June 2018

The directors present their Strategic report on the group for the year from 1 July 2017 to 30 June 2018.

Review of the business

The principal activity of the company during the year was to act as the holding company for GBUK Group Limited and its subsidiary undertakings ("the group"), encompassing trading entities GBUK LTD, GBUK Enteral Limited and Intervene Group Limited, which are engaged in the supply of medical devices and consumables.

The GBUK group is the leading specialist provider of enteral, critical care and patient handling single-use products and services in the UK and Europe. GBUK focuses on meeting customer demands with market leading products, coupled with ongoing customer engagement.

In the year to 30 June 2018, GBUK again delivered on its growth potential, with organic sales growth of 21% by GBUK LTD, 15% by GBUK Enteral Limited and 43% by Intervene Group Limited. In total the group is reporting revenue of growth of 22% to £39,245,000 for the year to 30 June 2018.

During the year ended 30 June 2018 the products and activities of Intervene Group Limited overlapped with those of GBUK LTD and GBUK Enteral Limited to such an extent that the directors decided, for the benefit of customers, to continue all future operations of Intervene Group Limited via GBUK LTD and GBUK Enteral Limited.

To this end, on the 20 June 2018 the directors approved the sale by Intervene Group Limited of business, assets and activities associated with the supply of enteral products to GBUK Enteral Limited and business, assets and activities associated with the supply of neuraxial products to GBUK LTD, effective on the 1 July 2018.

All customer and supplier relationships held by Intervene Group Limited at the 30 June 2018 are to be maintained, and all products available for sale on this date will continue to be sold by GBUK group via GBUK LTD and GBUK Enteral Limited.

The group is targeting continued revenue and profit growth in the coming years by continuing to focus on new markets, market share gains and new product development to meet clinical needs.

Key performance indicators

The group considers growth in revenue as the key financial performance indicator, which is monitored and reviewed by the Board on a monthly basis, placing a strategic focus on export growth in the year to 30 June 2018.

The directors view of performance to the 30 June 2018 is based on the revenue growth of GBUK LTD, GBUK Enteral Limited and Intervene Group Limited. In combination, the group increased revenue over the prior year by £7,189,000 (22%) to £39,245,000 and on the same basis, increased export revenue by £4,762,000 (128%) to £8,488,000.

GBUK Group Limited

Strategic report for the year ended 30 June 2018 (continued)

Principal risks and uncertainties

The group operates in a competitive environment, but has successfully delivered year on year growth by ensuring strong and effective procurement to enable the supply of competitively priced products.

The key customer for the group is the NHS and an experienced and clinically trained sales team, compliment the group's broad product portfolio by providing a high level of customer service.

The group benefits from strong long-term supplier and customer relationships, so the principal risk and uncertainty for the group is the foreign exchange risk on the supply of products from overseas, primarily with respect to the Euro and US Dollar.

The group takes proactive measures to manage this risk, including the use of forward exchange contracts to hedge against exposure risk on trade payables and a monthly review of group exposure by the directors. The directors accept that this does not fully eliminate exchange rate risk associated with a devaluation of Sterling but considers that they achieve an appropriate balance of exposure to these risks.

Exchange rates continue to be impacted by the UK decision on the 23 Jun 2016 to leave the EU, but have stabilised and recently improved, combined with the continued actions of close monitoring and proactive measures, the directors are confident about the group's ongoing success.

Position

The group has increased sales of all its key product categories and introduced new products, new markets and new customers in the year to 30 June 2018. This has been combined with a strategic focus on supply side opportunities with new and existing suppliers, to add value to customers, reduce costs and mitigate movements in exchange rates.

The group continues to operate in a competitive consumable market, but with an increasingly diversified portfolio of products, customers and suppliers, it is in an excellent position for delivering future growth.

Future developments

The strategic objectives of the business are set by the GBUK Group Limited Board and remain focused on future growth, through expansion of both the group's product portfolio and its customer base.

This report was approved by the board on *22 December 2018* and signed on its behalf by:



Mark Thompson

Director

GBUK Group Limited

Directors' report for the year ended 30 June 2018

The directors are pleased to present their report and audited consolidated financial statements of the company and its group for the year to 30 June 2018.

General information

The general information on the company and its group is provided in the Strategic report. The directors do not recommend the payment of a dividend in the current year.

Results and dividends

The results of the group are shown in the consolidated statement of comprehensive income on page 10.

The directors report revenue of £39,245,000 for the year ended 30 June 2018, an increase of 22% over comparable sales of £32,056,000 for the year ended 30 June 2017. Profit before income tax of £190,000 (2017: loss of £2,790,000), a net loss for the financial year of £403,000 (2017: £2,636,000) and a net deficit of £3,991,000 (2017: £3,924,000).

Future developments

The future developments of the company and group have been discussed within the Strategic report.

Directors

The directors who held office during the year and up to the date of signing these financial statements, unless otherwise indicated, are:

M C Thompson

M R Garbett

P V J Spiller

M J Geering

I Shams (resigned 31 January 2018)

P H L Kalverboer

G R R Dew

G R Mills

M E Root (resigned 31 January 2018)

Going concern

In determining the going concern of the company the directors have considered the company's current and forecast profitability required to operate for a period of no less than 12 months from the date of signing these financial statements. The directors are confident about the strong sales growth forecast for the group and as such, these financial statements have been prepared on the going concern basis.

Financial risk management

The company's financial risk management objectives and policies are discussed in note 4.

