

Intersurgical Limited and Subsidiaries

Report and Financial Statements

Year Ended

31 December 2017

Company Number 1488409

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Intersurgical Limited and Subsidiaries

Report and financial statements for the year ended 31 December 2017

Contents

Page:

1	Strategic report
3	Report of the directors
7	Report of the independent auditors
10	Consolidated income statement
11	Consolidated statement of comprehensive income
12	Consolidated statement of financial position
13	Consolidated statement of changes in equity
15	Consolidated statement of cash flows
17	Company statement of financial position
18	Company statement of changes in equity
19	Notes forming part of the financial statements

Company information

Private limited company incorporated in England and Wales

Directors

HG Bellm, SK Williams, K Jacob, DA Williams, M Hinton, C Bellm, S Day

Secretary and registered office

SK Williams
Crane House, Molly Millars Lane, Wokingham, Berkshire, RG41 2RZ

Company number

1488409

Auditors

BDO LLP, Level 12, Thames Tower, Reading, Berkshire, RG1 1LX

Intersurgical Limited and Subsidiaries

Strategic report for the year ended 31 December 2017

Business review

Overview and key performance indicators

The group had a successful year in 2017, achieving sales revenue growth of 12.5% over 2016. All major markets were close to or above projections, despite continuing public spending constraint across Europe. The sales growth was entirely organic and the directors believe this was driven by the established critical success factors of product quality, an extensive product range and the continuous introduction of new products and product improvements. Further strengthening of the Euro against the Pound during 2017 had the effect of increasing growth from 9% on a constant currency basis to the reported 12.5%. The majority of the group's turnover is denominated in currencies other than Sterling and as such the Sterling equivalent value was increased on conversion. Sales revenue growth is one of the key performance indicators that the group uses to monitor performance, the other being gross margin.

Gross margin was steady at 42.5% compared to 42.8% in 2016. There was continued pricing pressure in several markets and this was exacerbated by increased purchase costs due to the stronger Euro, however the group was focused on maintaining pricing and margin in the face of these challenges. Overheads increased by 12.3%, which was partly due to an increase in staff costs of 10.1% and partly due to exchange losses arising of £0.4m, compared to gains of £1.2m in 2016. The staff costs increase was driven by the effect of the stronger Euro when converting the results of overseas subsidiaries into Sterling, but was also partly due to a 4.7% rise in headcount. As a result of these factors operating profit was 11.0% up on 2016.

Cash balances increased by £8.5m. Cash generation remains strong and the group continues to invest as far as possible in manufacturing infrastructure to support future growth. However, expansion opportunities for existing manufacturing sites are limited and the group continues to rely on the supply of products from other group companies. This leaves the group exposed to currency fluctuations when converting the purchase costs into Sterling.

Objectives and strategy

The group's goal is to provide the most comprehensive range of respiratory products, offering quality, innovation and choice. To this end the group is always striving to extend and improve its product offering, while not losing its emphasis on quality and functionality. Furthermore it is the group's intention to remain focused in the area of respiratory care.

The group also aims to provide a high level of customer service on a local basis.

This strategy underlies the strong financial performance of the group and will continue.

Markets and regulatory

The group strives to maintain a global customer base in order to minimise market risk and maximise sales potential.

The group generates its most significant revenues from the UK and mainland Europe, however it is seeing rapid growth in other export markets. Where the group has its own business unit it mostly sells directly to hospitals, otherwise it sells through appointed distributors. The group continually assesses whether a market can be better served by its own business unit rather than a distributor.

The group operates in a strict regulatory environment. Any product sold within the European Union must carry a CE mark. The group is able to CE mark all its products by having an approved quality system which conforms to ISO 9001-2000, ISO 13485 and the Medical Devices Directive. It also conforms to FDA CFR 21 Part 820, allowing the group to sell its products in the USA.

The group has also implemented an Environmental Management System conforming to ISO 14001. All product designs have to consider environmental factors in manufacturing and disposal after use.

