

Medequip Group Limited

**Strategic report, Directors' report and
consolidated financial statements**

Registered number 09553385

For the year ended 31 December 2016



Contents

Strategic Report	1
Directors' Report	3
Statement of directors' responsibilities in respect of the Strategic Report and Directors' Report and the Consolidated Financial Statements	4
Independent auditor's report to the directors of Medequip Group Limited	5
Consolidated Profit and Loss Account and Other Comprehensive Income	7
Consolidated Balance Sheet	8
Company Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Company Statement of Changes in Equity	11
Consolidated Cash Flow Statement	12
Notes to the financial statements	13

Strategic Report *(continued)*

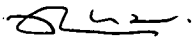
Future developments

The existing and forecast shift in population demographics has resulted in a growing market which, together with on-going pressure on government budget spend, has produced significant opportunities for the Group to expand.

As the population ages and advances in medical technology facilitate care in the home, growth can reasonably be expected from existing contracts. In addition, visible tenders for further Community Equipment Schemes (CES) moving to the outsourced market signposts significant opportunities in the coming years.

There are also expanding opportunities in the self-funding retail market and CES linked activities including Planned Preventative Maintenance and Home Improvement & Minor Adaptations.

Signed on behalf of the Board



M E Ellison
Director

31 May 2017

Unit 2 The Summit Centre
Skyport Drive
West Drayton
Middlesex
UB7 0LJ

Strategic Report

Principal activities

The Company was incorporated on 21 April 2015. The principal activity of the Company is that of a holding company. The Group's principal activity is the purchase, storage, sale, delivery and collection of medical assistive technology equipment. The Group's customers are all based in the United Kingdom.

Business model

The Group manages the community loan store process on behalf of social services, NHS authorities and charities, helping people to stay safe and independent at home. Medequip delivers partnership support to commissioners, prescribers and users by providing procurement, storage, delivery, installation, maintenance, collection, repair, cleaning, refurbishment and recycling services for community equipment. Centralised support services, including procurement, are provided to Group depots across the UK.

The purchasing economies of scale achieved by Medequip together with efficient operating practices significantly reduce the time and resource invested by commissioners and prescribers and typically reduce costs by up to 25% whilst increasing service levels, enhancing care delivery and supporting patient independence and rehabilitation.

Business review and results

The results for the year are set out in the profit and loss account on page 7. Group turnover for the year was £149,316,000 (8 m/e 31 Dec 2016 - £87,923,000) with an operating profit before amortisation of intangibles of £6,651,000 (8 m/e 31 Dec 2016 - £4,660,000). The Company paid no dividends during the year (2015: £nil). Net assets increased by £3,396,000 (9.7%).

Key performance indicators

	12 m/e 31 Dec 2016	8 m/e 31 Dec 2015
Return on turnover	4.5%	5.3%

Return on turnover is the percentage of operating profit before amortisation of intangible assets to turnover.

The return on turnover can vary due to product mix, start-up costs associated with the commencement of new contracts and the profile of new contracts together with direct and indirect costs associated with growth in business volume.

The principle risks and uncertainties

The principle risks and uncertainties are considered to be the general economic climate and spending levels within the NHS and Local Authorities. The Group benefits from contracts that typically last for a number of years thereby underpinning comparatively regular revenues, accordingly focus is given to ensure that service standards are upheld in order to safeguard that business contracts are renewed.

Directors' Report

The Directors present their Directors' report and financial statements for the year ended 31 December 2016.

Dividends

The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The directors who held office during the year were as follows:

A J Siddall
D S Griffiths
P R Siddall MBE
J A Firth BA, FCA
J C Siddall BSc
A P Firth
C P Siddall BSc, FRGS
J P Cockcroft
N S P Cook
M E Ellison
J Ibbotson
M West

Appointed 2 September 2016

Employees

Details of the number of employees and related costs can be found in note 7 to the financial statements. The Group is an equal opportunities employer and considers all applications for employment on the basis of aptitude and merit.