GBUK Group Limited

Directors' report for the year ended 30 June 2018 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Report and consolidated 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 consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and parent company and of the profit or loss of the group and parent company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the consolidated financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

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

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

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

Indemnity

Relevant officers of the company may be indemnified out of the company's assets against:

- any liability incurred by that officer in connection with any negligence, default, breach of duty or breach of trust in relation to the company;
- any liability incurred by that officer in connection with the activities of the company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) Companies Act 2006); or
- any other liability incurred by that officer as an officer of the company.

No indemnity is authorised which would be prohibited or rendered void by any provision of Companies Act 2006 or by any other provision of law.

GBUK Group Limited

Directors' report for the year ended 30 June 2018 (continued)

Independent Auditors

PricewaterhouseCoopers LLP were appointed as auditor of the company on 14 April 2016, reappointed on the 12 January 2018 and will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

This report and the financial statements on pages 10 to 45 were approved by the Board of Directors on *22 DECEMBER 2018* and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M. Garbett', written over a horizontal line.

Martin Garbett

Company Secretary

GBUK Group Limited

Independent auditor's report to the members of GBUK Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, GBUK Group Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's loss and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statement of financial position as at 30 June 2018; the consolidated statement of comprehensive income, the consolidated and company statement of cash flows, and the consolidated and company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

GBUK Group Limited

Independent auditors' report to the members of GBUK Group Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 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 for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

GBUK Group Limited

Independent auditors' report to the members of GBUK Group Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

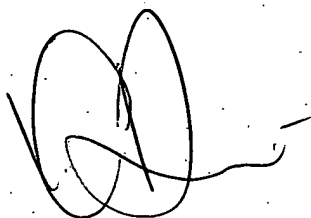
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Ian Plunkett FCA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

22 December 2018

GBUK Group Limited

Consolidated statement of comprehensive income for the year ended 30 June 2018

		2018	2017
	Note	£'000	£'000
Continuing operations			
Revenue	5	39,245	32,056
Cost of sales	6	(24,496)	(20,408)
Gross profit		14,749	11,648
Selling and Distribution expenses	6	(3,669)	(3,046)
Administrative expenses	6	(3,905)	(3,877)
Management Fees	6	(256)	(267)
Depreciation and amortisation	6	(3,389)	(3,347)
Exceptional items	10	(96)	(953)
Operating profit		3,434	158
Finance income	11	-	1
Finance costs	11	(3,244)	(2,949)
Finance costs – net	11	(3,244)	(2,948)
Profit / (loss) before income tax		190	(2,790)
Income tax (expense) / credit	12	(593)	154
Loss for the financial year		(403)	(2,636)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges	23	396	25
Income tax effect		(60)	(5)
Other comprehensive income for the year, net of tax		336	20
Total comprehensive expense for the year, net of tax		(67)	(2,616)

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £4,035,000 (2017: £3,083,000).

The notes on pages 16 to 45 are an integral part of these consolidated financial statements.

GBUK Group Limited

Consolidated and company statement of financial position as at 30 June 2018

Registered number 09458917

	Note			Restated	
		Group	Company	Group	Company
		2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Property, plant and equipment	13	1,086	-	1,248	-
Intangible assets	14	23,832	-	26,653	-
Investments	15	-	34,679	-	34,679
Total non-current assets		24,918	34,679	27,901	34,679
Current assets					
Inventories	17	5,814	-	5,659	-
Trade and other receivables	18	6,038	125	5,229	12
Cash and cash equivalents	19	3,142	5	2,906	63
Total current assets		14,994	130	13,794	75
Total assets		39,912	34,809	41,695	34,754

GBUK Group Limited

Consolidated and company statement of financial position as at 30 June 2018 (continued)

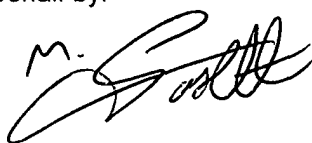
Registered number 09458917

		Group	Company	Restated	
				Group	Company
		2018	2018	2017	2017
	Note	£'000	£'000	£'000	£'000
Equity and liabilities					
Attributable to equity holders of the company					
Share capital	20	4	4	4	4
Share premium	20	354	354	354	354
Hedging reserve	23	510	-	174	-
Accumulated losses		(4,859)	(9,997)	(4,456)	(5,962)
Total deficit		(3,991)	(9,639)	(3,924)	(5,604)
Liabilities					
Non-current liabilities					
Bank borrowings	22	12,330	12,330	14,188	14,188
Preference shares	22	21,786	21,786	19,394	19,394
Deferred income tax liabilities	24	1,990	-	2,403	-
Total non-current liabilities		36,106	34,116	35,985	33,582
Current liabilities					
Bank borrowings	22	2,000	2,000	1,975	1,975
Deferred consideration		-	-	492	492
Trade and other payables	21	5,369	8,332	6,626	4,797
Current income tax liabilities		428	-	541	(488)
Total current liabilities		7,797	10,332	9,634	6,776
Total liabilities		43,903	44,448	45,619	40,358
Total equity and liabilities		39,912	34,809	41,695	34,754

The financial statements were authorised for issue by the Board of Directors on 22 DECEMBER 2018 and were signed on its behalf by:

Martin Garbett

Company Secretary



The notes on pages 16 to 45 are an integral part of these consolidated financial statements.

