

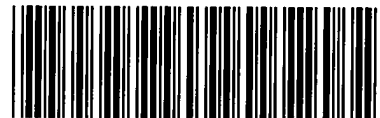
Medequip Group Limited

**Strategic Report, Directors' Report and
consolidated Financial Statements**

Registered number 09553385

For the year ended 31 December 2017

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Strategic Report

Principal activities

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 £159,933,000 (2016: £149,316,000) with an operating profit before amortisation of intangibles of £7,177,000 (2016: £6,651,000). The Company paid no dividends during the year (2016: £nil). Net assets increased by £3,946,000 (10.3%).

Key performance indicators

	2017	2016
Return on turnover	4.5%	4.5%

Return on turnover is the percentage of operating profit before amortisation of intangible assets and amortisation of debt arrangement fees 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 principal risks and uncertainties

The principal 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.

Strategic Report *(continued)*

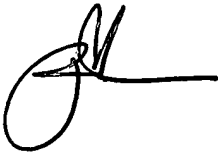
Future developments

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



J Ibbotson
Director

22nd May 2018

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

Directors' Report

The directors present their Directors' report and Financial Statements for the year ended 31 December 2017.

Dividends

The directors do not recommend the payment of a dividend (2016: £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
M Greenwood (appointed 27 April 2018)

Employees

Details of the number of employees and related costs can be found in note 5 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 through both formal and informal, periodic 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 the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; 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

J Ibbotson
Director

22nd May 2018



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 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 year. 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are 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, and 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 members of Medequip Group Limited

Opinion

We have audited the Financial Statements of Medequip Group Limited ("the company") for the year ended 31 December 2017 which comprise the consolidated profit and loss account and other comprehensive income, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated cash flow statement and related notes, including the accounting policies in note 1.

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 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the Financial Statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; 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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; 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; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

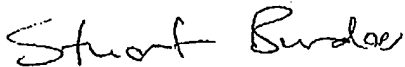
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

Date: 29.05.18

Consolidated Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	2	159,933	149,316
Cost of sales		(143,257)	(133,759)
Gross profit		16,676	15,557
Administrative expenses		(9,552)	(8,918)
Other operating income	3	53	12
Group operating profit before amortisation of intangible assets and debt arrangement fees		7,177	6,651
Amortisation	4	(1,418)	(1,419)
Group operating profit		5,759	5,232
Share of profit in associate	11	9	-
Amortisation of goodwill arising on acquisition of associate	11	(7)	-
Profit before interest and taxation		5,761	5,232
Interest payable and similar charges	7	(430)	(524)
Profit before taxation		5,331	4,708
Tax on profit	8	(1,385)	(1,312)
Profit for the year		3,946	3,396

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 12 to 27 form part of these Financial Statements.

Consolidated Balance Sheet at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
<i>Intangible assets</i>			
Goodwill		25,585	26,437
Other Intangibles		15,913	16,405
	9	41,498	42,842
<i>Tangible assets</i>	10	6,219	5,356
Investment in associate	11	874	-
		48,591	48,198
Current assets			
Stock	12	5,434	5,194
Debtors (including £102,000 due after more than one year (2016: £177,000))	13	15,099	15,375
Cash at bank and in hand	14	682	-
		21,215	20,569
Creditors: amounts falling due within one year	15	(18,686)	(19,554)
Net current assets		2,529	1,015
Total assets less current liabilities		51,120	49,213
Creditors: amounts falling due after more than one year	16	(8,825)	(10,864)
Net assets		42,295	38,349
Capital and reserves			
Ordinary share capital	21	375	375
Preferred ordinary share capital	21	32,221	32,221
Profit and loss account		9,699	5,753
Shareholders' funds		42,295	38,349

The notes on page 12 to 27 form part of these Financial Statements.

These Financial Statements were approved by the board of directors on 22nd May 2018 and were signed on its behalf by:



M Greenwood
Director
Registered number 09553385

Company Balance Sheet

at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments	11	50,787	49,915
Current assets			
Debtors (including £102,000 due after more than one year (2016: £177,000))	13	492	327
Creditors: amounts falling due within one year	15	(9)	(8)
Net current assets		483	319
Total assets less current liabilities		51,270	50,234
Creditors: amounts falling due after more than one year	16	(19,505)	(18,238)
Net assets		31,765	31,996
Capital and reserves			
Ordinary share capital	21	375	375
Preferred ordinary share capital	21	32,221	32,221
Profit and loss account		(831)	(600)
Shareholders' funds		31,765	31,996

The notes on page 12 to 27 form part of these Financial Statements.