Intersurgical Limited and Subsidiaries

Strategic report for the year ended 31 December 2017 (*continued*)

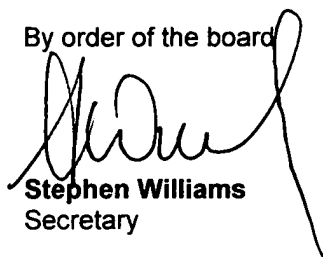
Risks and uncertainties

As the group operates internationally there is always the potential for exchange rate risk. The group manages this risk by matching, as far as possible, income and expenditure in the same currency. The primary currencies that the group operates in are British Pounds and Euros. In 2017 the Euro strengthened by 4% against the British Pound, with the average rate strengthening by 6.2%, which had a beneficial effect on the results of subsidiary undertakings operating in Euros. However, due to its policy of matching income and expenditure of the same currency, the group was not unduly affected by foreign currency fluctuations and saw no need to use external hedging. The group monitors available hedging instruments and will consider their use should the need arise.

As the end users of the group's products are generally hospitals around the world, future sales growth is always partly dependant on government healthcare spending. A number of governments continue to focus on reducing their healthcare budgets, particularly in the UK and mainland Europe, which creates downward pressure on prices. The group's response to this is to continue to broaden its product offering, so that it can meet all customer needs, and to invest in product design and innovation so that it can offer more features and benefits.

As the group's products are used in critical medical situations, patient safety is always a priority in the design and manufacturing process and the group also offers training to users. The group has a comprehensive product liability insurance policy in place.

By order of the board



Stephen Williams
Secretary

Crane House
Molly Millars Lane
Wokingham
Berkshire

24 / 5 2018

Intersurgical Limited and Subsidiaries

Report of the directors for the year ended 31 December 2017

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

Principal activities

The principal activities of the group were the manufacture, sale and distribution of medical products world-wide.

Research and development

The group will continue its policy of investment in research and development in order to retain a competitive position in the market.

Dividends

The directors approved the payment of an interim dividend of £7,000,000 (2016: £3,000,000). The directors do not recommend the payment of a final dividend (2016: £nil).

Directors

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

HG Bellm
SK Williams
K Jacob
DA Williams
M Hinton
C Bellm
S Day

Financial instruments

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk from credit sales, however most of these sales are to government financed public hospitals or healthcare bodies which represent a low credit risk. Where a new customer is not in this category, it is group policy to assess their credit risk before entering into a contract and offering credit terms. If the customer is deemed suitable to be offered credit, the standard payment and delivery terms and conditions for that customer's market are offered and a credit limit is established which represents the maximum outstanding amount without requiring further approval.

The board monitors the group's trade receivables ageing analysis every month to identify any areas of concern that may require a re-assessment of credit terms. At a local level existing customers that become "high risk" have their credit terms and limits re-assessed and may be moved to payment in advance.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The group's most significant cash holdings are with HSBC Bank plc in the UK. HSBC has a credit rating of "A" or higher with the main independent ratings agencies.

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

Management closely monitors cash flow projections on a monthly basis and continually ensures that the group has sufficient liquid resources to meet its financial obligations under all reasonably expected circumstances.

Intersurgical Limited and Subsidiaries

Report of the directors for the year ended 31 December 2017 (*continued*)

Financial instruments (*continued*)

Market risk

Market risk arises from the group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Cash flow interest rate risk

The group is exposed to cash flow interest rate risk from long-term borrowings at variable rates. During the periods under review the group's borrowings were denominated mainly in Euros, as disclosed in more detail in note 17. The level of borrowings relative to free cash flow was minimal throughout the year.

Foreign exchange risk

Foreign exchange risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency. The group's policy regarding exchange risk is set out in the strategic report in the section entitled "risks and uncertainties".

Employee communication and policy

The company follows an employment policy of non-discrimination on the grounds of sex or race and gives full and fair consideration to the employment of disabled persons.

The company promotes a positive attitude by ensuring that recruitment staff are fully conversant with the statutory provisions on discrimination and by giving full and fair consideration to applications for employment by disabled people, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made to retain and assist employees who become disabled during service and disabled people have equal opportunities with other employees for training, career progression and promotion.

The company provides all employees with information on its progress in regular internal newspapers, group briefings and individual employee consultations.

Political contributions

The company made no political contributions during the year.

Subsequent events

These are disclosed in note 27.

Intersurgical Limited and Subsidiaries

Report of the directors for the year ended 31 December 2017 (*continued*)

Disclosure of information to auditors

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

Auditors

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 in accordance with section 485 of the Companies Act 2006.