GBUK Group Limited

Consolidated and company statement of changes in equity for the year ended 30 June 2018

	Share capital	Share premium	Accumulated losses	Hedging reserve	Total equity
Group	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2016	3	297	(1,820)	154	(1,366)
Proceeds from issued shares	1	57	-	-	58
Loss for the financial year	-	-	(2,636)	-	(2,637)
Other comprehensive expense	-	-	-	21	21
Total comprehensive expense for the period	-	-	(2,636)	21	(2,615)
Balance at 30 June 2017	4	354	(4,456)	175	(3,924)

	Share capital	Share premium	Accumulated losses	Hedging reserve	Total equity
Group	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2017	4	354	(4,456)	174	(3,924)
Loss for the financial year	-	-	(403)	-	(403)
Other comprehensive income	-	-	-	336	336
Total comprehensive expense for the year	-	-	(403)	336	(67)
Balance at 30 June 2018	4	354	(4,859)	510	(3,991)

GBUK Group Limited

Consolidated and company statement of changes in equity for the year ended 30 June 2018 (continued)

	Share capital	Share premium	Accumulated losses	Hedging reserve	Total equity
Company	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2016	3	297	(2,879)	-	(2,579)
Proceeds from issued shares	1	57	-	-	58
Loss for the financial year	-	-	(3,083)	-	(3,083)
Total comprehensive expense for the year	-	-	(3,083)	-	(3,083)
Balance at 30 June 2017	4	354	(5,962)	-	(5,604)
	Share capital	Share premium	Accumulated losses	Hedging reserve	Total equity
Company	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2017	4	354	(5,962)	-	(5,604)
Loss for the financial year	-	-	(4,035)	-	(4,035)
Total comprehensive expense for the year	-	-	(4,035)	-	(4,035)
Balance at 30 June 2018	4	354	(9,997)	-	(9,639)

The notes on pages 16 to 45 are an integral part of these consolidated financial statements.

GBUK Group Limited

Consolidated and company statement of cash flows for the year ended 30 June 2018

		Group	Company	Group	Company
		2018	2018	2017	2017
	Note	£'000	£'000	£'000	£'000
Cash flows from operating					
Cash generated from operations	25	5,007	3,127	2,152	1,920
Interest paid		(710)	(710)	(710)	(710)
Income tax (paid) / received		(1,181)	-	358	-
Net cash generated from operating activities		3,116	2,417	1,800	1,210
Cash flows from investing					
Acquisition of subsidiaries	28	-	-	(8,784)	(9,035)
Purchase of property, plant and equipment	13	(144)	-	(626)	-
Purchase of intangible assets	14	(261)	-	(183)	-
Interest received		-	-	1	-
Net cash used in investing activities		(405)	-	(9,592)	(9,035)
Cash flows from financing					
Proceeds from issuance of ordinary share capital	20	-	-	57	57
Proceeds from issuance of preference shares	22	-	-	4,443	4,443
Deferred consideration repaid	28	(500)	(500)	(750)	(750)
Proceeds from borrowings	22	-	-	5,302	5,302
Repayment of borrowings	22	(1,975)	(1,975)	(1,300)	(1,300)
Net cash (used) / generated from financing activities		(2,475)	(2,475)	7,752	7,752
Net increase / (decrease) in cash and cash equivalents		236	(58)	(40)	(73)
Cash and cash equivalents at beginning of year / period		2,906	63	2,946	136
Cash and cash equivalents at end of year / period	19	3,142	5	2,906	63

The notes on pages 16 to 45 are an integral part of these consolidated financial statements.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

1 General information

General information

The principal activity of the company during the year was to act as the holding company of its group, which during the year was principally engaged in the supply of medical devices.

GBUK Group Limited is a private limited liability company, incorporated and domiciled in the United Kingdom. Its principal place of business is its registered office located at Woodland House, Blackwood Hall Business Park, Selby, North Yorkshire YO8 5DD.

2 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the period presented.

Basis of preparation

The consolidated financial statements of GBUK Group Limited have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IFRS Interpretations Committee (collectively IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, modified by the valuation of financial derivatives.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the consolidated financial statements are disclosed in note 3.

Going concern

In determining the going concern of the company the directors have considered the group's current and forecast profitability required to operate for a period of no less than 12 months from the date of signing these financial statements.

The directors are confident of meeting its future financial forecasts and its obligations to creditors as the group is generating strong operating profits and cash and has appropriate financing facilities. As such, these financial statements have been prepared on the going concern basis.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

2 Accounting policies (continued)

New and amended standards adopted by the group

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 July 2017 that have been adopted or are expected to have a material impact on the group.

Standards and interpretations in issue and not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied to these consolidated financial statements, were in issue but not yet effective:

Standard	Issue date	Effective for periods commencing on or after
IFRS 9 Financial Instruments	October 2010	1 January 2018
IFRS 15 Revenue from Contracts with Customers	May 2014	1 January 2018
IFRS 16 Leases	January 2016	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	June 2017	1 January 2019

IFRS 9 'Financial Instruments' was issued in October 2010 and will be effective for the group from the period beginning 1 July 2018. The standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model. Work has been undertaken on the impact of the new recognition, impairment and general hedge accounting requirements to assess whether any changes to the group's systems and processes are required to aid implementation of the standard. No significant effect of IFRS 9 on the group is expected;