The Group places considerable value on the involvement of all employees and has adopted the practice of keeping all employees informed on matters affecting the performance of the Group and them as employees via a series of formal face to face monthly team briefings. The importance of training and development of employees is recognised and supported by local management and through the use of external bodies.

Employee health and safety is of paramount importance and a culture of health and safety awareness is maintained throughout the Group.

It is Group policy that all personnel have equal opportunity upon recruitment and during service regardless of gender, race, religion or disability and also to select and train people dependent upon their ability and the Group's requirement for particular skills.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

M E Ellison
Director



31 May 2017

Unit 2 The Summit Centre
Skyport Drive
West Drayton
Middlesex
UB7 0LJ

Statement of directors' responsibilities in respect of the Strategic Report and Directors' Report and the Consolidated Financial Statements

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the directors of Medequip Group Limited

We have audited the financial statements of Medequip Group Limited for the year ended 31 December 2016 set out on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the directors of Medequip Group Limited
(continued)

Matters on which we are required to report by exception

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

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



Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

14 June 2017

Consolidated Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2016

		2016	2015
	Note	£000	8 months £000
Turnover	3	149,316	87,923
Cost of sales		(133,759)	(78,143)
Gross profit		15,557	9,780
Administrative expenses		(8,918)	(5,100)
Other operating income	4	12	9
Exceptional costs	5	-	(29)
Group operating profit before amortisation of intangible assets		6,651	4,660
Amortisation	6	(1,419)	(922)
Group operating profit		5,232	3,738
Interest payable and similar charges	9	(524)	(453)
Profit on ordinary activities before taxation		4,708	3,285
Tax on profit on ordinary activities	10	(1,312)	(928)
Profit for the financial period		3,396	2,357

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The company has no recognised gains or losses other than the profits for the current year or previous year.

The notes on page 13 to 30 form part of these financial statements.

Consolidated Balance Sheet at 31 December 2016

	Note	2016		2015	
		£000	£000	£000	£000
Fixed assets					
<i>Intangible assets</i>					
Goodwill		26,437		27,288	
Other Intangibles		16,405		16,897	
	11	42,842		44,185	
Tangible assets	12	5,356		4,285	
			48,198		48,470
Current assets					
Stocks	14	5,194		4,645	
Debtors (including £177,000 [2015: £252,000] due after more than one year)	15	15,375		14,515	
		20,569		19,160	
Creditors: amounts falling due within one year	17	(19,554)		(16,776)	
Net current assets			1,015		2,384
Total assets less current liabilities		49,213		50,854	
Creditors: amounts falling due after more than one year	18	(10,864)		(15,901)	
Net assets		38,349		34,953	
Capital and reserves					
Ordinary share capital	23	375		375	
Preferred ordinary share capital	23	32,221		32,221	
Profit and loss account		5,753		2,357	
Shareholders' funds		38,349		34,953	

The notes on page 13 to 30 form part of these financial statements.

These financial statements were approved by the board of directors on 31 May 2017 and were signed on its behalf by:

D S Griffiths
Director
Registered number 09553385



Company Balance Sheet at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	13	49,915	49,915
Current assets			
Debtors (including £177,000 due after more than one year (2015: £252,000))	15	327	402
Creditors: amounts falling due within one year	17	(8)	(17)
Net current assets		<u>319</u>	<u>385</u>
Total assets less current liabilities		<u>50,234</u>	<u>50,300</u>
Creditors: amounts falling due after more than one year	18	(18,238)	(17,990)
Net assets		<u><u>31,996</u></u>	<u><u>32,310</u></u>
Capital and reserves			
Ordinary share capital	23	375	375
Preferred ordinary share capital	23	32,221	32,221
Profit and loss account		(600)	(286)
Shareholders' funds		<u><u>31,996</u></u>	<u><u>32,310</u></u>

The notes on page 13 to 30 form part of these financial statements.