These Financial Statements were approved by the board of directors on 22nd May 2018 and were signed on its behalf by:



M Greenwood
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 1 January 2016	375	32,221	2,357	34,953
Total comprehensive income for the year				
Profit	-	-	3,396	3,396
Total comprehensive income for the year	-	-	3,396	3,396
Balance at 31 December 2016	375	32,221	5,753	38,349
Total comprehensive income for the year				
Profit	-	-	3,946	3,946
Total comprehensive income for the year	-	-	3,946	3,946
Balance at 31 December 2017	375	32,221	9,699	42,295

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 1 January 2016	375	32,221	(286)	32,310
Total comprehensive income for the year				
Loss	-	-	(314)	(314)
Total comprehensive income for the year	-	-	(314)	(314)
Balance at 31 December 2016	375	32,221	(600)	31,996
Total comprehensive income for the year				
Loss	-	-	(231)	(231)
Total comprehensive income for the year	-	-	(231)	(231)
Balance at 31 December 2017	375	32,221	(831)	31,765

Consolidated Cash Flow Statement

for the year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		3,946	3,396
Adjustments for:			
Depreciation	4	2,363	2,141
Amortisation of goodwill and debt fees	4	1,418	1,419
Interest payable and similar charges	7	430	524
Gain on sale of tangible fixed assets	3	(53)	(12)
Share of profit in associate less goodwill		(2)	-
Taxation	8	1,385	1,312
		<hr/> 9,487	<hr/> 8,780
Decrease in trade and other debtors		449	(954)
Increase in stock	12	(239)	(549)
Increase in trade and other creditors		271	2,092
		<hr/>	<hr/>
Net cash from operating activities before tax and interest		9,968	9,369
Interest paid	7	(429)	(533)
Tax paid		(1,440)	(1,667)
		<hr/>	<hr/>
Net cash from operating activities		8,099	7,169
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		1,645	12
Acquisition of tangible fixed assets	10	(4,817)	(3,212)
Acquisition of an associate company	11	(872)	-
		<hr/>	<hr/>
Net cash from investing activities		(4,044)	(3,200)
		<hr/>	<hr/>
Cash flows from financing activities			
Repayment to related undertaking borrowings	17	(660)	(660)
Repayments of bank loan	17	(3,400)	(4,000)
Proceeds from / (Repayment of) finance leases	17	2,559	(627)
Loan to Employee Benefit Trust		(240)	-
		<hr/>	<hr/>
Net cash from financing activities		(1,741)	(5,287)
		<hr/>	<hr/>
Increase / (Decrease) in cash and cash equivalents		2,314	(1,318)
Opening cash and cash equivalents at 1 January		(1,632)	(314)
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	14	682	(1,632)
		<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*"). 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 years presented in these Financial Statements.

1.01 Measurement convention

The Financial Statements are prepared on the historical cost basis.

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 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

The consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings and are made up to 31 December 2017.

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 control commences until the date 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.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

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

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group Financial Statements, associates are accounted for using the equity method. In the parent company Financial Statements investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.04 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 interest 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 the profit and loss account. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in the profit and loss account. Other investments are measured at cost less impairment in the profit and loss account.

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.

1.05 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 the profit and loss account 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.

Notes (continued)

1 Accounting policies (continued)

1.06 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 1.13 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 the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.07 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, the type of services likely to be required for the market place, 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.

1.08 Stock

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.09 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.

1.10 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 year during which services are rendered by employees.

1.11 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.

1.12 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 year has been derived from its principal activity wholly undertaken in the United Kingdom.

1.13 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 the profit and loss account over the term of the lease as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

1.13 Expenses (continued)

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 year 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 year 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 the profit and loss account using the effective interest method, and unwinding of the discount on provisions.

Interest income and interest payable are recognised in the profit and loss account 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.