IFRS 15 'Revenue from Contracts with Customers' will be effective for the group from the year beginning 1 July 2018, replacing IAS 18 'Revenue', IAS11 'Construction contracts' and related interpretations. The standard establishes a principle-based approach for revenue when a customer obtains control of a goods or service and has the ability to direct the use and obtain the benefits from the goods or services. It applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards. Based on the group's assessment from work performed to date, the group believes that the adoption of IFRS 15 will not have a material impact on the consolidated financial statements; and

IFRS 16 'Leases' was issued in January 2016 and will be effective for the group from the year beginning 1 July 2018, replacing IAS 17 'Leases', subject to EU endorsement. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset is of low value. IFRS 16 represents a significant change in the accounting and reporting of leases and it will primarily change the balance sheet as well as impacting the income statement and operating lease commitments note 26.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

2 Accounting policies (continued)

The new standard is expected to have an impact on the group's results and the balance sheet, as the majority of arrangements that are currently accounted for as operating leases (note 26) will come onto the group's balance sheet.

A full impact of IFRIC 23 has not yet been assessed. Other new standards or amendments to existing standards not yet effective are considered as not relevant to the group.

Consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. The consolidated financial statements present the results of the company and its subsidiaries ('the group') applying consistent accounting policies and after the elimination of intercompany transactions and balances between group companies.

The company applies the acquisition method to account for business combinations. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods supplied, net of returns, discounts and rebates allowed by the group and value added taxes.

The company recognises revenue when the goods are physically delivered to the customer. Where payments are received from customers in advance of the goods being delivered, the amounts are included as part of current liabilities.

Employee benefits

The group operates various post-employment schemes, including pension contributions.

(i) Defined contribution pension scheme

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

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

2 Accounting policies (continued)

Exceptional items

Items that are material either because of their size, their nature, and are non-recurring, such as the acquisition costs of a business combination. Exceptional items are shown separately in the statement of comprehensive income where it is necessary to do so to provide further understanding of the financial performance of the group.

Interest income

Interest income is recognised using the effective interest method.

Current and deferred income tax

The tax charge for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

2 Accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in pound sterling (£), which is the functional currency of the company and the presentation currency of the group. All amounts in these consolidated financial statements have been rounded to the nearest thousand, unless otherwise indicated.

Transactions in foreign currency are initially converted to sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange prevailing at the reporting date. All differences on exchange are taken to the consolidated statement of comprehensive income.

The assets and liabilities of foreign operations are translated to sterling at foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into sterling at rates approximating the foreign exchange rates ruling at the date of transactions. Foreign exchange differences arising on the translation of foreign operations are recognised in other comprehensive income and presented as a foreign currency translation reserve.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate cost to residual values over estimated useful lives, as follows:

Land and buildings	10 to 20 years
Furniture, fittings and equipment	3 to 5 years
Plant and machinery	5 years

The assets residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

2 Accounting policies (continued)

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is allocated to cash generating units ("CGU's") for the purposes of impairment testing, and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

(b) Intellectual property

Intellectual property is shown at historical costs. Intellectual property acquired in a business combination are recognised at fair value at the date of acquisition. These assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful economic lives.

(c) Development costs

Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use has been established, and the asset will generate future economic benefits. These assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful economic lives.

(d) Customer and Supplier relationships

Customer and Supplier relationships acquired in a business combination are recognised at fair value at the date of acquisition. These assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is determined by the relevant valuation method to allocate the cost over their estimated useful economic lives.

(e) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software is stated at costs less accumulated amortisation and accumulated impairment losses.

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

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

2 Accounting policies (continued)

Intangible assets (continued)

The significant intangible assets recognised by the group, their useful economic lives and the methods used to determine the cost of these intangibles acquired on acquisition are as follows:

	Useful economic life	Valuation method
Intellectual property	10 years	Cost for acquired, Multiple of estimated reserves and profits for internally generated
Development costs	10 years	Cost
Customer relationships	7 years	Multi-Period Excess Earnings Method (MEEM)
Supplier relationships	5 years	"with and without" approach
Computer software	3 years	Cost

The assets are reviewed annually for any indication that the carrying amount may be impaired.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories, including stock in transit, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Inventories at 30 June 2017 have been restated to include £1,682,000 of stock in transit, determined according to when transfer of ownership actually took place, resulting in an associated reduction in Trade and other receivables of £121,000 and increase in Trade and other payables of £1,682,000.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

2 Accounting policies (continued)

Financial assets

The group has one classification of financial assets; loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Trade and other receivables

Trade receivables are amounts due from customers for goods and services provided in the ordinary course of business. If collection is expected in one period or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash held at banks.

Financial liabilities

The group has one classification of financial liabilities; other financial liabilities which include 'trade payables' and 'borrowings'.

Trade payables

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

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

Trade payables includes the value of stock in transit, when the transfer of ownership and legal title has taken place.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which are compulsory redeemed on the sale of the company, are classified as liabilities.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

2 Accounting policies (continued)

Derivative financial instruments

The group uses derivative financial instruments, forward contracts, to hedge its foreign currency risks. These contracts are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss.

At the inception of a cash flow hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Hedges are expected to be highly effective in offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For cash flow hedges that meet the strict criteria for hedge accounting the effective portion of the gain or loss on the instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or counterparty.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities.

Leases

Leases in which a significant portion of the risks and rewards of ownership are operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Fair value estimation

Fair values estimation under IFRS 13 requires the group to classify for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements on its financial assets. The fair value hierarchy has the following levels:

- Level (1) quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level (2) inputs other than quoted prices included within Level (1) that are observable for the asset or liability, either directly or indirectly.
- Level (3) inputs for the asset or liabilities that are not based on observable market data.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

Estimates

(a) Goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows using estimated growth rates and appropriate discount rates as mentioned in note 14.