These financial statements were approved by the board of directors on 31 May 2017 and were signed on its behalf by:

D S Griffiths
Director
Registered number 09553385



Consolidated Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 21 April 2015	-	-	-	-
Total comprehensive income for the period				
Profit	-	-	2,357	2,357
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	2,357	2,357
	<hr/>	<hr/>	<hr/>	<hr/>
Transaction with owners, recorded directly in equity				
Issue of ordinary shares	375	-	-	375
Issue of preferred ordinary shares	-	32,221	-	32,221
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by owners	375	32,221	-	32,596
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	375	32,221	2,357	34,953
Total comprehensive income for the year				
Profit	-	-	3,396	3,396
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	3,396	3,396
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	375	32,221	5,753	38,349
	<hr/>	<hr/>	<hr/>	<hr/>

Company Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 21 April 2015	-	-	-	-
Total comprehensive income for the period				
Profit / (loss)	-	-	(286)	(286)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	(286)	(286)
	<hr/>	<hr/>	<hr/>	<hr/>
Transaction with owners, recorded directly in equity				
Issue of ordinary shares	375	-	-	375
Issue of preferred ordinary shares	-	32,221	-	32,221
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by owners	375	32,221	-	32,596
Balance at 31 December 2015	375	32,221	(286)	32,310
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year				
Profit / (loss)	-	-	(314)	(314)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	(314)	(314)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	375	32,221	(600)	31,996
	<hr/>	<hr/>	<hr/>	<hr/>

Consolidated Cash Flow Statement
for the 12 months ended 31 December 2016

	Note	2016 £000	2015 8 months £000
Cash flows from operating activities			
Profit for the period		3,396	2,357
Adjustments for:			
Depreciation	12	2,141	1,324
Amortisation of goodwill and debt fees	11	1,419	922
Interest payable and similar charges	9	524	453
Gain on sale of tangible fixed assets	4	(12)	(9)
Exceptional items		-	29
Taxation	10	1,312	928
		<hr/> 8,780	<hr/> 6,004
Increase in trade and other debtors		(954)	(2,595)
Increase in stocks		(549)	(812)
Increase in trade and other creditors		2,092	2,728
		<hr/>	<hr/>
Net cash from operating activities before tax and interest		9,369	5,325
Interest paid		(533)	(436)
Tax paid		(1,667)	(212)
		<hr/>	<hr/>
Net cash from operating activities		7,169	4,677
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		12	66
Acquisition of tangible fixed assets	12	(3,212)	(1,599)
Acquisition of a subsidiary	2	-	(17,296)
Acquisition transaction fees		-	(653)
Cash acquired with subsidiary	2	-	198
		<hr/>	<hr/>
Net cash from investing activities		(3,200)	(19,284)
		<hr/>	<hr/>
Cash flows from financing activities			
Repayment to related undertaking borrowings	19	(660)	(440)
Repayments of bank loan	19	(4,000)	(3,066)
Repayment of finance lease liabilities	19	(627)	(169)
Initial proceeds from new bank loan		-	15,666
Proceeds from issue of ordinary share capital	23	-	150
Proceeds from pre-transaction loan from Medequip Assistive Technology Limited		-	2,152
		<hr/>	<hr/>
Net cash from financing activities		(5,287)	14,293
		<hr/>	<hr/>
Decrease in cash and cash equivalents		(1,318)	(314)
Opening cash and cash equivalents at 31 December 2015		(314)	-
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	16	(1,632)	(314)
		<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Medequip Group Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the year;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation.

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

1.01 Measurement convention

The financial statements are prepared on the historical cost.

1.02 Going concern

The directors have reviewed their forecasts including downside risks and sensitivities in conjunction with the present financial condition of the Group. This includes due consideration of the current difficult economic environment and trading conditions faced by the Group. Based upon this assessment, the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis.

1.03 Basis of consolidation

Medequip Group Limited was incorporated on 21 April 2015 and on 8 May 2015 purchased the entire shareholding of Siddall Medequip Limited (see note 2).

