

Hugh Steeper Limited
Report and Financial Statements

Year Ended

29 February 2016

Company Number 173865

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Hugh Steeper Limited

Report and financial statements
for the year ended 29 February 2016

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Directors

J A Midgley
P Steeper

Company secretary

J A Midgley

Registered office

Unit 7, Hunslet Trading Estate, Severn Road, Leeds LS10 1BL

Company number

173865

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Hugh Steeper Limited

Strategic report for the year ended 29 February 2016

The directors present their report together with the audited financial statements for the year ended 29 February 2016.

Principal activities

The principal activities of the Company during the year under review continued to be the provision of prosthetic, orthotic and assistive technology services and the design, manufacture and distribution of prosthetic, orthotic and assistive technology products to the NHS and private sector in the UK and to export markets. There have been no changes in the Company's activities in the year under review.

Review of the business and future developments

The Company provides Prosthetic, Orthotic and Assistive technology solutions in the UK and overseas markets.

The business is focused on maintaining and developing existing NHS customer relationships within the UK whilst expanding its private sector and overseas capabilities. Growth has been experienced in the overseas market for the sale of our own range of upper limb prosthetic products. Orthotic growth has been delivered through the expansion of our own product range in the UK and Assistive Technology is pursuing growth in the UK private sector markets whilst developing key NHS relationships in the UK. Margins within NHS contracts remain under pressure and the company is determined to work with our partners to help improve efficiencies further in this sector.

The main manufacturing facilities of the business in Leeds were flooded on the 26 December 2015. The focus of the business since this event has been the implementation of a recovery plan to restore the business to its position prior to the flood. This plan is fully operational and has delivered successfully to the date of signing the financial statements.

The event triggered an insurance claim which has been settled in April 2016. The proceeds of the claim are being utilised to restore the productive assets of the business so that the core operations of the business can be fully restored.

The performance of the business in 2015/16 has therefore been affected in the final two months of the year as the manufacturing facilities of the business were not operational for the majority of this period. The business has since re-established a number of areas of production in Leeds and progress has been encouraging in the new financial year.

As well as being a period of restoration and consolidation, the company is set to expand its range of products to continue to deliver growth in the UK and export markets in 2016/17 and has secured a number of recent service contracts in the UK market.

Key performance indicators

The directors consider the key financial performance indicators ('KPI's') to be those that reflect the underlying trading performance of the company. In the current period the directors consider that turnover, gross profit and earnings before interest, taxation, depreciation and amortisation (EBITDA) provide the most representative measures of the Company's performance.

| | 2016 £'000 | 2015 £'000 |
|--------------|---------------|---------------|
| Turnover | 32,537 | 29,873 |
| Gross profit | 5,163 | 7,318 |
| EBITDA | 1,492 | 1,913 |

Hugh Steeper Limited

Strategic report for the year ended 29 February 2016

Gross profit was forecast to be consistent with the prior year before the impact of the flood and the disruption which this had on production in the final two months of the year.

In addition to the financial KPI's the directors internally monitor a suite of operational KPI's relating to on time delivery, product quality, health and safety and environmental matters. Further details of these KPI's are not published due to their commercial sensitivity.

Financial risk management

The Company's operations expose it to a variety of financial risks as discussed below. The wider Steeper Group has a risk management programme that seeks to limit the adverse effect of such risks on financial performance. Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Group are implemented by the Company's finance department.

Foreign currency risk:

The company has some exposure to foreign currency and has a natural hedging situation in place with both purchases and sales denominated in dollars and euros but with the majority of business transacted in sterling. Exposure to the dollar is increasing and the company, with the group regularly reviews the need for forward contracting and non-speculative hedging instruments.

Credit risk:

The company has a track record of minimal bad debts as the majority of contracting is with government funded bodies. The level of credit extended to any party is reviewed on a regular basis and action taken both to minimise the risk and scale of any potential default.

Liquidity risk:

Operations for the company as part of a group arrangement are funded by a mixture of shareholders funds, external bank debt and inter group borrowings. Asset financing is applied to higher value equipment and funds will be transferred between group companies at favourable interest rates no more than to the extent that the company can afford.

Forward looking cash flow projections are prepared and reviewed by the directors on a monthly basis to assess any funding requirements.

Interest rate cash flow risk:

As a party to the group borrowing arrangements the Company has a policy to arrange core debt with a floating rate of interest plus an agreed margin.