(b) Fair value of deferred consideration

Deferred consideration resulting from business combinations, is initially measured at fair value at the acquisition date as part of the business combination. As part of the accounting for its acquisition of GBUK LTD and GBUK Enteral Limited on 13 November 2015 deferred consideration of £750,000 was paid 12 months after the acquisition date and the remaining £500,000 was paid in January 2018.

Judgements

(c) Intellectual property

The group made upfront payments to purchase patents and trademarks. Patents are granted for a period of twenty years from the date of application, whilst Trademarks are granted for a period of ten years, with an option to review for a further ten years. Once granted both Patents and Trademarks are assumed to have a useful life of ten years and the costs of the application are amortised over this period.

(d) Relationships

Customer and Supplier relationships acquired in a business combination are recognised at fair value at the date of acquisition. The valuation of customer relationships is based on the excess earnings method, representing the present value of future cash flows expected to be generated by customer relationships. The valuation of supplier relationships is based on the with-or-without method, based on comparing future cash flows expected to arise from having the intangible asset available against the future cash flows expected to arise from not having the intangible asset available.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

4 Financial risk management

4.1 Financial risk factors

The group's activities expose it to a variety of market and financial risk. The Board has overall responsibility for the determination of the group's risk management objectives and policies, and receives quarterly financial reports through which it reviews the effectiveness of the processes in place and the appropriateness of the objectives and policies.

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. The company uses forward exchange contracts to hedge against exposure risk on trade payables, monitoring relevant foreign exchange rates to reduce the impact of any significant devaluation in Sterling. Although the board accepts that this does not fully eliminate exchange rate risk associated with a devaluation of Sterling, it considers that they achieve an appropriate balance of exposure to these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with LIBOR+ interest rates. The group manages its interest rate risk by restricting the level of leverage acceptable to the business and ensuring forecasts maintain a comfortable amount of headroom.

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its current and future financial obligations as they fall due at acceptable cost. The group's working capital levels are sufficient to meet current obligations as they fall due. The directors do not believe that there is any significant exposure to liquidity risk on meeting future financial obligations as the group is generating strong operating profits and cash and has appropriate financing facilities, some of which are currently undrawn but available, to manage any liquidity requirement.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty will default on its contractual obligations. The group is exposed to credit risk from credit sales, but has strong credit management processes in place, including a credit risk assessment of new customers and a monthly review of creditworthiness of existing customers based on trade receivables ageing analysis.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

4 Financial risk management (continued)

4.2 Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns to the parent undertaking and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the value of dividends paid, capital returned to the immediate parent undertaking, issue new shares or sell assets to reduce debt, subject to available distributable reserves. No changes were made in the objectives, policies or processes during the year ended 30 June 2018. Capital consists of equity attributable to equity holders of the group, which amounted to a deficit of £3,991,000 as at 30 June 2018, with accumulated losses of £4,859,000.

5 Segmental Information

For management purposes, the group is organised into business units based on products and markets, with a trading entity for each segment, as follows:

GBUK LTD supplies critical care and patient handling medical consumables.

GBUK Enteral Limited supplies enteral feeding consumables and devices.

Intervene Group Limited also supplies enteral feeding consumables, but focuses outside the UK on business to business relationships.

GBUK Group Limited provides management services to the trading entities

Total revenue for the year ended 30 June 2017 was split between the two trading entities as follows:

	2018	2017
Group	£'000	£'000
GBUK LTD	13,261	10,930
GBUK Enteral Limited	17,542	15,240
Intervene Group Limited	8,442	5,886
Total	39,245	32,056

Total revenue for the year ended 30 June 2017 relates to revenue primarily originated in the United Kingdom.

	2018	2017
Group	£'000	£'000
United Kingdom	30,757	28,330
European Union	8,356	3,668
Rest of the World	132	58
Total	39,245	32,056

The revenue, loss for the year, total assets and total liabilities are attributable to the principal activities of the group as described in the Strategic report on page 2.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

6 Expenses by nature

	2018	2017
	£'000	£'000
Cost of sales	24,621	20,408
Selling and distribution (net of remuneration & lease charges)	1,271	940
Employee benefit expense (note 8)	4,293	3,882
Depreciation and amortisation charges (notes 13 and 14)	3,389	3,347
Rent and service charges	398	473
Rates	123	135
Legal and professional fees	135	61
Computer costs	156	128
Management fee	256	267
Operating lease charges	152	135
Auditors' remuneration (note 7)	78	76
Foreign exchange losses	148	190
Other expenses	820	840
Total operating expenses	35,840	30,882

7 Auditors' remuneration

	2018	2017
	£'000	£'000
Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements	8	13
Fees payable to the company's auditors for other services:		
- Audit of the company's subsidiaries	30	33
- Tax services for the group	40	30
- Transaction services (note 10)	-	97
	78	173

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

8 Employee benefit expense

	2018	2017
	£'000	£'000
Wages and salaries	3,792	3,405
Social security costs	401	377
Other pension costs	100	100
	4,293	3,882

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

	2018	2017
By activity	Number	Number
Administration	33	33
Sales	30	29
Warehouse	20	16
	83	78