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings and are made up to 31 December 2016. The comparative period is for the 8 months ending 31 December 2015.

A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.04 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.05 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.06 Other financial instruments

Financial instruments not considered to be basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Notes (continued)

1 Accounting policies (continued)

1.07 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets as follows:

• Leasehold Improvements	Over the lease term
• Plant and Machinery	20%-50% per annum
• Fixtures, Fittings & Equipment (incl. Computer Equipment & Software)	20%-50% per annum
• Commercial Vehicles	20% per annum
• Motor Vehicles	25%-33% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.08 Intangible assets: goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is amortised over its estimated useful life of 35 years and is reviewed annually for impairment. The useful life has been arrived at by considering the longevity of the market place and the type of services likely to be required for the market place and the expected intensity of competition and long term financial forecasts.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at acquisition date.

Amortisation is charged to the profit and loss on a straight-line basis over the estimated lives of intangible assets. The estimated useful lives are as follows:

- Customer relationships 35 years

The useful life has been determined reviewing the historic trends in longevity in customer relationships and projecting these trends into the future.

1.09 Stocks

Stocks are stated at the lower of cost and the estimated selling price less costs to complete and sell.

Notes (continued)

1 Accounting policies (continued)

1.10 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.12 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.13 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised on delivery of goods to the customer, or in the case of service income, completion of the service. Rental income is recognised on a straight line basis over the rental period.

The total turnover for the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

Notes (continued)

1 Accounting policies (continued)

1.14 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, and unwinding of the discount on provisions.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Acquisitions and disposal of businesses

On 8 May 2015, the Group acquired all of the shares of Siddall Medequip Limited for £49.7m. The Group's principle activity continues to be that of the purchase, storage, sale, delivery and collection of medical assistive technology equipment through the group's trading company – Medequip Assistive Technology Limited.

The business contributed all the revenue and net profit for the year.

Effect of acquisition

The acquisition had the following effect on the Company's/Group's assets and liabilities.

	Book values £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	4,067	-	4,067
Intangible assets	955	17,217	18,172
Stocks	3,833	-	3,833
Trade and other debtors	13,676	-	12,209
Cash	198	-	198
Interest-bearing loans and borrowings	(3,140)	-	(3,140)
Finance Lease	(2,397)	-	(2,397)
Trade and other creditors	(11,381)	-	(9,914)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	5,811	17,217	23,028
	<hr/>	<hr/>	<hr/>
Total cost of business combination:			
Consideration paid:			
Initial cash price paid			17,296
Equity instruments issued			32,371
Costs directly attributable to the business combination			248
			<hr/>
Total consideration			49,915
			<hr/>
Goodwill on acquisition			26,887
			<hr/>

The fair value adjustment relates to the value of customer relationships acquired of £17,217,000.

The expected useful life stemming from this acquisition is 35 years.

Notes (continued)

3 Turnover

	2016	2015
	£000	8 months £000
Sale of goods	122,197	72,278
Rendering of services	27,119	15,645
Total turnover	<u>149,316</u>	<u>87,923</u>

4 Other operating income

	2016	2015
	£000	8 months £000
Net gain on disposal of tangible fixed assets	<u>12</u>	<u>9</u>

5 Exceptional items

	2016	2015
	£000	8 months £000
One-off professional fees for advice in relation to the acquisition	<u>-</u>	<u>29</u>

6 Expenses and auditor's remuneration

Included in profit are the following:

	2016	2015
	£000	8 months £000
Depreciation written off tangible assets	2,141	1,324
Amortisation of intangible assets	1,343	874
Amortisation of transaction fees associated with arrangement of debt	76	48
Operating lease rentals	<u>1,384</u>	<u>829</u>

Auditor's remuneration:

	2016	2015
	£000	8 month £000
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of these financial statements and financial statements of subsidiaries of the Company	49	50
Taxation compliance services	12	9
Other services	<u>10</u>	<u>-</u>