By order of the Board



J.A. Midgley
Secretary

Date 28 June 2016

Hugh Steeper Limited

Report of the directors for the year ended 29 February 2016

The directors present their report together with the audited financial statements for the year ended 29 February 2016.

Results and dividends

The retained profit for the year of £1,179,402 (2015 - £831,644) will be transferred to reserves. No dividend was paid or proposed in respect of the year (2015 - £Nil).

A review of the business and future developments is included in the strategic report.

Adoption of FRS 102 in period

During the year the company adopted Financial Reporting Standard 102 ("FRS 102"). There were no adjustments arising on adoption.

Directors

The directors of the company during the year were:

J A Midgley
P Steeper
S W Joyce (Resigned 27 October 2015)

Employee involvement

The company continues to inform staff of developments affecting the company's business performance and changes planned via a range of communications which include a regular newsletter, regular briefing sessions, bulletins and announcements on notice boards. In addition the company has a fully functioning Employee Consultation Forum with employee representatives from across the company, including the represented Unions.

It is company policy to give full and fair consideration to the applications for employment made by disabled persons taking into consideration their abilities, skills and aptitudes. These employees receive appropriate training and development to enable them to achieve their career potential within the company. All new building work is designed to cater for the needs of these employees.

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

Hugh Steeper Limited
Report of the directors
for the year ended 29 February 2016 (continued)

Directors' responsibilities (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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, disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

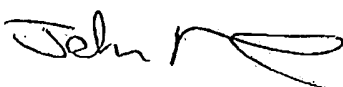
They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



J A Midgley
Secretary

Date **28 JUNE 2016**

Hugh Steeper Limited

Independent auditor's report

TO THE MEMBERS OF HUGH STEEPER LIMITED

We have audited the financial statements of Hugh Steeper Limited for the year ended 29 February 2016 which comprise the income statement and statement of total comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Councils (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 February 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Hugh Steeper Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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

BDO LLP

Gary Hanson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date *29 June 2016*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hugh Steeper Limited

Income statement and statement of total comprehensive income for the year ended 29 February 2016

| | Note | 2016 £ | 2015 £ |
|--|------|------------------|------------------|
| Turnover | 4 | 32,537,087 | 29,873,893 |
| Cost of sales | | (27,373,456) | (22,555,424) |
| Gross profit | | 5,163,631 | 7,318,469 |
| Administrative expenses | | (6,777,845) | (6,205,966) |
| Exceptional non-operating income | 5 | 2,000,000 | - |
| Operating profit | 5 | 385,786 | 1,112,503 |
| Profit on disposal of Fixed Assets | 5 | 1,107,783 | - |
| Interest receivable | 8 | - | 1,259 |
| Interest payable and similar charges | 9 | (37,921) | (69,039) |
| Profit on ordinary activities before taxation | | 1,455,648 | 1,044,723 |
| Taxation charge on profit on ordinary activities | 10 | (276,246) | (213,079) |
| Profit on ordinary activities after taxation | | 1,179,402 | 831,644 |
| Profit for the financial year attributable to: Owners of the parent company | | 1,179,402 | 831,644 |
| Total comprehensive income attributable to: Owners of the parent company | | 1,179,402 | 831,644 |
| | | 1,179,402 | 831,644 |

All recognised gains and losses in the current and prior year are included in the profit and loss account.
There are no movements in shareholders' funds in the current or the prior year apart from the profit for the year.

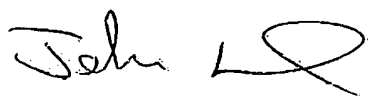
The notes on pages 10 to 24 form part of these financial statements