9 Directors' remuneration

	2018	2017
Group	£'000	£'000
Aggregate remuneration (note 29)	787	766
Remuneration to highest paid director	271	254
Pension to highest paid director	13	9

10 Exceptional items

The exceptional items during the year are detailed below:

	2018	2017
	£'000	£'000
Group reorganisation and acquisition of subsidiary cost	96	953

Exceptional costs related to the acquisition by the company of the share capital of Intervene Group Limited in the year, and GBUK LTD and GBUK Enteral Limited in the prior year, including legal services, investment fees and financial and commercial due diligence.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

11 Finance income and costs

	2018	2017
	£'000	£'000
Finance costs:		
Bank interest	(710)	(685)
Preference share interest	(2,392)	(2,060)
Amortisation of bank debt fees	(142)	(132)
Unwinding of discount	-	(47)
Other interest	-	(25)
Finance costs	(3,244)	(2,949)
Finance income:		
Interest income on cash at bank	-	1
Finance income	-	1
Net finance costs	(3,244)	(2,948)

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

12 Income tax charge / (credit)

	2018 £'000	2017 £'000
Current tax:		
Current tax on loss for the year / period	1,110	531
Adjustments in respect of prior periods	-	(131)
Total current tax charge	1,110	400
Deferred tax:		
Origination and reversal of temporary differences	(545)	(520)
Adjustment in respect of previous periods	26	16
Impact of change in tax rate	2	(7)
Movement arising from the acquisition of business	-	(43)
Total deferred tax credit (note 24)	(517)	(554)
Total tax charge / (credit)	593	(154)

Tax on the group's loss before tax differs from the theoretical amount that would arise using the standard tax rate applicable in the UK to profit / (losses) of the consolidated entities as follows:

	2018 £'000	2017 £'000
Profit / (loss) before income tax	190	(2,790)
Tax calculated at the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	36	(551)
Tax effects of:		
Adjustments in respect of prior periods	26	(115)
Tax rate changes	60	(43)
Effects of group relief	-	-
Expenses not deductible for tax purposes	471	555
Income tax charge / (credit)	593	(154)

Factors that may affect future tax charges are covered under note 24 on deferred income tax.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

13 Property, plant and equipment

	Land and buildings	Plant and machinery	Furniture, fittings and equipment	Total
Group	£'000	£'000	£'000	£'000
At 1 July 2017	489	490	269	1,248
Additions	-	23	121	144
Depreciation charge	(33)	(138)	(136)	(307)
Closing net book amount	456	375	255	1,086
At 30 June 2018				
Cost	605	714	642	1,961
Accumulated depreciation	(149)	(339)	(387)	(875)
Net book amount	456	375	255	1,086

Depreciation charge of £307,000 (2017: £234,000) has been charged in 'Depreciation and amortisation in the consolidated income statement.

The company GBUK Group Limited as an individual entity has no property, plant and equipment.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

14 Intangible assets

	Intellectual property	R&D	Customer relationships	Supplier relationships	Goodwill	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2017	248	-	11,769	1,330	13,306	26,653
Additions	70	191	-	-	-	261
Amortisation charge	(19)	-	(2,555)	(508)	-	(3,082)
Closing net book amount	299	191	9,214	822	13,306	23,832
At 30 June 2018						
Cost	332	191	15,565	2,508	13,306	31,902
Accumulated amortisation charge	(33)	-	(6,351)	(1,686)	-	(8,070)
Net book amount	299	191	9,214	822	13,306	23,832

Amortisation and depreciation charge of £3,389,000 has been charged in 'Depreciation and amortisation' in the consolidated statement of comprehensive income, including £3,082,000 of Intangible asset amortisation and £307,000 of Fixed asset depreciation.

The company GBUK Group Limited as an individual entity, has no intangible assets.

Impairment tests for goodwill

In accordance with IAS 36 'impairment of assets' goodwill is subject to an annual impairment review. The directors do not consider the need for an impairment charge at 30 June 2018.

The recoverable amount of goodwill with a carrying value of £13,306,000 as at 30 June 2018 was assessed based on separate value-in-use calculations. The carrying value of goodwill comprises the GBUK acquisition on 13 November 2015 being £9,888,000 and the Intervene acquisition on 12 September 2016 being £3,418,000. The calculations used pre-tax cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period reduced in years six and seven reaching an extrapolation rate of 2.0%, with a pre-tax rate of 16.9% and 11.3% respectively.

The impairment test used the same calculation basis with updated cash flow projections based on the latest financial forecasts approved by management.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

14 Intangible assets (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for the cash generating unit is most sensitive to the following assumptions:

- Discount rates – the discount rate is based on the group's weighted average cost of capital, adjusted to reflect the pre-tax discount rate, calculated separately for the GBUK acquisition on 13 November 2015 and the Intervene acquisition 12 September 2016, at 16.9% and 11.3% respectively. A long-term increase in the weighted average cost of capital above 24.5% and 12.1% respectively, without any other variations would have an effect on the discounted cash flows of the cash generating unit and then indicate a need for goodwill impairment;
- Growth rates used to extrapolate cash flows beyond the forecast period – rates are based on published industry research and long-range forecasts for country inflation rates. A reduction of long term growth rates to negative growth rates would cause value in use to fall below the carrying value;
- Gross margin – gross margins are based on average values expected in 2017. Decrease in demand can lead to a decline in the gross margin.

As of 30 June 2018, the group did not have any intangible assets with indefinite useful lives, and there being no indication of impairment no annual impairment review of intangible assets has taken place.