Notes (continued)

7 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2016	2015 8 months
Direct operating staff	559	478
Direct operating staff – operations management	19	17
Administration & directors	53	49
	<hr/> 631 <hr/>	<hr/> 544 <hr/>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 8 months £000
Wages and salaries	15,227	8,413
Social security costs	1,423	781
Contributions to defined contribution plans	588	325
	<hr/> 17,238 <hr/>	<hr/> 9,519 <hr/>

8 Directors' remuneration

	2016 £000	2015 8 months £000
Directors' remuneration	551	306
Company contributions to money purchase pension plans	29	13
Amounts paid to third parties in respect of directors' services	205	140
	<hr/> 785 <hr/>	<hr/> 459 <hr/>

Directors' remuneration in relation to P R Siddall, A J Siddall, J C Siddall, J A Firth and C P Siddall are borne by Siddall & Hilton Limited, a related party of Medequip Group Limited. A recharge of £209,000 (8 m/e 31 Dec 2016 - £138,000) was made for services provided to Medequip by these directors.

	Number of directors 2016	2015 8 months
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<hr/> 4 <hr/>	<hr/> 4 <hr/>

Notes (continued)

9 Interest payable and similar charges

	2016	2015
	£000	8 months £000
On bank loans and overdrafts	235	216
Finance lease interest	49	39
Interest payable to related party	240	198
	<hr/>	<hr/>
Total other interest payable and similar charges	524	453
	<hr/>	<hr/>

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016		2015	
	£000	£000	8 months £000	£000
<i>Current tax</i>				
Current tax on income for the period	1,289		908	
Adjustments in respect of prior periods	4		15	
	<hr/>		<hr/>	
Total current tax		1,293		923
<i>Deferred tax (see note 21)</i>				
Origination and reversal of timing differences	13		-	
Effect of tax rate change on opening balance	(1)		10	
Adjustments in respect of prior periods	7		(5)	
	<hr/>		<hr/>	
Total deferred tax		19		5
		<hr/>		<hr/>
Total tax		1,312		928
		<hr/>		<hr/>

	£000	2016 £000	£000	2015 8 months £000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	1,293	19	1,312	923	5	928
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Taxation (continued)

Reconciliation of effective tax rate

	2016	2015 8 months
	£000	£000
Profit for the year	3,396	2,357
Total tax expense	1,312	928
Profit excluding taxation	4,708	3,285
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	942	665
Non-allowable expenses	271	182
Adjustment in tax rate on deferred tax balances	4	10
Non-deductible expenses	7	4
Adjustments in respect of previous years	3	10
Fixed asset differences	85	57
Total tax expense included in profit or loss	1,312	928

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 31 December 2016 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge and deferred tax liability accordingly.

11 Intangible assets and goodwill

<i>Group</i>	Goodwill £000	Customer relationships £000	Total £000
Cost			
Balance beginning and end of the year	27,842	17,217	45,059
Amortisation and impairment			
Balance at 1 January 2016	554	320	874
Amortisation for the year	851	492	1,343
Balance at 31 December 2016	1,405	812	2,217
Net book value			
Balance at 1 January 2016	27,288	16,897	44,185
Balance at 31 December 2016	26,437	16,405	42,842

Notes (continued)

11 Intangible assets and goodwill (continued)

Amortisation and impairment charge

The amortisation figure in the profit & loss account includes the above £851,000 in respect of goodwill, the £492,000 in respect of customer relationships and £76,000 in relation to the amortisation of professional fees associated with the bank loan. The balance on these fees after amortisation is £252,000 and is shown within other debtors. This amount is being amortised over the life of the loan which is 5 years.

