

Registration number: 10893066

HMC Medical UK Limited

Annual Report and Financial Statements
for the Period ended 31 December 2018

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HMC Medical UK Limited

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HMC Medical UK Limited

Directors and Advisors

Directors	Mr A Bisi Mr G Bisi Mrs T J Macdonald Mr G Masia
Registered office	Unit 2 Rivington View Business Park Station Road Blackrod Bolton Lancashire BL6 5BN
Solicitors	Taylor's Solicitors Ninth Floor 80 Mosley Street Manchester M2 3FX
Bankers	The Royal Bank of Scotland PO Box 320 St Ann Street Manchester M60 2SS
Auditors	Hallidays Statutory Auditor Riverside House Kings Reach Business Park Yew Street Stockport SK4 2HD

HMC Medical UK Limited

Strategic Report for the Period ended 31 December 2018

Principal activities and future developments

The principal activity of HMC Medical UK Limited ("the company") and its subsidiary undertakings as detailed on page 4 ("the group") is the development and distribution of specialist medical equipment. The group's strategy is to provide high quality products at cost effective prices. As such, the group maintains a strict focus on profit margins and continuous product development in order to deliver value to its customers.

The group has operations in the UK, and Hong Kong as well as a network of distributors, which service its international customer base.

HMC Medical UK Limited was incorporated on 1 August 2017. The figures presented for the prior year in this report are for the five months to 31 December 2017.

Business review

Turnover for the twelve months to 31 December 2018 was £7.2m (5 months to 31 December 2017: £1.7m). Export sales during the period increased to 53% of turnover (5 months to 31 December 2017: 44%). The uptake of Medicina's new range of enteral products following the launch of the ISO standard for enteral feeding device connectors has been a significant factor in this growth. This is expected to continue to drive international growth during 2019.

The UK market continues to be challenging as a result of strong competition and the downward pressure on prices into the National Health Service.

The sustained overall reduction in the value of sterling versus the US Dollar and the Euro following the UK referendum decision to leave the EU in 2016 continued to impact gross margin during the period.

Product development and entry into new markets will result in future sales growth in both domestic and international markets.

During the next financial year and beyond, the Directors' focus will be on continuing to increase the company's international customer base; introducing a wider range of products and improving margins.

On 2nd July 2018 Medicina Holdings Limited divested 70% of its shareholding in Medicina France SARL to Voluceo SARL. The divestment will significantly reduce the group's overheads. Medicina France SARL continues to operate as the distributor of the group's products in France.

Significant events after the period end

On 1 July 2019 HMC Medical UK Limited purchased the remaining 25% of the share capital of Medicina Holdings Limited from K Harrison and L Harrison. Following the acquisition K Harrison stepped down as Managing Director of Medicina Holdings Limited and T Macdonald, previously the Finance Director, was appointed Managing Director.

Key performance indicators

The group's key financial and other performance indicators during the period were profit margin, cashflow and stock levels.

	12 months to 31 December 2018	5 months to 31 December 2017
Earnings before interest and amortisation (before exceptional items)	(12.1%)	(31.6%)
Profit/(Loss) before tax %	(13.5%)	122.0%
Cash at bank and in hand	30,360	37,778
Stock	1,931,507	2,744,365

HMC Medical UK Limited

Strategic Report for the Period ended 31 December 2018

(Continued)

Whilst the operating loss before tax (before exceptional items) is significantly improved from the prior financial period, the result reflects the continued pressure on margins and the lower than forecast level of overall growth.

The Directors are confident that the strategy to increase international sales and to continue to introduce new products into the market will result in improved margins moving forward.

During the prior period, the group benefited from exceptional income. As part of the acquisition of the majority shareholding of the group on 28th September 2017 HMC Medical UK Limited acquired the outstanding loan notes and accrued interest on those loan notes. HMC Medical UK Limited subsequently issued a deed of waiver for loan notes loan note interest resulting in exceptional income of £2,707,368.

Review of carrying value of investments and goodwill

The carrying value of the investment in Medicina Holdings Limited is £76. Goodwill arising on the acquisition of Medicina Holdings Limited was £1,088,048. Based on the discounted cash flow forecast and impairment review carried out for the group, the Directors consider that no impairment of the investment or goodwill is required. Goodwill will be amortised over a 10 year period, subject to an ongoing review of potential impairment.

Principal risks and uncertainties

The key risk to the group is the ongoing economic uncertainty resulting from the referendum decision to leave Europe and the potential impact on the regulatory framework for the group's product ranges in the UK and Europe.

Price erosion in the group's primary market, resulting from cost reduction targets in the NHS, continues to represent a risk to the business.

The increased regulatory burden for medical devices including the European Union Medical Device Regulation, which comes into force in 2020, represent an increasing risk to sales through delays to new product introduction. The Directors are satisfied that this risk is mitigated through investment in the quality function to support these requirements.

Foreign currency exchange risk is a significant consideration for the business. Wherever possible the company offsets foreign currency purchases against foreign currency sales. However the Directors recognise that the company is exposed to reduced margins if sterling weakens against the US dollar and Euro.

Financial Instruments

Objectives and policies

The objectives of the group's financial risk management policy are to ensure that the group has sufficient funds to meet its operating aims and to protect profit margins. This is primarily achieved through the maintenance of a wide base of high value clients who represent a low credit risk.

The group did not utilise exchange traded derivatives or over-the-counter derivatives during the period, but it does regularly review its policy with respect to foreign exchange instruments given the international nature of its operations and customer base.