1.14 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 years different from those in which they are recognised in the financial statements. Differences between accumulated depreciation and tax allowances for the cost of a fixed asset shall give rise to the recognition of deferred tax; the deferred tax shall be reversed if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising where 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 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 Turnover

	2017	2016
	£000	£000
Sale of goods	127,840	122,197
Rendering of services	32,093	27,119
	<hr/>	<hr/>
Total turnover	159,933	149,316
	<hr/>	<hr/>

3 Other operating income

	2017	2016
	£000	£000
Net gain on disposal of tangible fixed assets	53	12
	<hr/>	<hr/>

4 Expenses and auditor's remuneration

Included in profit are the following:

	2017	2016
	£000	£000
Depreciation written off tangible assets	2,363	2,141
Amortisation of intangible assets	1,344	1,343
Amortisation of transaction fees associated with arrangement of debt	74	76
Operating lease rentals	1,616	1,384
	<hr/>	<hr/>

Auditor's remuneration:

	2017	2016
	£000	£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	49
Taxation compliance services	9	12
Other services	12	10
	<hr/>	<hr/>

Notes (continued)

5 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	
	2017	2016
Direct operating staff	616	559
Direct operating staff – operations management	24	19
Administration & directors	63	53
	<hr/>	<hr/>
	703	631
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	16,965	15,227
Social security costs	1,642	1,423
Contributions to defined contribution plans	713	588
	<hr/>	<hr/>
	19,320	17,238
	<hr/>	<hr/>

6 Directors' remuneration

	2017	2016
	£000	£000
Directors' remuneration	738	551
Company contributions to money purchase pension plans	36	29
Amounts paid to third parties in respect of directors' services	209	205
	<hr/>	<hr/>
	983	785
	<hr/>	<hr/>

The aggregate remuneration and amounts receivable under long term incentive schemes of the highest paid director was £199,000 (2016: £185,000) and company pension scheme contributions of £9,000 (2016: £10,000) were made to a money purchase scheme on his behalf.

Directors' remuneration in relation to P R Siddall, A J Siddall, J C Siddall, J A Firth and C P Siddall is borne by Siddall & Hilton Limited, a related party of the Company. A recharge of £213,000 (2016: £209,000) was made for services provided to the Company by these directors.

In the current year two directors (2016: nil) received remuneration from a related undertaking in recognition of their services to the Group.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	5	4
	<hr/>	<hr/>

Notes (continued)

7 Interest payable and similar charges

	2017 £000	2016 £000
On bank loans and overdrafts	168	235
Finance lease interest	88	49
Interest payable to related party	174	240
	<hr/>	<hr/>
Total interest payable and similar charges	430	524
	<hr/> <hr/>	<hr/> <hr/>

8 Taxation

Total tax expense recognised in the profit and loss account

	2017 £000	£000	2016 £000	£000
<i>Current tax</i>				
Current tax on income for the year	1,415		1,289	
Adjustments in respect of prior years	(21)		4	
	<hr/>		<hr/>	
Total current tax		1,394		1,293
<i>Deferred tax (see note 19)</i>				
Origination and reversal of timing differences	(28)		13	
Effect of tax rate change on opening balance	19		(1)	
Adjustments in respect of prior years	-		7	
	<hr/>		<hr/>	
Total deferred tax		(9)		19
		<hr/>		<hr/>
Total tax		1,385		1,312
		<hr/> <hr/>		<hr/> <hr/>

	£000	2017 £000	£000	£000	2016 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in the profit and loss account	1,394	(9)	1,385	1,293	19	1,312
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	3,946	3,396
Total tax expense	1,385	1,312
Profit excluding taxation	5,331	4,708
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	1,026	942
Non-allowable expenses	256	271
Adjustment in tax rate on deferred tax balances	4	4
Non-deductible expenses	23	7
Adjustments in respect of previous years	(2)	13
Fixed asset differences	78	85
Total tax expense included in profit or loss	1,385	1,312

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantially enacted on 6 September 2016. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

9 Intangible assets and goodwill

Group

	Goodwill £000	Customer relationships £000	Total £000
Cost			
Balance at the beginning and end of the year	27,842	17,217	45,059
Amortisation and impairment			
Balance at 1 January 2017	1,405	812	2,217
Amortisation for the year	852	492	1,344
Balance at 31 December 2017	2,257	1,304	3,561
Net book value			
Balance at 1 January 2017	26,437	16,405	42,842
Balance at 31 December 2017	25,585	15,913	41,498

Amortisation and impairment charge

The amortisation figure in the profit and loss account includes the above £852,000 in respect of goodwill, the £492,000 in respect of customer relationships and £74,000 in relation to the amortisation of professional fees associated with the bank loan. The balance on these fees after amortisation is £177,000 and is shown within other debtors. This amount is being amortised over the life of the loan which is 5 years.