12 Tangible fixed assets

<i>Group</i>	Leasehold improvements £000	Plant and equipment £000	Fixtures & fittings £000	Commercial vehicles £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 January 2016	1,096	253	1,201	2,499	201	5,250
Other acquisitions	613	75	455	311	1,758	3,212
Disposals	-	-	-	(615)	(30)	(645)
Balance at 31 December 2016	1,709	328	1,656	2,195	1,929	7,817
Depreciation and impairment						
Balance at 1 January 2016	267	61	324	270	43	965
Depreciation charge for the year	425	82	525	938	171	2,141
Disposals	-	-	-	(615)	(30)	(645)
Balance at 31 December 2016	692	143	849	593	184	2,461
Net book value						
At 1 January 2016	829	192	877	2,229	158	4,285
At 31 December 2016	1,017	185	807	1,602	1,745	5,356

At the year end the net carrying amount of tangible fixed assets leased under a finance lease was £1,602,000.

Notes (continued)

13 Fixed asset investments

<i>Company</i>	Shares in group undertakings £000
Cost	
At beginning of year	49,915
Additions	-
	<hr/>
At end of year	49,915
	<hr/>
Provisions	
At beginning and end of year	-
	<hr/>
Net book value	
At 31 December 2016	49,915
	<hr/>
At 31 December 2015	49,915
	<hr/>

The Company has the following investments in subsidiaries:

Subsidiary undertakings	Registered office address	Class of shares held	Ownership 2016 %	Ownership 2015 %
Siddall Medequip Limited	Summit Centre, Skyport Drive, Harmondsworth, UB7 0LJ	Ordinary	100	100
Siddall Group Limited	Summit Centre, Skyport Drive, Harmondsworth, UB7 0LJ	Ordinary	100	100
Medequip Assistive Technology Limited	Summit Centre, Skyport Drive, Harmondsworth, UB7 0LJ	Ordinary	100	100
Manage at Home Limited (Dormant)	Summit Centre, Skyport Drive, Harmondsworth, UB7 0LJ	Ordinary	100	100

Subsidiary undertakings	Principal activity	Capital and reserves 2016 £'000	Profit for the year 2016 £'000
Siddall Medequip Limited	Holding company	-	-
Siddall Group Limited	Holding company	24	-
Medequip Assistive Technology Limited	Healthcare services	16,168	5,046
Manage at Home Limited (Dormant)	Online healthcare products	(738)	-

14 Stock

<i>Group</i>	2016 £000	2015 £000
Stock	5,194	4,645
	<hr/>	<hr/>

Notes (continued)

15 Debtors

	Group 2016 £000	Company 2016 £000	Group 2015 £000	Company 2015 £000
Trade debtors	13,401	-	12,637	-
Amounts owed by related undertakings	1	-	1	-
Other debtors	328	327	402	402
Deferred tax assets (see note 21)	104	-	123	-
Prepayments and accrued income	1,541	-	1,352	-
	<u>15,375</u>	<u>327</u>	<u>14,515</u>	<u>402</u>
Due within one year	15,198	150	14,623	150
Due after more than one year	177	177	252	252
	<u>15,375</u>	<u>327</u>	<u>14,515</u>	<u>402</u>

16 Cash and cash equivalents/bank overdrafts

Group	2016 £000	2015 £000
Cash at bank and in hand	-	-
Bank overdrafts	(1,632)	(314)
Cash and cash equivalents per cash flow statements	<u>(1,632)</u>	<u>(314)</u>

17 Creditors: amounts falling due within one year

	Group 2016 £000	Company 2016 £000	Group 2015 £000	Company 2015 £000
Bank loans and overdrafts (see note 19)	1,632	-	314	-
Obligations under finance leases (see note 20)	717	-	967	-
Trade creditors	9,780	-	9,125	-
Amounts owed to related undertakings	2,267	-	2,319	-
Corporation tax	700	-	1,073	-
Other taxation and social security	1,833	-	1,293	-
Accruals and deferred income	2,617	-	1,668	-
Interest payable	8	8	17	17
	<u>19,554</u>	<u>8</u>	<u>16,776</u>	<u>17</u>

Notes (continued)