HMC Medical UK Limited

Strategic Report for the Period ended 31 December 2018 (Continued)

Price risk, credit risk, liquidity risk and cash flow risk

The group manages price risk by maintaining a strict focus on profit margins. Credit risk is managed through a wide base of high value customers. Liquidity risk and cash flow risk is managed by proactive credit account management. The group has also secured additional financing to support its working capital requirements. In addition the group has implemented effective stock holding policies to reduce the risk of excess working capital being tied up in inventory.

Approved by the Board on 13/01/2020 and signed on its behalf by:



.....
Mrs T Macdonald
Director

HMC Medical UK Limited
Group Director's Report for the Period ended 31 December 2018

The Directors present their report and the financial statements for the period ended 31 December 2018.

Directors of the company

The Directors who held office during the period were as follows:

Mr A Bisi
Mr G Bisi
Mrs T J Macdonald
Mr G Masia

Principal activity

The principal activity of the company is that of a holding company. At the year end the Company owned 75% of the shares in the following subsidiary undertakings:

Medicina Holdings Limited, UK

The principal activity of the group is the development and distribution of specialist medical equipment.

Principal risks and uncertainties and financial instruments

Information regarding principal risks and uncertainties, financial instruments and the group's policy with respect to the management of risk is provided in the Strategic Report on pages 2-4.

Future development of the group

The group's focus continues to be on the growth of international sales. In particular, the launch of the ENFit™ range of products in key overseas territories is still ongoing and has already generated significant sales abroad.

Significant events during the period

On 2nd July 2018 Medicina Holdings Limited divested 70% of its shareholding in Medicina France SARL to Voluceo SARL.

Medicina France SARL continues to operate as the distributor of Medicina Limited's products in France.

Significant events since the period end

On 1 July 2019 HMC Medical UK Limited purchased the remaining 25% of the share capital of Medicina Holdings Limited from K Harrison and L Harrison. Following the acquisition K Harrison stepped down as Managing Director of Medicina Holdings Limited and T Macdonald, previously the Finance Director, was appointed Managing Director.

Dividends

There were no dividends voted during the period. The Board of Directors recommends that no dividend is paid with respect to the financial period ended 31 December 2018.

HMC Medical UK Limited

Group Director's Report for the Period ended 31 December 2018 (Continued)

Review of carrying value of investments and goodwill

The carrying value of the investment in Medicina Holdings Limited is £76. Goodwill arising on the acquisition of Medicina Holdings Limited was £1,088,048. Based on the discounted cash flow forecast and impairment review carried out for the group, the Directors consider that no impairment of the investment or goodwill is required. Goodwill will be amortised over a 10 year period, subject to an ongoing review of potential impairment.

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 2 to 4.

The group is satisfied that sufficient funds will be available to the business to support its working capital requirements for the foreseeable future.

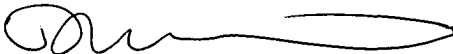
Disclosure of information to the auditor

The directors have taken steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Hallidays as auditor of the group.

Approved by the Board on 13/01/2020 and signed on its behalf by:


.....
Mrs T Macdonald
Director

HMC Medical UK Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website. Legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

HMC Medical UK Limited

Independent Auditor's Report to the Members of the Company

Opinion

We have audited the financial statements of HMC Medical UK Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2018 which comprise the consolidated statement of total comprehensive income, the consolidated and parent statement of financial position, the consolidated and parent statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 2018 and of the group's profit for the period then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Going concern

In forming our opinion on the group's financial statements, which is not modified, we note that the financial statements are prepared on a going concern basis which is dependent on the continued financial support of the parent company as detailed in note 2 and the director's report.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

HMC Medical UK Limited

Independent Auditor's Report to the Members of the Company (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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 or 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of financial statements

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

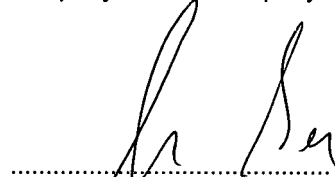
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

HMC Medical UK Limited

Independent Auditor's Report to the Members of the Company (Continued)

Use of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters that 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, or the opinions we have formed.



Anna Bennett (Senior Statutory Auditor)
for and on behalf of Hallidays, Statutory Auditor

Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

Date: 14/01/2020

HMC Medical UK Limited

Consolidated Statement of Total Comprehensive Income for the Period ended 31 December 2018

	Note	12 months to December 2018	5 months to 31 December 2017 £
Turnover	5	7,216,394	1,714,420
Cost of sales		(5,466,022)	(1,493,475)
Gross Profit		1,750,372	220,945
Administrative expenses		(2,623,216)	(762,816)
Operating loss before exceptional items	6	(872,844)	(541,871)
Exceptional items	7	-	2,707,368
Operating profit after exceptional items		(872,844)	2,165,497
Interest receivable and similar income	11	14	2
Interest payable and similar charges	12	(98,028)	(74,179)
Profit on ordinary activities before taxation		(970,858)	2,091,320
Tax on loss/(profit) on ordinary activities	13	241,082	170,211
Profit for the financial year		(729,776)	2,261,531
Other comprehensive income			
Foreign currency translation differences		(30,604)	(55,067)
Total comprehensive income		(760,380)	2,206,464
Profit for the financial period attributable to:			
Owners of the parent		(553,172)	1,703,614
Non-controlling interests		(176,604)	557,917
Total comprehensive income for the period attributable to:			
Owners of the parent		(576,246)	1,662,094
Non-controlling interests		(184,134)	544,370

Turnover and operating profit derive wholly from continuing operations.

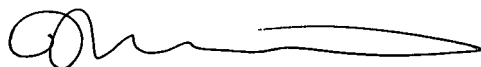
The notes on pages 17 to 37 form an integral part of these financial statements.