15 Investments

Company	2018 £'000	2017 £'000
Shares in subsidiary undertakings		
At 30 June	34,679	34,679

At 30 June 2018, the company's subsidiary undertakings were:

Name of undertaking	Percentage shareholdin	Place of incorporation	Nature of business
GBUK LTD	100%	United Kingdom	Supply of medical devices
GBUK Enteral Limited	100%	United Kingdom	Supply of medical devices
Intervene Group Limited	100%	United Kingdom	Supply of medical devices
Enteral UK Limited	100%	United Kingdom	Dormant
GB (UK) HC Limited*	100%	United Kingdom	Dormant
Quintal Healthcare Limited*	100%	United Kingdom	Dormant
Intervene Limited**	100%	United Kingdom	Dormant
Intervene Sales & Support Limited**	100%	United Kingdom	Dormant
Surety Devices Limited*	100%	United Kingdom	Dormant

*Indirectly held

** Indirectly held and exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual financial statements by virtue of s479A of the act.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

16 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets comprise of cash and bank balances and receivables. Financial liabilities consist of borrowings and payables.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values largely due to the short-term maturities of these instruments.

17 Inventories

	Group	Company	Restated	
			Group	Company
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Finished Goods	4,688	-	3,977	-
Stock in transit	1,126	-	1,682	-
Total inventories	5,814	-	5,659	-

The cost of inventories recognised is an expense and included in 'cost of sales' amounted to £24,590,000 (2017: £20,408,000). The prior year balance has been restated to include stock in transit on the 30th June 2017 of £1,682,000. Inventories at 30 June 2017 have been restated as noted in the accounting policy for Inventories.

18 Trade and other receivables

	Group	Company	Restated	
			Group	Company
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Current				
Trade receivables	4,635	-	4,585	-
Other current financial assets	615	-	239	-
Prepayments and accrued income	788	125	405	12
Cash on deposit	-	-	-	-
Total trade and other receivables	6,038	125	5,229	12

The fair values of trade and other receivables are equivalent to the carrying amounts.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

18 Trade and other receivables (continued)

Trade receivables

Trade receivables that are less than 3 months past due are not considered impaired. At 30 June 2018, trade receivables of £245,000 (company £nil) were more than 3 months past due. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	Group	Company	Group	Company
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
3 – 6 months	139	-	47	-
Over 6 months	106	-	24	-
	245	-	71	-

As of 30 June 2018, none of the trade receivables (company £nil) were impaired and provided for in full. By the date the financial statements were signed 99% of the amounts due had been collected.

The carrying amounts of receivables are denominated in pound sterling.

19 Cash and cash equivalents

	Group	Company	Group	Company
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,142	4	2,906	63

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

20 Share capital and premium

Group and company	Number of shares	Ordinary shares £	Share premium £	Total £
At 30 June 2017 & 30 June 2018	390,524	3,905	353,619	357,524

On incorporation, the company issued 1 ordinary share of £1 at par value.

On 13 November 2015, the company sub divided the 1 subscriber share into 100 ordinary shares of £0.01 each.

On 13 November 2015, the company issued 250,000 ordinary A shares and 50,000 ordinary B shares of £0.01 per share at a value of £3,000.

On 15 March 2016, the company issued 32,000 ordinary C shares of £0.01 per share at par value.

On 31 January 2017, the company issued 1,333 ordinary C shares of £0.01 per share at par value.

21 Trade and other payables

	Group	Company	Restated Group	Restated Company
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Current				
Trade payables	3,034	146	4,545	41
Amounts due to subsidiary undertakings	-	8,088	-	4,343
Social security and other taxes	578	(141)	492	(109)
Other payables	17	4	299	300
Accrued expenses	1,740	235	1,290	222
	5,369	8,332	6,626	4,797

The carrying value of the loan is deemed to approximate its fair value.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

22 Borrowings

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Non-current				
Bank borrowings	12,330	12,330	14,188	14,188
Preference shares	21,786	21,786	19,394	19,394
	34,116	34,116	33,582	33,582
	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Current				
Bank borrowings	2,000	2,000	1,975	1,975

(i) Borrowings

Bank borrowings include 2015 loans of Term A maturing 30 June 2020 and bearing interest margin of 2.75%, and Term B maturing 30 November 2021 and bearing interest margin of 3.25%. Plus 2016 loans of Term C maturing 30 September 2021 and bearing interest margin of 2.75%, and Term D maturing 30 November 2021 and bearing interest margin of 3.25%.

Bank borrowings include secured liabilities of £16,700,000, secured by way of a fixed and floating charge and net £395,000 (2017: £537,000) of borrowings fees which are being amortised over the life over the loans. Borrowing fees of £nil (2017: £132,000) were amortised in the year to 30 June 2018.

The carrying value of the bank borrowings are deemed to approximate their fair value.

(ii) Preference shares

The group issued 11,950,000 preference shares with a par value of £0.001 per share on 13 November 2015 and 4,442,989 preference shares with a par value of £0.001 per share on 12 September 2016. The shares are mandatorily redeemable on the sale of the group. Interest is compounded on the two issues at a rate of 12.5% and 11.0% respectively and is added to the balance of the preference shares above. Included in the balance is compound interest is £5,393,000 (2017: £3,001,000).