18 Creditors: amounts falling after more than one year

	Group 2016 £000	Company 2016 £000	Group 2015 £000	Company 2015 £000
Bank loans and overdrafts (see note 19)	8,600	8,600	12,600	12,600
Obligations under finance leases (see note 20)	885	-	1,262	-
Amounts owed to related undertakings	1,379	-	2,039	-
Amounts owed to group undertakings	-	9,638	-	5,390
	<u>10,864</u>	<u>18,238</u>	<u>15,901</u>	<u>17,990</u>

19 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2016 £000	Company 2016 £000	Group 2015 £000	Company 2015 £000
Creditors falling due more than one year				
Secured bank loans	8,600	8,600	12,600	12,600
Finance lease liabilities – commercial vehicles	885	-	1,262	-
Loan with a related undertaking	1,379	-	2,039	-
	<u>10,864</u>	<u>8,600</u>	<u>15,901</u>	<u>12,600</u>
Creditors falling due within less than one year				
Secured bank loans	1,632	-	314	-
Finance lease liabilities – commercial vehicles	717	-	967	-
Loan with a company which the entity has a participating interest	660	-	660	-
	<u>3,009</u>	<u>-</u>	<u>1,941</u>	<u>-</u>

The secured bank loan, which includes the overdraft, is a revolving credit facility of £19.25m. The loan was taken out on 8th May 2015 and has a five year life and is secured on the assets of the Group. The loan with the related undertaking is repayable at £660k per annum.

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Revolving credit facility loan	£	See below	2020	See below	8,600	12,600
Loan with a related undertaking	£	10%	2020	£55k/month	2,039	2,699
Bank overdraft	£	See below	On demand	See below	1,632	314
Finance lease liabilities	£	2.5%	Various	Over 5 years	1,602	2,229
					<u>13,873</u>	<u>17,842</u>

Notes (continued)

19 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule (continued)

Company	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Revolving Credit Facility Loan	£	See below	2020	See below	8,600	12,600

The interest rate on the revolving credit facility amount outstanding is based on the LIBOR rate plus a margin. The margin varies from 1.05% to 1.55% depending on certain financial ratios. The non-utilised loan amount attracts a charge equivalent to 40% of the relevant margin percentage. This revolving credit facility is flexible enabling the business to borrow up to £19.25m (including any overdraft amounts) as long as certain covenant criteria are adhered to. This facility is available to the business until 7 May 2020. The business has an overdraft facility of up to £2.0m and this overdraft attracts the same interest rate as main revolving credit facility loan.

20 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments	
	2016 £000	2015 £000
Less than one year	717	967
Between one and five years	885	1,262
	<u>1,602</u>	<u>2,229</u>

Notes (continued)

21 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2016 £000	2015 £000
Decelerated capital allowances	1	20
Other timing differences	103	103
	<hr/>	<hr/>
Net tax assets	104	123
	<hr/> <hr/>	<hr/> <hr/>

22 Employee benefits

Defined contribution plans

Group

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £588,000 (8 m/e 31 Dec 2015: £325,000).

23 Capital and reserves

Statement of movement on reserves

	Ordinary shares £000	Preferred ordinary shares £000	Profit & loss account £000
At 1 January 2016	375	32,221	2,357
Profit for the year	-	-	3,396
	<hr/>	<hr/>	<hr/>
At 31 December 2016	375	32,221	5,753
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

23 Capital and reserves (continued)

Share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
150,000 A ordinary shares at £1 each – allotted, called up and fully paid	150	150
150,000 B ordinary shares at £1 each – allotted, called up and fully paid	150	150
75,000 B ordinary shares at £1 each – unpaid	75	75
	<hr/>	<hr/>
Called up share capital – Ordinary shares	375	375
	<hr/>	<hr/>
32,221,000 10% preference shares of £0.00001 each	-	-
32,221,000 10 % preference shares premium at £0.99999 each	32,221	32,221
	<hr/>	<hr/>
Preferred ordinary shares	32,221	32,221
	<hr/>	<hr/>
Shares classified in shareholders' funds	32,596	32,596
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The A and B ordinary shares are identical in all aspects other than the A ordinary shares have preferential pre-emption rights.