Notes (continued)

10 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 2017	1,709	328	1,656	2,195	1,929	7,817
Additions	308	175	530	3,759	45	4,817
Disposals	(51)	(53)	(8)	(671)	(1,701)	(2,484)
Balance at 31 December 2017	1,966	450	2,178	5,283	273	10,150
Depreciation and impairment						
Balance at 1 January 2017	692	143	849	593	184	2,461
Depreciation charge for the year	405	90	555	1,200	113	2,363
Disposals	(51)	(53)	(8)	(671)	(110)	(893)
Balance at 31 December 2017	1,046	180	1,396	1,122	187	3,931
Net book value						
At 1 January 2017	1,017	185	807	1,602	1,745	5,356
At 31 December 2017	920	270	782	4,161	86	6,219

At the year end the net carrying amount of tangible fixed assets leased under a finance lease was £4,161,000 (2016: £1,602,000).

11 Fixed asset investments

Fixed asset investments

<i>Group</i>	Share of tangible net assets £000	Goodwill £000	Total £000
Associate			
Acquired in the year	(26)	898	872
Share of profit retained by associate	9	-	9
Goodwill	-	(7)	(7)
	(17)	891	874

The expected useful life stemming from this acquisition is 33 years.

The Group has the following investments in associates:

Associate undertakings	Registered office address	Class of shares held	Ownership 2017 %	Ownership 2016 %
Creative Software Solutions (Europe) Ltd	Unit 3 Parkside Court, Greenhough Road, Lichfield, WS13 7AU	Ordinary	20	-

Notes (continued)

11 Fixed asset investments (continued)

<i>Company</i>	Associate undertakings £000	Subsidiary undertakings £000	Total £000
Cost			
At the beginning of the year	-	49,915	49,915
Additions	872	-	872
	<hr/>	<hr/>	<hr/>
At the end of the year	872	49,915	50,787
	<hr/>	<hr/>	<hr/>
Provisions			
At the beginning and end of the year	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2017	872	49,915	50,787
	<hr/>	<hr/>	<hr/>
At 31 December 2016	-	49,915	49,915
	<hr/>	<hr/>	<hr/>

The Company has the following investments in subsidiaries:

Subsidiary undertakings	Registered office address	Class of shares held	Ownership 2017 %	Ownership 2016 %
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 £'000	Profit for the year £'000
Siddall Medequip Limited	Holding company	-	-
Siddall Group Limited	Holding company	24	-
Medequip Assistive Technology Limited	Healthcare services	21,679	5,511
Manage at Home Limited (Dormant)	Online healthcare products	(738)	-

The Company has the following investments in associates:

Associate undertakings	Registered office address	Class of shares held	Ownership 2017 %	Ownership 2016 %
Creative Software Solutions (Europe) Ltd	Unit 3 Parkside Court, Greenhough Road, Lichfield, WS13 7AU	Ordinary	20	-

Notes (continued)

12 Stock

<i>Group</i>	2017	2016
	£000	£000
Stock	5,434	5,194

13 Debtors

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000	£000	£000	£000
Trade debtors	12,712	-	13,401	-
Amounts owed by related undertakings	240	240	1	-
Other debtors	252	252	328	327
Deferred tax assets (see note 19)	113	-	104	-
Prepayments and accrued income	1,782	-	1,541	-
	15,099	492	15,375	327
Due within one year	14,997	390	15,198	150
Due after more than one year	102	102	177	177
	15,099	492	15,375	327

14 Cash and cash equivalents/bank overdrafts

<i>Group</i>	2017	2016
	£000	£000
Cash at bank and in hand	682	-
Bank overdrafts	-	(1,632)
Cash and cash equivalents as per the cash flow statement	682	(1,632)

15 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000	£000	£000	£000
Bank loans and overdrafts (see note 17)	-	-	1,632	-
Obligations under finance leases (see note 18)	1,255	-	717	-
Trade creditors	11,637	-	9,780	-
Amounts owed to related undertakings	786	-	2,267	-
Corporation tax	654	-	700	-
Other taxation and social security	1,596	-	1,833	-
Accruals and deferred income	2,749	-	2,617	-
Interest payable	9	9	8	8
	18,686	9	19,554	8

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Bank loans and overdrafts (see note 17)	5,200	5,200	8,600	8,600
Obligations under finance leases (see note 18)	2,906	-	885	-
Amounts owed to related undertakings	719	-	1,379	-
Amounts owed to group undertakings	-	14,305	-	9,638
	<u>8,825</u>	<u>19,505</u>	<u>10,864</u>	<u>18,238</u>

17 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 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Creditors falling due after more than one year				
Secured bank loans	5,200	5,200	8,600	8,600
Finance lease liabilities – commercial vehicles	2,906	-	885	-
Loan with a related undertaking	719	-	1,379	-
	<u>8,825</u>	<u>5,200</u>	<u>10,864</u>	<u>8,600</u>
Creditors falling due within less than one year				
Secured bank loans	-	-	1,632	-
Finance lease liabilities – commercial vehicles	1,255	-	717	-
Loan with a related undertaking	660	-	660	-
	<u>1,915</u>	<u>-</u>	<u>3,009</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.