By order of the board



Stephen Williams
Secretary

Crane House
Molly Millars Lane
Wokingham
Berkshire

24/5 2018

Intersurgical Limited and Subsidiaries

Report of the directors for the year ended 31 December 2017 (continued)

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 group and company 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 company and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; 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 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.

Intersurgical Limited and Subsidiaries

Independent auditors report to members of Intersurgical Limited for the year ended 31 December 2017

Opinion

We have audited the financial statements of Intersurgical Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 the 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.

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 group or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Intersurgical Limited and Subsidiaries

Independent auditors report to members of Intersurgical Limited for the year ended 31 December 2017 (continued)

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.

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.

Opinions on other matters 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have 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 its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Intersurgical Limited and Subsidiaries

Independent auditors report to members of Intersurgical Limited for the year ended 31 December 2017 (*continued*)

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

Auditor's responsibilities for the audit of the financial statements

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.

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Christopher Pooles, (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom

Date 24 MAY 2018

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

Intersurgical Limited and Subsidiaries

Consolidated income statement for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	184,840,294	164,312,288
Cost of sales		(106,231,648)	(94,054,569)
		<hr/>	<hr/>
Gross profit		78,608,646	70,257,719
Distribution costs		(11,303,370)	(9,744,030)
Administrative expenses		(42,551,704)	(38,222,325)
		<hr/>	<hr/>
Operating profit	4	24,753,572	22,291,364
Interest receivable and similar income	8	217,858	239,895
Interest payable and similar charges	9	(232,791)	(270,370)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		24,738,639	22,260,889
Tax on profit on ordinary activities	10	(6,592,342)	(6,247,122)
		<hr/>	<hr/>
Profit for the financial year		18,146,297	16,013,767
		<hr/>	<hr/>

All turnover and operating profit reported above derives from continuing activities.

The notes on pages 19 to 45 form part of these financial statements.

Intersurgical Limited and Subsidiaries

Consolidated statement of comprehensive income for the year ended 31 December 2017

	2017 £	2016 £
Profit for the financial year	18,146,297	16,013,767
Currency translation differences	828,810	4,691,753
Other comprehensive income for the year	828,810	4,691,753
Total comprehensive income for year	18,975,107	20,705,520
Profit for the financial year attributable to:		
Owners of the parent company	15,640,760	13,921,537
Non-controlling interests	2,505,537	2,092,230
	18,146,297	16,013,767
Total comprehensive income attributable to:		
Owners of the parent company	16,361,505	18,060,551
Non-controlling interests	2,613,602	2,644,969
	18,975,107	20,705,520

The notes on pages 19 to 45 form part of these financial statements.

Intersurgical Limited and Subsidiaries

Consolidated statement of financial position at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	11		9,094,871		9,543,543
Tangible assets	12		18,362,475		15,967,446
			<u>27,457,346</u>		<u>25,510,989</u>
Current assets					
Stocks	14	17,820,623		16,293,186	
Debtors	15	47,185,091		46,670,614	
Cash at bank and in hand		34,732,805		26,206,851	
		<u>99,738,519</u>		<u>89,170,651</u>	
Creditors:					
Amounts falling due within one year	16	(24,027,126)		(20,943,962)	
		<u></u>		<u></u>	
Net current assets			<u>75,711,393</u>		<u>68,226,689</u>
Total assets less current liabilities			<u>103,168,739</u>		<u>93,737,678</u>
Creditors:					
Amounts falling due after more than one year	17		(430,741)		(714,336)
Provisions for liabilities	19		(1,376,146)		(1,488,170)
			<u></u>		<u></u>
Net assets			<u>101,361,852</u>		<u>91,535,172</u>
Capital and reserves					
Called up share capital	20/21		17,000,000		17,000,000
Other reserves	21		235,226		224,870
Profit and loss account	21		80,413,426		71,062,277
			<u></u>		<u></u>
Equity attributable to owners of the parent company			<u>97,648,652</u>		<u>88,287,147</u>
Non-controlling interests			<u>3,713,200</u>		<u>3,248,025</u>
			<u>101,361,852</u>		<u>91,535,172</u>

The notes on pages 19 to 45 form part of these financial statements.