The 32,221,000 preference shares were each allotted at a nominal value of £0.00001 with a premium of £0.99999 and are redeemable at the option of the Company. The holders of preference shares are not entitled to receive dividends and are not entitled to vote at meetings of the Company. They carry a cumulative 10% coupon which only becomes payable on redemption. They are entitled to receive 75% of the increase in equity value on a future sale.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Property 2016 £000	Other 2016 £000	Property 2015 £000	Other 2015 £000
Less than one year	961	61	562	4
Between one and five years	2,513	63	1,503	143
More than five years	303	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,777	124	2,065	147
	<hr/>	<hr/>	<hr/>	<hr/>

During the year £1,384,000 (8 me 31 Dec 2015 - £829,000) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

25 Contingent liabilities

The company, in conjunction with Sidhil Group Limited, is part of a group banking facility and as such has guaranteed payment to the bank on demand, of all present, future, actual or contingent liabilities and those of its fellow subsidiary companies within the Medequip Group Limited group of companies. The net amount outstanding at 31 December 2016 by Medequip Group Limited was £10,232,000 (2015: £12,914,000). Sidhil Group Limited was released from its obligations in the group banking facility agreement on 6 January 2017 under the terms of an Amendment and Restatement Agreement with Lloyds Bank plc.

26 Related parties

Sidhil Limited

A J Siddall, P R Siddall, J A Firth, C P Siddall, J C Siddall, M E Ellison, D Griffiths and J Ibbotson are all directors of Sidhil Limited at the year end. During the year purchases from Sidhil Limited were £6,205,000 (8 m/e 31 Dec 2015: £3,481,000) and sales made to this company were £nil (8 m/e 31 Dec 2015: £1,000). At 31 December 2016 £1,379,000 (2015: £1,425,000) is included in amounts owed to related undertakings as an amount owed to Sidhil Limited.

Siddall & Hilton Limited

During the year management charges of £209,000 (8 m/e 31 Dec 2015: £138,000) were paid to Siddall & Hilton Limited, a company of which A J Siddall, P R Siddall, J A Firth, C P Siddall and J C Siddall are all directors. The company has a long term loan with Siddall & Hilton Limited. The balance on the loan at 31 December 2016 was £2,039,000 (2015: £2,699,000) and interest of £240,000 (8 m/e 31 Dec 2015: £198,000) was payable in the year. The loan is repayable in monthly instalments of £55,000 and carries interest at 10%. At 31 December 2016 £104,000 (2015: £111,000) is included in amounts owed to related undertakings as an amount owed to Siddall & Hilton Limited.

Siddall Group A Limited

J A Firth, C P Siddall, J C Siddall and P R Siddall are directors of Siddall Group A Limited. Amount owed to Siddall Group A Limited at 31 December 2016 was £20,000 (2015: £20,000) and is included in amounts owed to related undertakings.

Creative Software Solutions (Europe) Limited

J P Cockcroft is a director of Creative Software Solutions (Europe) Limited. During the year purchases from Creative Software Solutions (Europe) Limited were £1,483,000 (8 m/e 31 Dec 2015: £773,000). At 31 December 2016 £104,000 (2015: £103,000) is included in amounts owed to related undertakings as an amount owed to Creative Software Solutions (Europe) Limited.

Kinetic Media (Europe) Limited

J P Cockcroft is a director of Kinetic Media (Europe) Limited. During the year purchases from Kinetic Media (Europe) Limited were £50,000 (8 m/e 31 Dec 2015: £23,000). At 31 December 2016 £nil (2015: £nil) is included in amounts owed to related undertakings as an amount owed to Kinetic Media (Europe) Limited.

27 Ultimate parent company and parent company of larger group

This is the ultimate parent company of the group.