HMC Medical UK Limited

Consolidated Statement of Financial Position at 31 December 2018

	Note	12 months to December 2018 £	5 months to 31 December 2017 £
Fixed assets			
Intangible assets	14,17	952,044	1,060,848
Tangible assets	15	417,053	613,012
		1,369,097	613,012
Current assets			
Stocks	18	1,931,507	2,744,365
Debtors	19	3,626,777	3,142,886
Cash at bank and in hand		30,360	37,778
		5,588,644	5,925,029
Assets falling due after more than one year			
Deferred tax	20	992,413	751,331
Total assets		7,950,154	8,350,220
Creditors: Amounts falling due within one year	21	(2,839,172)	(5,198,669)
Net current assets		2,749,472	726,360
Total assets less current liabilities		5,110,982	3,132,598
Creditors: Amounts falling due after more than one year	22	(3,519,811)	(800,000)
Provision for liabilities	23	-	-
Net assets		1,591,171	2,351,551
Capital assets and reserves			
Called up share capital	25	500,077	500,077
Foreign exchange translation reserve		(64,595)	(41,520)
Profit and loss account		1,150,442	1,703,614
		1,585,924	2,147,881
Non-controlling interests		5,247	189,380
		1,591,171	2,351,551

Approved and authorised for issue by the Board on 13/01/2020 and signed on its behalf by:



Mrs T Macdonald
Director

The notes on pages 17 to 37 form an integral part of these financial statements.

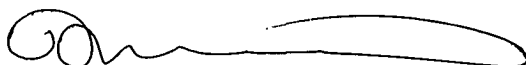
HMC Medical UK Limited
(Registration number: 07596474)
Company Statement of Financial Position at 31 December 2018

	Note	12 months to December 2018 £	5 months to 31 December 2017 £
Fixed assets			
Investments	16	76	76
		<u>76</u>	<u>76</u>
Current assets			
Debtors falling due within one year	19	261,577	2,344,206
Cash at bank and in hand		-	-
		<u>261,577</u>	<u>2,344,206</u>
Debtors: Amounts falling due after one year	20	4,224,082	2,150,000
Total Assets		4,485,735	4,494,282
Creditors: Amounts falling due within one year	21	(484,054)	(3,200,495)
Net current liabilities		<u>(222,477)</u>	<u>(856,289)</u>
Total assets less current liabilities		4,001,681	1,293,863
Creditors: Amounts falling due after more than one year	22	(3,519,811)	(800,000)
Net assets		481,870	493,863
Capital assets and reserves			
Called up share capital	25	500,077	500,077
Profit and loss account		<u>(18,207)</u>	<u>(6,290)</u>
Shareholder's funds		481,870	493,863

The loss for the period for the Company was £11,917.

The Company has relied upon the exemption conferred by s408 Companies Act 2006.

Approved and authorised for issue by the Board on 13/01/2020 and signed on its behalf by:



.....
Mrs T Macdonald
Director

The notes on pages 17 to 37 form an integral part of these financial statements.

HMC Medical UK Limited
Consolidated Statement of Changes in Equity for the Period ended 31 December 2018

	Called Up Share Capital	Share Premium Account	Foreign exchange translation reserve	Profit & Loss Account	Non- controlling interests	Total
	£	£	£	£	£	£
At 1 August 2017	1	-	-	-	-	1
Loss for the year	-	-	-	1,703,614	557,917	2,261,531
Other comprehensive income						
<i>Foreign exchange translation reserve</i>	-	-	(41,520)	-	(13,547)	(55,067)
Total comprehensive income for the year	-	-	(41,520)	1,703,614	544,370	2,206,464
Issue of shares	500,076	-	-	-	-	500,076
Non-controlling interests arising on business combination	-	-	-	-	(354,990)	(354,990)
Dividends paid	-	-	-	-	-	-
At 31 December 2017	500,077	-	(41,520)	1,703,614	189,380	2,351,551
Loss for the year	-	-	-	(553,172)	(176,604)	(729,776)
Other comprehensive income						
<i>Foreign exchange translation reserve</i>	-	-	(23,075)	-	(7,529)	(30,604)
Total comprehensive income for the year	-	-	-	(553,172)	(184,133)	(760,380)
Issue of shares	-	-	-	-	-	-
Non-controlling interests arising on business combination	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
At 31 December 2018	500,077	-	(64,595)	1,150,442	5,247	1,591,171

The notes on pages 17 to 37 form an integral part of these financial statements.

HMC Medical UK Limited

Company Statement of Changes in Equity for the Period ended 31 December 2018

<i>Company</i>	Called Up Share Capital £	Share Premium Account £	Profit & Loss Account £	Total £
At 1 August 2017	1	-	-	1
Loss for the period	-	-	(6,290)	(6,290)
Other comprehensive income				
<i>Foreign exchange translation reserve</i>	-	-	-	-
Total comprehensive income for the year	-	-	(6,290)	(6,290)
Issue of shares	500,076	-	-	500,076
Dividends paid	-	-	-	-
At 31 December 2017	500,077	-	(6,290)	493,787
Loss for the period	-	-	(11,917)	(11,917)
Other comprehensive income				
<i>Foreign exchange translation reserve</i>	-	-	-	-
Total comprehensive income for the year	-	-	(11,917)	(11,917)
Issue of shares	-	-	-	-
Dividends paid	-	-	-	-
At 31 December 2018	500,077	-	(18,207)	481,870

The notes on pages 17 to 37 form an integral part of these financial statements.