These financial statements were approved by the board of directors on 24.5.2018 and were signed on its behalf by:



Howard Bellm
Director

Intersurgical Limited and Subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital £	Other reserves £	Profit and loss account £	Non- controlling interests £	Total £
At 1 January 2017	17,000,000	224,870	71,062,277	3,248,025	91,535,172
Comprehensive income for the year					
Profit for the year	-	-	15,640,760	2,505,537	18,146,297
Currency translation differences	-	10,356	710,389	108,065	828,810
Other comprehensive income for the year	-	10,356	710,389	108,065	828,810
Total comprehensive income for the year	-	10,356	16,351,149	2,613,602	18,975,107
Contributions by and distributions to owners					
Dividends	-	-	(7,000,000)	(2,148,427)	(9,148,427)
Total contributions by and distributions to owners	-	-	(7,000,000)	(2,148,427)	(9,148,427)
At 31 December 2017	17,000,000	235,226	80,413,426	3,713,200	101,361,852

The notes on pages 19 to 45 form part of these financial statements.

Intersurgical Limited and Subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital £	Other reserves £	Profit and loss account £	Non- controlling interests £	Total £
At 1 January 2016	17,000,000	193,986	56,032,610	3,531,356	76,757,952
Comprehensive income for the year					
Profit for the year	-	-	13,921,537	2,092,230	16,013,767
Currency translation differences	-	30,884	4,108,130	552,739	4,691,753
Other comprehensive expenses for the year	-	30,884	4,108,130	552,739	4,691,753
Total comprehensive income for the year	-	30,884	18,029,667	2,644,969	20,705,520
Contributions by and distributions to owners					
Issue of shares	-	-	-	-	-
Dividends	-	-	(3,000,000)	(2,928,300)	(5,928,300)
Total contributions by and distributions to owners	-	-	(3,000,000)	(2,928,300)	(5,928,300)
At 31 December 2016	17,000,000	224,870	71,062,277	3,248,025	91,535,172

The notes on pages 19 to 45 form part of these financial statements.

Intersurgical Limited and Subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the financial year		18,146,297	16,013,767
Adjustments for:			
Depreciation and amortisation charges	11/12	4,223,162	4,210,134
Profit on sale of tangible fixed assets	4	(41,369)	(10,299)
Net interest payable	8/9	14,933	30,475
Taxation expense	10	6,592,342	6,247,122
Increase in stocks		(1,360,013)	(1,636,006)
Decrease/(increase) in debtors		947,708	(60,645)
Increase in creditors		2,375,449	259,894
Cash from operations		30,898,509	25,054,442
Interest paid		(232,791)	(270,370)
Taxation paid		(7,453,389)	(5,751,285)
Net cash generated from operating activities		23,212,329	19,032,787
Cash flow from investing activities			
Proceeds from sale of tangible fixed assets		230,132	216,966
Purchases of tangible fixed assets		(4,427,624)	(2,471,541)
Purchases of intangible assets	11	(1,745,115)	(2,489,266)
Interest received		217,858	239,895
Net cash from investing activities		(5,724,749)	(4,503,946)
Cash flows from financing activities			
Dividends paid to parent company	5	(6,796,454)	(3,600,000)
Dividends paid to non-controlling interests		(2,095,601)	(2,977,784)
Capital element of lease repaid		(14,089)	(115,497)
Repayment of loans		(475,611)	(364,135)
Net cash used in financing activities		(9,381,755)	(7,057,416)
Net increase in cash and cash equivalents		8,105,825	7,471,425
Cash and cash equivalents at beginning of year		25,765,091	17,019,180
Foreign exchange gains and losses		134,633	1,274,486
Cash and cash equivalents at end of year	22	34,005,549	25,765,091

The notes on pages 19 to 45 form part of these financial statements.

Intersurgical Limited and Subsidiaries

Consolidated statement of cash flows (*continued*) for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash and cash equivalents comprise:			
Cash at bank and in hand		34,732,805	26,206,851
Bank overdrafts	16	(727,256)	(441,760)
		<hr/>	<hr/>
		34,005,549	25,765,091
		<hr/>	<hr/>

The notes on pages 19 to 45 form part of these financial statements.