Hugh Steeper Limited

Statement of financial position at 29 February 2016

| <i>Company number 173865</i> | Note | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|--|------|-------------------|------------------|------------------|------------------|
| Fixed assets | | | | | |
| Intangible assets | 11 | | 2,941,925 | | 3,129,375 |
| Tangible assets | 12 | | 1,073,815 | | 1,318,575 |
| | | | <u>4,015,740</u> | | <u>4,447,950</u> |
| Current assets | | | | | |
| Stocks | 13 | 3,058,465 | | 3,009,907 | |
| Debtors | 14 | 5,930,850 | | 5,337,163 | |
| Cash at bank and in hand | | 2,237,828 | | - | |
| | | <u>11,227,143</u> | | <u>8,347,070</u> | |
| Creditors: amounts falling due within one year | 16 | 7,789,036 | | 6,405,919 | |
| | | <u>3,438,107</u> | | <u>1,941,151</u> | |
| Net current assets | | | <u>3,438,107</u> | | <u>1,941,151</u> |
| Total assets less current liabilities | | | <u>7,453,847</u> | | <u>6,389,101</u> |
| Creditors: amounts falling due after more than one year | 17 | | 260,981 | | 429,026 |
| Provisions for liabilities and charges | 19 | | 581,669 | | 528,280 |
| | | | <u>6,611,197</u> | | <u>5,431,795</u> |
| Capital and reserves | | | | | |
| Called up share capital | 20 | | 6,750 | | 6,750 |
| Capital redemption reserve | | | 2,800 | | 2,800 |
| Profit and loss account | | | 6,601,647 | | 5,422,245 |
| | | | <u>6,611,197</u> | | <u>5,431,795</u> |
| Shareholder's funds | | | <u>6,611,197</u> | | <u>5,431,795</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 28 JUNE 2016



J A Midgley
Director

The notes on pages 10 to 24 form part of these financial statements

Hugh Steeper Limited

Statement of changes in equity for the year ended 29 February 2016

| | Share capital £ | Capital redemption reserve £ | Profit and loss account £ | Total equity £ |
|---|-----------------------|---------------------------------------|------------------------------------|----------------------|
| 28 February 2015 | 6,750 | 2,800 | 5,422,245 | 5,431,795 |
| Profit for the year | - | - | 1,179,402 | 1,179,402 |
| Total comprehensive income for the year | - | - | 1,179,402 | 1,179,402 |
| 29 February 2016 | 6,750 | 2,800 | 6,601,647 | 6,611,197 |

Statement of changes in equity for the year ended 28 February 2015

| | Share capital £ | Capital redemption reserve £ | Profit and loss account £ | Total equity £ |
|---|-----------------------|---------------------------------------|------------------------------------|----------------------|
| 28 February 2014 | 6,750 | 2,800 | 4,590,601 | 4,600,151 |
| Profit for the year | - | - | 831,644 | 831,644 |
| Total comprehensive income for the year | - | - | 831,644 | 831,644 |
| 28 February 2015 | 6,750 | 2,800 | 5,422,245 | 5,431,795 |

The notes on pages 10 to 24 form part of these financial statements

Hugh Steeper Limited

Notes forming part of the financial statements for the year ended 29 February 2016

1 Accounting policies

Hugh Steeper Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is included below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies, see note 2.

Financial Reporting Standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Steeper Holdings Limited as at 29 February 2016 and these financial statements may be obtained from Companies House.

The following principal accounting policies have been applied:

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Revenue is recognised when the goods are delivered, or services provided to the customer. Revenue relating to extended warranties is deferred and recognised over the periods in which the warranty relate.

Intangible assets

Research and development costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised to 'administrative expenses' on a straight line basis over their expected useful economic lives, which range from 3 to 8 years.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

Hugh Steeper Limited

Notes forming part of the financial statements for the year ended 29 February 2016 (*continued*)

1 Accounting policies (*continued*)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (*continued*)

1 Accounting policies (*continued*)

Pension costs

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Reserves

The company's reserves are as follows:

- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

Stocks

Raw material and finished goods stocks have been valued at lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate.

Dépreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

| | |
|-----------------------------------|--|
| Long leasehold land and buildings | - 10% per annum straight line or remaining life of lease |
| Plant and machinery | - 12.5% per annum straight line |
| Fixtures and fittings | - 12.5% per annum straight line |
| Motor vehicles | - 33.3% per annum straight line |

Hugh Steeper Limited

Notes forming part of the financial statements for the year ended 29 February 2016 (*continued*)

1 Accounting policies (*continued*)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional currency and the functional currency of its branch.

(b) Transactions and balances

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income or expense'.

Government grants

Grants relating to expenditure on intangible fixed assets are credited to the profit and loss account at the same rate as the amortisation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Hugh Steeper Limited

Notes forming part of the financial statements for the year ended 29 February 2016 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

Directors are responsible for making the accounting estimates included in the financial statements.

Estimates are based on subjective as well as objective factors and, as a result, judgment is required to estimate an amount at the date of the financial statements. Directors judgment is normally based on their knowledge and experience about past and current events and their assumptions about conditions they expect to exist and courses of action they expect to take.