HMC Medical UK Limited

Consolidated Statement of Cash Flows for the Period ended 31 December 2018

	12 months to 31 December 2018 £	5 months to 31 December 2017 £
Cash flows from operating activities		
Profit/(Loss) for the period	(729,775)	2,261,531
Adjustments for:		
Amortisation of intangible assets	108,805	27,199
Depreciation of tangible assets	180,357	47,632
(Profit)/loss on sale of tangible assets	(4,776)	-
Interest paid	98,028	74,179
Interest received	(14)	(2)
Taxation	(241,082)	(170,211)
Exceptional credit arising from restructuring	0	(2,707,368)
Increase in stocks, net of stock acquired	713,941	(12,544)
Increase in debtors, net of debtors acquired	(504,031)	(442,286)
Decrease in creditors, net of creditors acquired	117,539	(25,838)
Cash from operations	(261,008)	(1,965,541)
Income taxes paid	-	-
Net cash outflow generated from operating activities	(261,008)	(1,965,541)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	47,949
Purchase of Medicina Holdings Limited Loan Notes	-	(500,000)
Divestment of subsidiary, net of cash divested	(89,984)	-
Purchases of tangible assets	(10,325)	(31,358)
Proceeds from sale of tangible assets	28,942	-
Interest received	2	2
Net cash outflow from investing activities	(71,353)	(483,587)
Cash flows from financing activities		
Issue of share capital	-	500,077
Decrease in overdraft facility, net of overdraft acquired	547,185	(309,612)
Interest paid	(45,403)	(10,704)
Net working capital loan from parent company	797,757	2,333,957
Repayment of loan note obligations	(850,000)	-
Repayment of finance lease obligations	(30,229)	(2,320)
Net cash flow from financing activities	419,310	2,511,398
Net increase/(decrease) in cash and cash equivalents	86,949	62,720
Foreign exchange translation adjustment	(94,367)	(24,492)
Cash and cash equivalents at the beginning of the period	37,778	-
Cash and cash equivalents at the end of the period	30,360	37,778

The notes on pages 17 to 37 form an integral part of these financial statements.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018

1 Company Information

HMC Medical UK Limited is a private limited company, incorporated in England and Wales with its registered office at Unit 2, Rivington View Business Park, Station Road, Blackrod, Bolton, BL6 5BN.

2 Basis of preparation

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard FRS 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (“FRS 102”)” and with the Companies Act 2006. The financial statements have been prepared under the historical cost accounting rules.

The financial statements are presented in Sterling (£).

Basis of consolidation

The group financial statements consolidate the financial statements of HMC Medical UK Limited and all its subsidiary undertakings drawn up to 31 December each year.

Subsidiary undertakings are included using the purchase method of accounting. Under this method the group profit and loss account and statement of cash flows include the results and cash flows of subsidiaries from the date of acquisition and to the date of sale outside the group, in the case of disposals of subsidiaries.

The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's profit for the five months to 31 December 2018 was £6,290.

The individual accounts of Medicina Holdings Limited have also adopted the following disclosure exemptions:

1. the requirement to present a statement of cash flows and related notes
2. financial instrument disclosures, including:
 - a. categories of financial instruments,
 - b. items of income, expenses, gains or losses relating to financial instruments, and
 - c. exposure to and management of financial risks.

Going concern

The financial statements have been prepared on a going concern basis.

HMC Premedical S.p.A advanced working capital loans totalling £2.3m to HMC Medical UK Limited during the period and a further £0.9m since the year end. HMC Premedical S.p.A. has confirmed that it will continue to provide working capital support to the group during the next twelve months. The directors are satisfied that sufficient funds will be available to the business to support its working capital requirements for the foreseeable future.

3 Significant judgements and estimates

Preparation of the financial accounts requires the Directors to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

Stock

Stock is valued at the lower of cost and net realisable value. In determining the net realisable value, the Directors have to make certain assumptions about the realisable value of stock when it is nearing the end of its shelf-life, or when stock is slow moving and may become redundant due to regulatory changes. The management uses its knowledge of the market, past discounts and upcoming regulatory changes to arrive at a judgement of the net realisable value such items.

The carrying value of stock and goods in transit at the end of the period was £1,931,507 (31 December 2017: £2,744,365). Provisions for the difference between cost and net realisable stock value at the end of the period, included in the value of stock totalled £622,053 (31 December 2017: £699,733).

Tangible fixed assets

Under certain circumstances the estimated useful life of an asset may differ from the estimated useful economic life of the asset class to which it belongs. This may be the case where a new regulatory standard is introduced. The cost to purchase the equivalent asset may be higher than the carrying value of the asset, but its useful economic life is reduced. Where this is the case the management must make assumptions about the useful life of those assets based on its understanding of when the new standards will take effect and be fully implemented across all affected markets.

The carrying value of plant and machinery with a lower estimated useful economic life at the end of the period was £0.

Goodwill and investments in subsidiaries.

Goodwill arising on the acquisition of Medicina Holdings Limited is £952,044. This is amortised over 10 years.

The carrying value of the investment in Medicina Holdings Limited is £76. This is capitalised and classified as an asset on the balance sheet of the company. It is reviewed for impairment at the end of the first financial period and annually thereafter.

Based on the discounted cash flow forecast and impairment review carried out for the group, the Directors consider that no impairment of the investment or goodwill is required for the period ended 31 December 2018.

4 Principal accounting policies

Exceptional items

The group considers exceptional items to be those which derive from events or transactions which are significant for separate disclosure by virtue of their size or incidence in order for the user to obtain a proper understanding of the group's performance.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments in associates

Investments in associates are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the associate, less any impairment.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate.

Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

Investments in associates are accounted for at cost less impairment in the individual financial statements.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life, not exceeding 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

- Software development costs 5 years
- Goodwill 10 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefitted.

Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are detailed below:

Asset class	Depreciation method and rate
Plant and Machinery	20% per annum
Motor Vehicles	20% per annum
Office Equipment	20% per annum
Leasehold Improvements	Over the life of the lease
Plant and Machinery under Construction	Not depreciated

Plant and machinery under construction is not yet commissioned. Assets will be re-classified as Plant and Machinery and depreciated at 20% per annum following commission.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments

Investments comprise investments in unquoted equity instruments which are measured at fair value. Changes in fair value are recognised in profit or loss. Fair value is estimated by using a valuation technique.

During the period, and during the previous period the group had no investments other than investments in subsidiaries.

Stocks

Stock are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Derivative financial instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative. During the period, and during the preceding period the group held no derivative financial instruments.

Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Turnover

Turnover represents net invoiced sale of goods, excluding value added tax. Income is recognised at the point when goods are dispatched from the warehouse or available for collection from the warehouse if the customer is responsible for collection. A provision for retrospective discounts is made when turnover is recognised.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Foreign currency translation

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Research and development

Research and development expenditure is written off as incurred.

5 Turnover

An analysis of turnover by geographical location is given below:

	12 months to 31 December 2018 £	5 months to 31 December 2017 £
Sales – United Kingdom	3,377,006	954,011
Sales – Europe	2,754,249	434,769
Sales – Rest of World	1,085,139	325,640
	7,216,394	1,714,420

6 Operating Profit

Operating profit is stated after charging:

	12 months to 31 December 2018 £	5 months to 31 December 2017 £
Operating leases – other assets	51,567	17,176
Auditor's remuneration	21,243	22,836
Foreign currency (gains)/losses	(934)	(8,686)
(Profit)/loss on sale of tangible assets	(4,776)	-
Amortisation of goodwill	108,805	27,199
Depreciation of owned assets	47,632	47,632

7 Exceptional items

Unsecured fixed loan notes totalling £4,250,000 were issued to Medicina Holdings Limited on 16 December 2013. Interest accrued at the interest rate of 8% from day to day and was payable on the loan notes from the date upon which the loan notes were first issued.

As part of the acquisition of the majority shareholding of the group on 28th September 2017, HMC Medical UK Limited acquired the outstanding loan notes and accrued interest on those loan notes.

HMC Medical UK Limited subsequently issued a deed of waiver for loan notes totalling £2,100,000 and loan note interest totalling £607,368 resulting in exceptional income of £2,707,368 in the prior period.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

	12 months to 31 December 2018	5 months to 31 December 2017
	£	£
Deed of waiver of loan notes	-	2,100,000
Deed of waiver of interest accrued on loan notes	-	607,368
	-	2,707,368

In addition to the above HMC Medical UK Limited issued a deed of variation reducing the interest rate from 8% to 0% effective as of 28th September 2017.

8 Auditors remuneration

	12 months to 31 December 2018	5 months to 31 December 2017
	£	£
Audit of the financial statements	21,243	19,787
Other services	-	3,049
	21,243	22,836

Audit of the financial statements £560 of the fee for auditing the financial statements relates to the company.

9 Particulars of employees

The average number of persons employed by the company (including the Directors) during the period, analysed by category was as follows:

	12 months to 31 December 2018	5 months to 31 December 2017
	£	£
Administration and support	12	11
Production	6	10
Sales	7	10
	25	31

The aggregate payroll costs were as follows (including director's benefits in kind):

	12 months to 31 December 2018	5 months to 31 December 2017
	£	£
Wages and salaries	987,825	361,729
Social security costs	112,189	41,113
Staff pensions	68,020	21,117
	1,168,034	423,959

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £68,020 (5 months to 31 December 2017: £21,117).

10 Directors' remuneration

The Directors' remuneration for the period was as follows:

	12 months to 31 December 2018 £	5 months to 31 December 2017 £
Remuneration	271,587	55,385
Company contributions paid to money purchase schemes	27,683	8,588
	299,270	63,973

During the period the number of directors who were receiving benefits and share incentives was as follows:

	12 months to 31 December 2018 £	5 months to 31 December 2017 No.
Accruing benefits under money purchase pension schemes	2	2

11 Interest receivable and similar income

	12 months to 31 December 2018 £	5 months to 31 December 2017 £
Bank interest receivable	14	2
	14	2

12 Interest payable and similar charges

	12 months to 31 December 2018 £	5 months to 31 December 2017 £
Interest on bank borrowings	31,206	10,030
Other interest payable	65,644	63,475
Finance charges	1,177	674
	98,028	74,179

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

13 Taxation

Tax on profit on ordinary activities for the Group

	Group 12 months to 31 December 2018 £	Group 5 months to 31 December 2017 £
Current tax		
UK corporation tax charge	-	-
Prior year adjustment	-	-
Current tax	-	-
Deferred tax	(241,082)	(170,211)
Tax (credit)/charge on profit on ordinary activities	(241,082)	(170,211)

Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	Group 12 months to 31 December 2018 £	Group 5 months to 31 December 2017 £
(Loss)/profit on ordinary activities before taxation	(970,858)	2,261,531
Theoretical tax charge at UK corporation tax rate 19%	(184,463)	429,691
Income not taxable	(53,622)	(514,400)
Fixed asset capital allowances	5,259	-
Deferred tax recognised	(38,261)	-
Adjustment to deferred tax at average rate	(126)	9,391
Expenses not deductible for tax purposes	30,131	94,893
	(241,082)	(170,211)

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £0.