Intersurgical Limited and Subsidiaries

Company statement of financial position at 31 December 2017

Company number 1488409

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	11		5,935,052		4,802,956
Tangible assets	12		12,177,853		9,768,693
Investments	13		25,010,270		23,362,940
			<u>43,123,175</u>		<u>37,934,589</u>
Current assets					
Stocks	14	3,577,067		3,636,046	
Debtors	15	23,024,117		25,043,288	
Cash at bank and in hand		18,704,588		15,689,510	
		<u>45,305,772</u>		<u>44,368,844</u>	
Creditors:					
Amounts falling due within one year	16	(6,097,163)		(5,156,333)	
		<u></u>		<u></u>	
Net current assets			39,208,609		39,212,511
			<u></u>		<u></u>
Total assets less current liabilities			82,331,784		77,147,100
Provisions for liabilities	19		(1,315,600)		(1,317,800)
			<u></u>		<u></u>
Net assets			81,016,184		75,829,300
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	20/21	17,000,000		17,000,000	
Profit and loss account	21	64,016,184		58,829,300	
		<u></u>		<u></u>	
			81,016,184		75,829,300
			<u></u>		<u></u>

The profit in respect of the company for the year was £12,186,884 (2016 - £14,671,799).

The notes on pages 19 to 45 form part of these financial statements.

These financial statements were approved by the board of directors on 24.5.2018 and were signed on its behalf by:



Howard Bellm
Director

Intersurgical Limited and Subsidiaries

Company statement of changes in equity for the year ended 31 December 2017

	Share capital £	Profit and loss account £	Total £
At 1 January 2016	17,000,000	47,157,501	64,157,501
Comprehensive income for the year			
Profit and total comprehensive income for the year	-	14,671,799	14,671,799
Contributions by and distributions to owners			
Dividends	-	(3,000,000)	(3,000,000)
Total contributions by and distributions to owners	-	(3,000,000)	(3,000,000)
At 31 December 2016	17,000,000	58,829,300	75,829,300
Comprehensive income for the year			
Profit and total comprehensive income for the year	-	12,186,884	12,186,884
Contributions by and distributions to owners			
Dividends	-	(7,000,000)	(7,000,000)
Total contributions by and distributions to owners	-	(7,000,000)	(7,000,000)
At 31 December 2017	17,000,000	64,016,184	81,016,184

The notes on pages 19 to 45 form part of these financial statements.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies

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.

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.

The following principal accounting policies have been applied:

Basis of accounting

The financial statements have been prepared on a going concern basis and in accordance with applicable accounting standards and under the historical cost accounting rules.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Basis of consolidation

The group financial statements consolidate the financial statements of Intersurgical Limited and all of its subsidiary undertakings. No profit and loss account is presented for the company as permitted by s408 Companies Act 2006. Transactions and balances between group companies have been eliminated and no profit is taken on sales between group companies until the products are sold outside the group.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax. Turnover is recognised when the risks and rewards of ownership have passed to the customer, normally on despatch of goods, and it is probable that the group will receive the previously agreed upon payment.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 5 years. Goodwill is being amortised over 5 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment. Investments that have previously been impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Customer Relationships

Customer relationships acquired as part of the acquisition of subsidiary undertakings are carried at fair value less accumulated amortisation and accumulated impairment losses. The fair value and useful life are determined by external professional valuers at the date of acquisition. Amortisation is calculated by applying the straight-line method to useful life. Customer relationships are being amortised over periods between 3 and 10 years.

Tangible fixed assets

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Leasehold property	Life of lease
Freehold buildings	3% straight line
Plant and machinery	20% reducing balance
Fixtures and fittings	20% reducing balance
Motor vehicles	25% straight line
Computers	33% straight line

No depreciation is provided on assets under the course of construction until they are brought into use.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Impairment of fixed assets and goodwill

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of labour and attributable overheads.

At each reporting date stock is assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the statement of financial position as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

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

Operating lease income is credited to the income statement on a straight line basis over the period of the lease.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Pension costs

The group operates defined contribution schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Holiday pay accrual

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

Research and development expenditure

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately and reliably identifiable;
- the project is technically feasible and commercially viable;
- there is identifiable market demand and current and future costs are expected to be exceeded by future sales; and
- adequate technical, financial and other resources exist for the project to be completed and commercialised.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years, commencing in the year the group starts to benefit from the expenditure.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by shareholders at the annual general meeting.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax balances are recognised, without discounting, in respect of all timing differences that have originated but not reversed by the year end date except that:

- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient profits in the future to absorb the reversal of the underlying timing differences.