In preparing these financial statements, the directors have made the following key judgements and estimates:

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss for the period in which it is received.

- Consider the need for provisions against stock balances held by the group. Factors taken into consideration in reaching such a decision include the recent sales or manufacture usage of the items, together with forecasts and local office requirements where applicable, and the last movements.
- Consider the need for provisions against trade debtors due at the balance sheet date. Factors taken into consideration include the credit terms and due date of individual customers, together with individual circumstances. Overdue debts are considered for the customer creditworthiness and track record, and subsequent events are considered in reflecting on the year end provision.

3 Acquisition Accounting

The trade and assets of Rehabilitation Services Limited were transferred to Hugh Steeper Limited on 30 September 2015. All assets were transferred at the carrying values which prevailed at the date of transfer and were included in the balance sheet of Hugh Steeper Limited. This was part of a re-organisation of the activities of the Group so that there is a single main trading company. Merger relief was applied to the acquisition of the assets.

4 Turnover

Turnover represents the amount receivable for goods and a service supplied to customers in respect of continuing activities, but excludes value added tax. A breakdown of turnover and pre-tax results by activities and geographical markets has not been stated as it is considered to be seriously prejudicial to the company's interests.

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (*continued*)

| | 2016 £ | 2015 £ |
|---|-------------|-----------|
| 5 Operating profit | | |
| <i>This is stated after charging/(crediting):</i> | | |
| Depreciation - of tangible fixed assets | 416,039 | 328,316 |
| Amortisation - of intangible fixed assets | 635,547 | 472,038 |
| Auditors' remuneration - audit services | 43,000 | 33,445 |
| Auditors' remuneration - non audit services | 12,000 | 12,000 |
| Hire of land and buildings - operating leases | 275,400 | 220,281 |
| Hire of other assets - operating leases | 345,700 | 339,071 |
| Release of deferred government grant | (36,989) | (36,989) |
| Research and development expenditure | 160,650 | 146,541 |
| Other Income from Insurance Proceeds (exceptional item) | (2,000,000) | - |

On 26 December 2015, the Group's main manufacturing facilities were flooded. This has resulted in insurance proceeds relating to business interruption cover, asset and stock replacement. The financial statements include £2m business interruption income for the period since the flood, and proceeds for the replacement of scrapped fixed assets which after netting off the remaining book value resulted in a profit on disposal of £1.1m.

The Company audit fee has been borne by fellow Group undertakings. Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

| | | |
|-------------------------|-------------------|-------------------|
| 6 Employees | 2016 £ | 2015 £ |
| Staff costs consist of: | | |
| Wages and salaries | 13,105,228 | 11,313,707 |
| Social security costs | 1,274,524 | 1,099,054 |
| Other pension costs | 220,808 | 186,294 |
| | 14,600,560 | 12,599,055 |

The average monthly number of persons employed by the company during the year was:

| | 2016 Number | 2015 Number |
|---------------------------|----------------|----------------|
| Management and office | 138 | 136 |
| Clinicians and production | 328 | 251 |
| | 466 | 387 |

A defined contribution pension scheme is operated by the group on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £220,808 (2015 - £186,294). Contributions amounting to £46,421 (2015 - £41,253) were payable to the fund at year end and are included in creditors.

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (continued)

7 Directors

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| Directors' remuneration consists of: | | |
| Emoluments | 181,971 | 228,199 |
| Payments to defined contribution pension scheme | 6,000 | 12,661 |
| | <u>187,971</u> | <u>240,860</u> |

There was 1 directors in the company's defined contribution pension scheme during the year (2015 - 2). The total amount payable for the highest paid director in respect of emoluments was £70,409 (2015 - £116,330). Contributions to the defined contribution scheme for the highest paid director totalled £6,000 (2015 - £9,791).