Factors affecting the future tax charge

The group has unutilised tax losses carried forward which will reduce future tax charges as profits are earned.

Tax on profit on ordinary activities for the Company

	Company 12 months to 31 December 2018 £	Company 5 months to 31 December 2017 £
Current tax		
Tax (credit)/charge on loss on ordinary activities	(4,271)	-
	(4,271)	-

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	Company 12 months to 31 December 2018 £	Company 5 months to 31 December 2017 £
(Loss)/profit on ordinary activities before taxation	(16,188)	(6,290)
Theoretical tax charge at UK corporation tax rate 19%	(3,076)	(1,195)
Deferred tax recognised	(1,069)	-
Adjustment to deferred tax at average rate	(126)	-
Losses carried forward	-	1,195
	(4,271)	-

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £0.

Factors affecting the future tax charge

The company has unutilised tax losses carried forward which will reduce future tax charges as profits are earned.

14 Intangible fixed assets

	Goodwill £
Cost	
At 31 December 2017	1,088,048
At 31 December 2018	1,088,048
Amortisation	
At 31 December 2017	(27,199)
Charge for the period	(108,805)
At 31 December 2018	(136,004)
Net book value at 31 December 2018	952,044
At 1 December 2017	1,060,848

Amortisation of intangible fixed assets is included in administrative expenses.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018
(Continued)

15 Tangible fixed assets

Group	Tenants improvements £	Plant & machinery £	Motor vehicles £	Office equipment £	Assets under construction £	Total £
Cost or valuation						
At 1 January 2018	389,172	913,792	58,002	198,174	-	1,559,140
Additions	-	10,325	-	-	-	10,325
Transfers from assets under construction	-	-	-	-	-	-
Disposals	-	-	(58,002)	(8,105)	-	(66,107)
At 31 December 2018	389,172	924,117	-	190,069	-	1,503,358
Depreciation						
At 1 January 2018	(253,993)	(533,214)	(31,900)	(127,021)	-	(946,128)
Charge for the year	(25,748)	(123,414)	(1,933)	(29,262)	-	(180,357)
Eliminated on disposal	-	-	33,833	6,344	-	40,177
At 31 December 2018	(279,741)	(656,628)	-	(149,939)	-	(1,086,309)
Net book value						
At 31 December 2018	109,431	267,489	-	40,130	-	417,049
At 1 January 2018	135,179	380,578	26,102	71,153	-	613,012

Included in the net book value of tangible assets is £0 (31 December 2017: £26,102) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £1,933 (5 months to 31 December 2017: £2,900).

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

16 Investments held as fixed assets

The company held the following investments as fixed assets as at 31 December 2018:

	31 December 2018 £	31 December 2017 £
Shares in group undertakings and participating interests	76	76
Shares in group undertakings and participating interests		
	Investment £	Total £
Cost		
At 1 December 2017	76	76
Acquisition of subsidiary in period	-	-
At 31 December 2018	76	76
Impairment		
At 1 December 2017	-	-
Impairment of investment in period	-	-
At 31 December 2018	-	-
Net book value		
At 31 December 2018	76	76
At 1 December 2017	76	76

Details of shares in group undertakings and participating interests as at 31 December 2018

Undertaking and registered office	Holding	Proportion of voting rights and shares held	Principal activity
Medicina Holdings Limited, Unit 2, Rivington View Business Park, Station Road, Blackrod, Bolton, BL6 5BN	Ordinary Shares	75.4%	Development and sale of specialist medical equipment

Details of the subsidiary undertakings of Medicina Holdings Limited

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Medicina Limited, Unit 2, Rivington View Business Park, Station Road, Blackrod, Bolton, BL6 5BN	Ordinary Shares	100%	Development and sale of specialist medical equipment
Medicina Pacific Limited, Room A 7/F, China Overseas Bldg, 139 Hennessey Road, Wanchai, Hong Kong	Ordinary Shares	100%	Development and sale of specialist medical equipment
Medicina France SARL, 12 Rue D'Alexandre, 64600, Anglet, France	Ordinary Shares	30%	Development and sale of specialist medical equipment

On 2nd July 2018, Medicina Holdings Limited divested 70% of the shareholding in Medicina France SARL.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

17 Acquisitions

On 28 September 2017, the company purchased the controlling interest in Medicina Holdings Limited.

The fair value of assets on the date of purchase is detailed below:

	Book Value at 28 September 2017 £	Fair Value at 28 September 2017 £
Tangible assets	659,688	659,688
Stocks	2,731,821	2,731,821
Debtors	2,685,844	2,685,844
Cash at bank and in hand	48,026	48,026
Deferred tax	581,120	581,120
Total assets	6,706,499	6,706,499
 Creditors: Amounts falling due within one year	 (4,997,486)	 (4,997,486)
Creditors: Amounts falling due after more than one year	(3,151,974)	(3,151,974)
Total liabilities	(8,149,460)	(8,149,460)
 Net liabilities	 (1,442,961)	 (1,442,961)
Net liabilities attributable to non-controlling interests	(354,989)	(354,989)
Net liabilities acquired	(1,087,972)	(1,087,972)
Consideration		76
Goodwill arising on investment		1,088,048

18 Stocks

	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
Raw materials and work in progress	56,896	-	64,703	-
Finished goods	1,874,611	-	2,679,662	-
	1,931,507	-	2,744,365	-

Stock recognised in cost of sales during the period as an expense was £4,972,006 (5 months to 31 December 2017: £1,322,748).