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.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the year end date. Exchange differences are taken to the profit and loss account.

Assets, liabilities and results of overseas subsidiaries are translated into sterling at rates ruling at the year end date. Exchange adjustments arising on retranslation of opening net assets and on retranslating the results for the year are recognised in other comprehensive income. All other translation differences are taken to the income statement.

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.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

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

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

- Determine whether leases entered into by the group as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- 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.

Other key sources of estimation uncertainty

- *Intangible fixed assets (see note 11)*

The directors estimate the useful economic life of goodwill and customer relationships based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill or customer relationship is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. These factors are reviewed annually to ensure that there are no indicators of impairment. Where there is an indication of impairment, the recoverable amount is determined based on value in use calculations. This method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of cash flows.

Capitalised development costs are reviewed annually to ensure that that the capitalisation criteria are still being fulfilled in accordance with the group's accounting policy and that the amortisation period is still appropriate. In determining this, the directors make assumptions regarding the expected future cash generation of the assets and the expected period of benefits.

- *Tangible fixed assets (see note 12)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Investments (see note 13)*

Investments in subsidiary undertakings are stated at cost less accumulated provisions for impairment. The directors assess annually whether there are any indicators of impairment by considering the expected future profitability and cash generation of each business unit.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty (*continued*)

- *Stocks (see note 14)*

Where stock is manufactured, the cost includes all direct expenditure and a proportion of fixed and variable overheads. Management exercises judgement as to which overheads are directly or indirectly related to the production process and therefore should be included in the stock cost. The apportionment of overheads to stock cost involves an assessment of the volume of each product to be manufactured and the resulting time required. Volume assessments consider factors such as historical demand, sales projections and future market conditions.

Stock is regularly reviewed for ageing and obsolescence and appropriate provisions made where it is considered by the directors that the net realisable value of the stock is less than cost.

- *Debtors (see note 15)*

Trade debtors are stated at cost less accumulated provisions for impairment. Management continually assess whether trade debtors show any indication of impairment and, where an amount receivable is beyond agreed credit terms, exercise judgement as to the recoverability of the debt. In assessing this they consider the financial position of the debtor, their record of payment and prevailing market conditions.

- *Provisions for liabilities (see note 19)*

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the year end date. The directors exercise judgement on the applicable tax rates and whether there will be sufficient profits in the future to absorb the reversal of the underlying timing differences.

3 Turnover

	Group 2017 £	Group 2016 £
Analysis by geographical market		
United Kingdom	27,644,600	27,742,202
Rest of Europe	115,239,479	103,398,886
North America	11,750,597	9,277,809
Rest of the World	30,205,618	23,893,391
	<hr/>	<hr/>
	184,840,294	164,312,288
	<hr/>	<hr/>

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

4 Operating profit

	Group 2017 £	Group 2016 £
Operating profit is stated after charging/(crediting):		
Auditors' remuneration:		
- audit fees in respect of the audit of the accounts of the company	80,408	74,320
- audit fees in respect of the audit of the accounts of subsidiaries of the company	136,408	113,585
- taxation compliance and related services	41,579	16,065
Inventory recognised as an expense	96,552,375	85,093,548
Depreciation and other amounts written off tangible and intangible fixed assets:		
- owned tangible fixed assets	2,577,392	2,084,694
- leased tangible fixed assets	48,921	4,908
- goodwill and other intangible assets amortisation	1,565,709	2,101,526
Hire of other assets - operating leases	1,914,448	1,710,783
Research and development expenditure	228,648	169,726
Profit on disposal of fixed assets	(41,369)	(10,299)
Exchange losses/(gains)	401,025	(1,239,692)

5 Dividends

	2017 £	2016 £
Ordinary shares		
Interim dividend of £0.412 (2016: £0.176) per £1 ordinary share	7,000,000	3,000,000

6 Remuneration of directors

	2017 £	2016 £
Directors emoluments:		
Remuneration as directors	2,130,342	1,995,204
Pension contributions	31,283	27,681
	2,161,625	2,022,885