8 Interest receivable

| | 2016 £ | 2015 £ |
|------------------------|-----------|--------------|
| Bank interest received | - | 1,259 |
| | <u>-</u> | <u>1,259</u> |

9 Interest payable and similar charges

| | 2016 £ | 2015 £ |
|--|---------------|---------------|
| Bank overdraft | - | 517 |
| Bank loan interest - asset finance | 22,228 | 14,173 |
| Net interest payable on inter-company balances | 15,693 | 54,349 |
| | <u>37,921</u> | <u>69,039</u> |

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (continued)

10 Taxation charge on profit from ordinary activities

| | 2016 £ | 2015 £ |
|--|-----------|-----------|
| <i>Current tax</i> | | |
| UK corporation tax on profits for the current year | 222,857 | 118,854 |
| Total current tax | 222,857 | 118,584 |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | 53,389 | 94,495 |
| Taxation on profit on ordinary activities | 276,246 | 213,079 |

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Profit on ordinary activities before tax | 1,455,564 | 1,044,723 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.0% (2015 - 21.17%) | 291,113 | 221,168 |
| Effects of | | |
| Expenses not deductible for tax purposes | 1,193 | 6,950 |
| Capital allowances for year in excess of depreciation | - | - |
| Other short term timing differences | (16,060) | (15,039) |
| Current tax charge for the year | 276,246 | 213,079 |

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (*continued*)

11 Intangible fixed assets

| | Development expenditure £ |
|-----------------------|---------------------------------|
| <i>Cost</i> | |
| At 1 March 2014 | 4,301,173 |
| Additions | 804,354 |
| Disposals | (435,327) |
| | <hr/> |
| At 28 February 2015 | 4,670,198 |
| Additions | 446,535 |
| | <hr/> |
| At 29 February 2016 | 5,116,733 |
| | <hr/> |
| <i>Amortisation</i> | |
| At 1 March 2014 | 1,504,118 |
| Charge for the year | 472,038 |
| On disposals | (435,327) |
| | <hr/> |
| At 28 February 2015 | 1,540,824 |
| Charge for the year | 633,984 |
| | <hr/> |
| At 29 February 2016 | 2,174,808 |
| | <hr/> |
| <i>Net book value</i> | |
| At 29 February 2016 | 2,941,925 |
| | <hr/> |
| At 28 February 2015 | 3,129,375 |
| | <hr/> |
| At 28 February 2014 | 2,797,055 |
| | <hr/> |

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (continued)

12 Tangible fixed assets

| | Long leasehold land and building £ | Plant, machinery and equipment £ | Total £ |
|-----------------------------|--|--|-------------|
| <i>Cost</i> | | | |
| At 1 March 2014 | 456,249 | 3,109,412 | 3,565,661 |
| Additions | 68,099 | 453,832 | 521,931 |
| Transfer from Group Company | 59,942 | 307,340 | 367,282 |
| Disposals | - | (62,388) | (62,388) |
| At 28 February 2015 | 584,290 | 3,808,196 | 4,392,486 |
| Additions | 481,534 | 520,694 | 1,002,228 |
| Disposals | (752,941) | (1,303,481) | (2,056,422) |
| At 29 February 2016 | 312,883 | 3,025,409 | 3,338,292 |
| <i>Depreciation</i> | | | |
| At 1 March 2014 | 233,583 | 2,265,331 | 2,498,914 |
| Provided for the year | 45,018 | 283,298 | 328,316 |
| Transfer from Group Company | 59,942 | 249,127 | 309,069 |
| Disposals | - | (62,388) | (62,388) |
| At 29 February 2015 | 338,543 | 2,735,368 | 3,073,911 |
| Provided for the year | 93,985 | 322,054 | 416,039 |
| Disposals | (259,421) | (966,052) | (1,225,472) |
| At 29 February 2016 | 173,107 | 2,091,370 | 2,264,478 |
| <i>Net book value</i> | | | |
| At 29 February 2016 | 139,776 | 934,039 | 1,073,815 |
| At 28 February 2015 | 245,747 | 1,072,828 | 1,318,575 |
| At 28 February 2014 | 222,666 | 844,081 | 1,066,747 |

Finance Leases

The net book value of plant, machinery and vehicles for the group includes an amount of £254,878 (2015 - £318,225) in respect of assets held under finance leases and hire purchase contracts..