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

19 Debtors

	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
Working capital loan to subsidiary undertaking falling due in < 1 year	-	211,903	-	2,333,957
Interest on working capital loan to subsidiary undertaking	-	49,673	-	10,178
Trade debtors	1,322,438	-	795,010	-
Provision for bad debts	(4,691)	-	(5,783)	-
Other debtors	1,767,335	71	1,769,856	71
Other taxes and social security	33,472	-	-	-
Directors' current accounts	88,387	-	139,336	-
Prepayments and accrued income	405,009	-	429,641	-
	3,626,777	261,647	3,128,060	2,344,206

Other debtors includes £1,767,335 in respect of an Employee Benefit Trust. The EBT includes an irrevocable transfer of Land and Buildings to the trustees of the EBT formed for the benefit of the employees and officers of the company. Therefore the contribution to the EBT is required to be consolidated in accordance with UITF32.

The working capital loan issued to Medicina Holdings Limited is repayable in instalments and incurs interest at a fixed rate of 2.25%.

20 Debtors: amounts falling due after one year

	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
Working capital loan to subsidiary undertaking falling due in between 2-5 years	-	896,375	-	-
Working capital loan to subsidiary undertaking falling due between 6 and 10 years	-	1,173,436	-	-
Loan notes	-	2,150,000	-	2,150,000
Deferred corporation tax asset	992,413	4,271	732,378	-
	992,413	4,244,082	732,378	2,150,000

The working capital loan issued to Medicina Holdings Limited is repayable in instalments and incurs interest at a fixed rate of 2.25%.

Unsecured fixed loan notes totalling £4,250,000 were issued to Medicina Holdings Limited on 16 December 2013. Interest accrued at the interest rate of 8% from day to day and was payable on the loan notes from the date upon which the loan notes were first issued.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

As part of the acquisition of the majority shareholding of the group on 28th September 2017 HMC Medical UK Limited acquired the outstanding loan notes and accrued interest on those loan notes. HMC Medical UK Limited subsequently issued a deed of waiver for loan notes totalling £2,100,000 and loan note interest totalling £607,368 resulting in exceptional income in the prior period of £2,707,368.

In addition to the above HMC Medical UK Limited issued a deed of variation reducing the interest rate from 8% to 0% effective as of 28th September 2017 and changing the terms of repayment to a rolling 1 year and 1 day basis.

21 Creditors: amounts falling due within one year

	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
Trade Creditors	1,389,265	-	1,364,853	-
Obligations under finance lease and hire purchase contracts	-	-	30,229	-
Amounts owed to parent company (HMC Premedical S.p.A.)	274,706	274,706	2,344,135	2,344,135
Amounts owed to group undertakings	-	525	-	420
Bank overdraft facility	705,675	-	158,490	-
Other taxes and social security	67,808	-	71,790	-
Loan notes falling due within one year	200,000	200,000	850,000	850,000
Accruals and deferred income	201,718	8,893	364,345	5,940
	2,839,172	484,124	5,183,843	3,200,495

There were no creditors amounts falling due within one year on which security has been given by the group/company.

The company has an overdraft with Royal Bank of Scotland Group, with a minimum period of 12 months and a notice period of three months thereafter. The bank overdraft facility is secured by debenture against assets of Medicina Limited and Medicina Holdings Limited. The interest rate chargeable is a fixed rate of 2% per annum over the bank's base rate.

The company has received working capital loans totalling £3,131,714 as at 31 December 2018 (31 December 2017: £2,333,957) from its parent company HMC Premedical S.p.A., which incurs interest at a fixed rate of 2.25% per annum. Interest of £62,803 (5 months to 31 December 2017: £10,178) incurred during the period is included in the amount owed to the parent company stated above. The working capital loan is repayable on demand.

Unsecured fixed loan notes totalling £1,650,000 were issued to the company on 28 September 2017 by Business Growth Fund Plc. Interest is charged at a fixed rate of 0%.

Repayment of the loan notes represents deferred consideration for the purchase of the loan notes issued to Medicina Holdings Limited on 16 December 2013, and the interest accrued on the same as at the date of purchase. Details of this are provided below.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

22 Creditors: amounts falling due after more than one year

	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
Working capital loan from parent company	2,919,811	2,919,811	-	-
Loan notes	600,000	600,000	800,000	800,000
	<u>3,519,811</u>	<u>3,519,811</u>	<u>800,000</u>	<u>800,000</u>

There were no creditors amounts falling due after more than one year on which security has been given by the group/company.

During the period the parent company agreed to an instalment schedule for the working capital loan, upon which a fixed interest rate of 2.25% is charged. Details of the repayments falling due after one year are detailed below.

Analysis of repayments of creditors due after more than one year:

	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
Unsecured fixed rate loan (2-5 years)	600,000	600,000	800,000	800,000
Working capital loan from parent company (2-5 years)	896,375	896,375	-	-
After more than five years by instalments	2,023,436	2,023,436	-	-
	<u>3,519,811</u>	<u>3,519,811</u>	<u>800,000</u>	<u>800,000</u>

Obligations under finance leases and hire purchase contracts:

	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
In one year or less on demand	-	-	30,229	-
Between one and two years	-	-	-	-
	<u>30,229</u>	<u>-</u>	<u>30,229</u>	<u>-</u>

23 Provisions for liabilities

Details of deferred taxation are set out in Note 24 below. There were no other provisions for liabilities in the period.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

24 Deferred taxation

Deferred taxation provided for at 19% (in the financial statements) is set out below:

Provided	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
Capital allowances	(5,259)	-	6,520	-
Losses	246,341	4,271	251,734	-
Asset/(liability)	241,082	4,271	-258,254	-

Un-provided	Group 31 December 2018 £	Company 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2017 £
Capital allowances	-	-	-	-
Losses	-	-	27,801	1,069
Asset/(liability)	-	-	27,801	1,069

25 Share capital

Allotted, called up and fully paid shares:

	31 December 2018		31 December 2017	
	No.	£	No.	£
Ordinary shares of £1 (2017 - £1) each	500,077	500,077	500,077	500,077
	500,077	500,077	500,077	500,077

26 Dividends

Dividends approved during the period were as follows:

	5 months 31 December 2018 £	5 months 31 December 2017 £
Current year interim dividend approved	-	-

27 Reserves

Description of nature of reserves

Called up share capital: represents the called up Ordinary share capital of the company. This is not a distributable reserve.