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017 £000	2016 £000
Revolving credit facility loan	£	See below	2020	See below	5,200	8,600
Loan with a related undertaking	£	10%	2020	£55k/month	1,379	2,039
Bank overdraft	£	See below	2020	See below	-	1,632
Finance lease liabilities	£	2.5%	Various	Over 5 years	4,161	1,602
					<u>10,740</u>	<u>13,873</u>

Notes (continued)

17 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule (continued)

Company	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017 £000	2016 £000
Revolving Credit Facility Loan	£	See below	2020	See below	5,200	8,600

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 the main revolving credit facility loan.

18 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments	
	2017 £000	2016 £000
Less than one year	1,255	717
Between one and five years	2,906	885
	<u>4,161</u>	<u>1,602</u>

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 £000	2016 £000
Decelerated capital allowances	18	1
Other timing differences	95	103
	<u>113</u>	<u>104</u>
Net tax assets		

20 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 £713,000 (2016: £588,000).

Notes (continued)

21 Capital and reserves

Share capital

	2017 £000	2016 £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 – allotted, called up and unpaid	75	75
	<hr/>	<hr/>
Called up share capital – Ordinary shares	375	375
	<hr/>	<hr/>
32,221,000 10% preferred ordinary shares of £0.00001 each	-	-
32,221,000 10 % preferred ordinary share 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 A and B 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 preferred ordinary 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 the preferred ordinary 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.

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Property 2017 £000	Other 2017 £000	Property 2016 £000	Other 2016 £000
Less than one year	1,385	101	961	61
Between one and five years	4,587	188	2,513	63
More than five years	561	-	303	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,533	289	3,777	124
	<hr/>	<hr/>	<hr/>	<hr/>

During the year £1,616,000 (2016: £1,384,000) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

23 Contingent liabilities

The Company 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 2017 by Medequip Group Limited was £5,200,000 (2016: £10,232,000). 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.

24 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 were all directors of Sidhil Limited until 6th January 2017. On 6th January 2017 Sidhil Limited ceased to be a related party. During the year purchases from Sidhil Limited as a related party were £nil (2016: £6,205,000). At 31 December 2017 £nil (2016: £1,379,000) is included in amounts owed to related undertakings as an amount owed to Sidhil Limited.

Siddall & Hilton Limited

During the year management charges of £213,000 (2016: £209,000) were paid to Siddall & Hilton Limited, a company of which A J Siddall, P R Siddall, J A Firth, C P Siddall, J C Siddall, A H Siddall and S T Siddall are all directors. The Company has a long term loan with Siddall & Hilton Limited. The balance on the loan at 31 December 2017 was £1,379,000 (2016: £2,039,000) and interest of £174,000 (2016: £240,000) was payable in the year. The loan is repayable in monthly instalments of £55,000 and carries interest at 10%. At 31 December 2017 £nil (2016: £104,000) 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 2017 was £20,000 (2016: £20,000) and is included in amounts owed to related undertakings.

Creative Software Solutions (Europe) Limited

J P Cockcroft and J Ibbotson are directors of Creative Software Solutions (Europe) Limited. During the year purchases from Creative Software Solutions (Europe) Limited were £1,685,000 (2016: £1,483,000). At 31 December 2017 £104,000 (2016: £104,000) 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 £34,000 (2016: £50,000). At 31 December 2017 £2,000 (2016: £nil) is included in amounts owed to related undertakings as an amount owed to Kinetic Media (Europe) Limited.

Medequip Group Limited Employee Benefit Trust

Medequip Group Limited Employee Benefit Trust ("MGLEBT") is a shareholder in Medequip Group Limited. During the year the Company advanced MGLEBT a loan of £240,000.

25 Ultimate parent company and parent company of larger group

The Company is the ultimate parent company of the group.