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (*continued*)

12 Tangible fixed assets

| | Long leasehold land and building £ | Plant, machinery and equipment £ | Total £ |
|-----------------------------|--|--|------------------|
| <i>Cost</i> | | | |
| At 1 March 2014 | 456,249 | 3,109,412 | 3,565,661 |
| Additions | 68,099 | 453,832 | 521,931 |
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Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (continued)

16 Creditors: amounts falling due within one year

| | 2016 £ | 2015 £ |
|--|------------------|------------------|
| Bank overdraft (secured – see note 22) | - | 211,258 |
| Trade creditors | 2,950,355 | 3,194,694 |
| Amounts owed to group undertakings | 538,481 | 142,936 |
| Corporation Tax creditor | 1,294 | - |
| Other taxation and social security | 393,858 | 692,745 |
| Other creditors | 11,497 | 47,912 |
| Accruals and deferred income | 3,809,511 | 1,990,952 |
| 8.4% cumulative preference shares of £1 each | 6,000 | 6,000 |
| Obligations under finance leases and hire purchase contracts | 78,040 | 119,422 |
| | <u>7,789,036</u> | <u>6,405,919</u> |

17 Creditors: amounts falling due after more than one year

| | 2016 £ | 2015 £ |
|--|----------------|----------------|
| Obligations under finance leases and hire purchase contracts | 88,918 | 166,971 |
| Deferred Income | 172,063 | 262,055 |
| | <u>260,981</u> | <u>429,026</u> |

Maturity of debt:

| | Finance Leases 2016 £ | Finance leases 2015 £ |
|---|--------------------------------|--------------------------------|
| In one year or less, or on demand | <u>78,040</u> | <u>119,422</u> |
| In more than one year but not more than two years | 88,932 | 78,039 |
| In more than two years but not more than five years | - | 88,932 |
| | <u>88,932</u> | <u>166,971</u> |

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (*continued*)

18 Financial instruments

The company's financial instruments may be analysed as follows:

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | 7,466,273 | 5,054,209 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 7,877,954 | 7,293,562 |

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade and other creditors.

Information regarding the company's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

19 Deferred tax

| | 2016 £ | 2015 £ |
|--|-----------|-----------|
| At 1 March 2015 | | 528,280 |
| Charge to profit and loss account | | 53,389 |
| At 29 February 2016 | | 581,669 |
| | 2016 £ | 2015 £ |
| Capital allowances in excess of depreciation | 590,499 | 534,910 |
| Other timing differences | (8,830) | (6,630) |
| | 581,669 | 528,280 |

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (*continued*)

20 Called up share capital

| | 2016 Number | Allotted, called up and fully paid 2015 Number | 2016 £ | 2015 £ |
|-----------------------------|----------------|--|-----------|-----------|
| Ordinary shares of 10p each | 67,500 | 67,500 | 6,750 | 6,750 |

In accordance with FRS 102 the 6,000 8.4% cumulative preference shares of £1 each have been presented as a liability in the statement of financial position.

The preference shares carry a dividend of 8.4% per annum payable half-yearly in arrears on 30 May and 30 November. The dividend rights are cumulative.

The preference shares carry no voting rights unless the dividends payable are more than 12 months in arrears in which event a holder of preference shares shall be entitled to one vote for every 10 preference shares held.

On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, payment of their capital and any dividend up to the date of commencement of the liquidation.

21 Commitments under operating leases

Lessee

The company had minimum lease payments under non-cancellable operating leases as set out below:

| | 2016 £ | 2015 £ |
|--|-----------|-----------|
| Not later than 1 year | 411,376 | 207,517 |
| Later than 1 year and not later than 5 years | 577,727 | 581,478 |
| Later than 5 years | 16,113 | 38,672 |
| Total | 1,005,216 | 827,667 |

The company had no commitments under non-cancellable operating leases as at the balance sheet date.

Hugh Steeper Limited

Notes forming part of the financial statements
for the year ended 29 February 2016 (*continued*)

22 Contingent liabilities

An unlimited cross guarantee exists between Hugh Steeper Limited, Steeper Holdings Limited, and Rehabilitation Services Limited in respect of group bank borrowings. There were no net Group borrowings as at 29 February 2016 (2015 - £2,133,024).

23 Related party transactions

There were no related party transactions in the year other than transfers between companies within the Steeper Holdings Group.

24 Parent undertaking and ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of Meditech Group Limited, its immediate parent undertaking, for whom group financial statements are not prepared.

In the directors' opinion, the company's ultimate parent undertaking is Steeper Holdings Limited. The financial statements of Steeper Holdings Limited, which include the company, are available from Mayflower House, 14 Pontefract Road, Leeds LS10 1TB.

25 Subsequent events

On 15th April 2016, the Company settled its claim with the insurers for a total £11,000,000, of which £5,205,000 is included in these financial statements.