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

23 Derivative financial instruments

	Assets	Liabilities	Assets	Liabilities
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Forward foreign exchange contracts – cash flow hedges	614	-	218	-
Income tax effect	(104)	-	(44)	-
Hedging reserve	510	-	174	-

At the year end, the group had contracted to purchase a total of £23,666,000 (2017: £14,341,000) forward contracts at various fixed exchange rates. These agreements were entered into to hedge the currency risk of future purchases of medical devices in Euros and US dollars.

The derivatives were remeasured on the 30 June 2018 based on the forward rates available for equivalent contracts at that date. The positive fair value of £396,000 (2017: £193,000) was recognised in OCI, to be reclassified to profit or loss when the hedged item affects profit or loss.

The fair value hierarchy at 30 June 2018 was Level 2.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

24 Deferred income tax

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	-	-	-	-
Deferred tax liabilities				
Deferred tax liability to be paid after more than 12 months	1,990	-	2,403	-
Deferred tax liability (net)	1,990	-	2,403	-

The gross movement on the deferred income tax account for the group is as follows:

	Deferred tax asset			Deferred tax liability		
	Tax loss	Total deferred tax asset	Accelerated capital allowances	Fair value of hedges	Fair value of acquired intangible assets	Total deferred tax liability
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2017	-	-	(134)	-	(2,269)	(2,403)
Prior year charge	-	-	(26)	(20)	-	(46)
Acquisition of business	-	-	-	-	-	-
Income statement credit / (charge) (note 12)	-	-	19	(84)	524	459
At 30 June 2018	-	-	(141)	(104)	(1,745)	(1,990)

Deferred income tax assets are recognised on tax losses and carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Factors affecting current and future tax charges

A change to the UK corporation tax rate was announced in the Budget on 16 March 2016 to reduce the rate to 17% from 1 April 2020 and was substantially enacted on 6 September 2016. Changes to reduce the UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had been substantively enacted at the balance sheet date its effects not included in these financial statements.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

25 Cash generated from operations

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Profit / (Loss) before income tax	190	(3,547)	(2,790)	(3,570)
<i>Adjustments for non-cash items:</i>				
Other comprehensive income	336	-	20	-
Depreciation (note 13)	307	-	234	-
Loss on disposal of property, plant and equipment (note 13)	-	-	63	-
Amortisation (note 14 & 22)	3,224	142	3,245	132
Deferred tax (note 24)	-	-	(646)	-
Fair value movement	69	8	33	33
Finance costs – net (note 11)	3,102	3,102	2,770	2,770
<i>Changes in working capital:</i>				
Increase in inventories	(155)	-	(960)	-
Increase in trade and other receivables	(809)	(113)	(1,239)	(12)
(Decrease) / increase in trade and other payables	(1,257)	3,535	1,422	2,567
Cash generated from operations	5,007	3,127	2,152	1,920

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

26 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	Plant and machinery	Land and buildings	Plant and machinery	Land and buildings
	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Within one period	109	472	149	490
Within two to five periods	79	1,534	187	1,388
After more than five years	-	-	-	87
	188	2,006	336	1,965

The company GBUK Group Limited as an individual entity has no operating lease commitments.

27 Contingencies

The group's debt is secured by fixed and floating charges, cross guaranteed across the group.

At the year end, the group had contracted to purchase a total of £23,666,000 (2017: £14,341,000) forward contracts at various fixed exchange rates. These agreements were entered into to hedge the currency risk of future purchases of medical devices in Euros and US dollars.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

28 Business combinations

On 12 September 2016, the company acquired 100% of the share capital of Intervene Group Limited. The following table sets out the fair values of the identifiable assets and liabilities acquired.

	2018 £'000	2017 £'000
Net assets acquired		
Property, plant and equipment	-	87
Cash and cash equivalents	-	250
Trade and other receivables	-	2,244
Inventories	-	1,177
Trade and other payables	-	(1,438)
Current tax liabilities	-	(409)
Net assets identified	-	1,911
Customer relationships	-	4,357
Back orders	-	133
Deferred tax liability recognised on intangibles acquired	-	(785)
Total identifiable net assets	-	5,616
Goodwill	-	3,418
Total	-	9,034
Satisfied by:		
Paid upon completion	-	9,034
Total	-	9,034

Acquisition related costs of £ nil (2017: £953,000) have been charged to Exceptional Items in the consolidated income statement for the year ended 30 June 2018.

Based on a fair value review at the reporting date, no fair value adjustments have been made to the net assets acquired or goodwill.

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

29 Related party disclosures

The following transactions were carried out with related parties:

(a) Purchase of services

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Entity controlled by a director and shareholder of the company	573	-	581	-
Ultimate parent undertaking	256	256	255	255

Services are charged on normal commercial terms and conditions.

(b) Year end balances arising from purchasing services

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Payables to related parties	5	-	15	-

(c) Key management personnel

Executive directors represent the key management personnel. The compensation paid or payable to key management for employee services is shown below:

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Salaries and other short-term employee benefits	742	742	715	715
Post-employment benefits	45	45	51	51
Total	787	787	766	766

d) Directors

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Aggregate remuneration	742	742	715	715
Company contributions to money purchase pension scheme	45	45	51	51
Total	787	787	766	766

GBUK Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

30 Events After the Balance Sheet Date

On 10 September 2018, the company acquired 100% of the share capital of R&J Medical Limited.

31 Ultimate controlling party

The company's immediate, ultimate parent undertaking and controlling party is Cooperatief H2 Equity Partners Fund IV Holding W.A..