Translation reserve: represents the revaluation of foreign subsidiaries. This is not a distributable reserve.

Profit & loss account: represents the cumulative results of the company to the end of the current financial year. This is a distributable reserve.

HMC Medical UK Limited
Notes to the Financial Statements for the Period ended 31 December 2018
(Continued)

28 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £68,020 (5 months to 31 December 2017: £21,117).

29 Leasing commitments

As at 31 December 2018 the group had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	31 December 2018 £	31 December 2017 £
Land and buildings		
Within one year	287,495	280,623
Within two and five years	443,270	730,765
	730,765	1,011,38
Other		
Within one year	34,149	47,415
Within two and five years	17,156	50,711
	51,305	98,226

The group's future minimum finance lease payments are as follows:

	31 December 2018 £	31 December 2017 £
Motor vehicles		
Within one year	-	30,229
Within two and five years	-	-
	-	30,229

Certain motor vehicles are held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases (see note 11). The lease agreements generally include a fixed lease payment and a purchase option or balloon payment at the end of the lease term.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

30 Financial assets and liabilities

	31 December 2018 £	31 December 2017 £
Financial assets		
Loans and receivables	1,406,135	928,563
Cash and cash equivalents	30,360	37,778
	1,436,495	966,341
Financial liabilities		
Amortised cost	6,308,274	6,055,634
	6,308,274	6,055,634

31 Related party transactions

Remuneration of key management personnel

The remuneration of the director, who is considered to be the key manager of the company is disclosed in note 10.

Amounts owed by Directors

At the end of the period there were monies owing to the group by K G Harrison of £2,874 (31 December 2017: payable to K G Harrison £3,071) in relation to business expenses incurred on behalf of the company. This is an informal arrangement carrying no interest charge and is repayable on demand. The maximum amount owed during the period was £3,071. Mr K Harrison received a salary from Medicina Limited during the period and in the preceding period for acting in the capacity of Managing Director.

In addition at the end of the period there were director's loans owing to the company by K G Harrison of £85,513 (31 December 2017: £114,320). This is an informal arrangement carrying no interest charge and is repayable on demand. The maximum amount owed during the period was £114,320.

At the end of the period there were monies owing to L Harrison by the group (K G Harrison's wife) of £100 (31 December 2017: £0) in relation to business expenses incurred on behalf of the company. Mrs L Harrison received a salary from Medicina Limited during the period and in the preceding period for acting in the capacity of Manager, UK Tender Manager and Accounts Supervisor.

At the end of the period there were director's loans owing to the company (K G Harrison's wife) of £0 (31 December 2017: £19,376). This is an informal arrangement carrying no interest charge and is repayable on demand. The maximum amount owed during the period was £19,376.

Other related party transactions

At the end of the period there were monies owing by J J Harrison to the company (K G Harrison's son) of £396 (31 December 2017: £0) in relation to business expenses incurred on behalf of the company. Mr J J Harrison received a salary from Medicina Limited during the period and in the preceding period for acting in the capacity of International Sales Manager.

Unsecured fixed loan notes were issued to the Company by Mr K G Harrison on 16 December 2013, which accrued interest during the prior period of £119,753. Interest paid during the period to Mr K G Harrison was £0. On 28 September 2017 these loan notes and accrued interest on the loan notes were purchased by HMC Medical UK Limited.

Unsecured fixed loan notes were issued to the Company by Business Growth Fund, previously a minority shareholder, on 16 December 2013, which accrued interest during the prior period of £108,493. Interest paid during the period to Business Growth Fund was £0. On 28 September 2017 these loan notes and accrued interest on the loan notes were purchased by HMC Medical UK Limited.

The company has taken advantage of the exemption in FRS 102 paragraph 33.1A regarding disclosing transactions with other members of the group.

HMC Medical UK Limited

Notes to the Financial Statements for the Period ended 31 December 2018 (Continued)

32 Contingent Liabilities

There is one ongoing dispute which is being vigorously defended and where the outcome at this stage is uncertain. The Directors consider that quantification of these cases at this stage is not possible and that to disclose further details of these cases would be prejudicial to the outcome of these ongoing disputes.

33 Significant events after the reporting period

On 1 July 2019 HMC Medical UK Limited purchased the remaining 25% of the share capital of Medicina Holdings Limited from K Harrison and L Harrison. Following the acquisition K Harrison stepped down as Managing Director of Medicina Holdings Limited and T Macdonald, previously the Finance Director, was appointed Managing Director.

34 Control

On 28 September 2017 HMC Medical UK Limited purchased 75% of the share capital of Medicina Holdings Limited. On 1 July 2019 HMC Medical UK Limited purchased the remaining 25% of the share capital of Medicina Holdings Limited from K Harrison and L Harrison. HMC Medical UK Limited is a wholly owned subsidiary of HMC Premedical S.p.A.

The ultimate parent company of the group is Luan SRL a private limited company incorporated in Italy.