The emoluments, excluding pension contributions, of the highest paid director were £959,368 (2016: £952,854). Pension contributions were paid on behalf of the highest paid director of £nil (2016: £nil). There were 7 directors (2016: 7) entitled to benefits under defined contribution schemes.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

7 Employees

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

	Number of employees Group		Number of employees Company	
	2017	2016	2017	2016
Production	266	259	152	146
Sales and marketing	282	278	77	75
Distribution	96	91	26	26
Research and development	56	42	53	42
Administration	109	103	36	34
	<u>809</u>	<u>773</u>	<u>344</u>	<u>323</u>

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Wages and salaries	29,909,207	27,218,055	12,088,308	11,091,163
Social security costs	4,358,390	3,816,358	1,271,311	1,158,072
Pension costs	984,365	833,702	288,084	268,179
Other costs	460,677	561,366	-	-
	<u>35,712,639</u>	<u>32,429,481</u>	<u>13,647,703</u>	<u>12,517,414</u>

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

8 Interest receivable and similar income

	Group 2017 £	Group 2016 £
Bank interest and securities	71,290	43,447
Group loans	144,886	158,862
Other interest receivable	1,682	37,586
	<u>217,858</u>	<u>239,895</u>

9 Interest payable and similar charges

	Group 2017 £	Group 2016 £
Bank loans and overdrafts	174,563	197,358
Finance leases and hire purchase contracts	9,170	8,126
Other interest	49,058	64,886
	<u>232,791</u>	<u>270,370</u>

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

10 Taxation

Analysis of charge in the period

	Group 2017 £	Group 2017 £	Group 2016 £	Group 2016 £
<i>UK Corporation Tax</i>				
Current tax on income for the year	85,249		696,199	
Adjustments in respect of prior periods	(96,143)		(300,598)	
		(10,894)		395,601
<i>Foreign Tax</i>				
Current tax on income for the year	6,709,918		5,619,379	
		6,709,918		5,619,379
Total Current Tax		6,699,024		6,014,980
<i>Deferred Tax (see note 19)</i>				
Origination and reversal of timing differences	(106,682)		232,142	
		(106,682)		232,142
Tax on profit on ordinary activities		6,592,342		6,247,122

Factors affecting the tax charge for the current year

The tax charge for the year is higher (2016: *higher*) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below.

	Group 2017 £	Group 2016 £
Profit on ordinary activities before tax	24,738,639	22,260,889
Tax at 19.25% (2016: 20%)	4,762,188	4,452,178
<i>Effects of:</i>		
Expenses not deductible for tax purposes	349,052	403,244
Adjustments for capital allowances and depreciation	71,992	49,193
Other tax allowances	(479,045)	(374,400)
Higher tax rates on overseas earnings	1,929,639	1,661,420
Utilisation of tax losses	(2,663)	28,264
Withholding tax not recoverable	164,004	95,679
Adjustments to tax charge in respect of previous periods	(96,143)	(300,598)
Origination and reversal of timing differences	(106,682)	232,142
Total tax charge (see above)	6,592,342	6,247,122

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

11 Intangible fixed assets - group

	Development costs £	Intellectual property £	Customer relationships £	Goodwill £	Total £
Cost					
At beginning of year	5,834,321	50,330	1,951,628	14,779,942	22,616,221
Additions	1,722,688	22,427	-	-	1,745,115
Disposals	(380,821)	-	-	-	(380,821)
Exchange difference	15,207	2,088	29,819	-	47,114
At end of year	7,191,395	74,845	1,981,447	14,779,942	24,027,629
Amortisation					
At beginning of year	803,621	50,330	417,356	11,801,371	13,072,678
Charge for year	541,403	10,594	424,869	1,140,840	2,117,706
Relating to disposals	(265,491)	-	-	-	(265,491)
Exchange difference	5,777	2,088	-	-	7,865
At end of year	1,085,310	63,012	842,225	12,942,211	14,932,758
Net book value					
At 31 December 2017	6,106,085	11,833	1,139,222	1,837,731	9,094,871
At 31 December 2016	5,030,700	-	1,534,272	2,978,571	9,543,543

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 5 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Development costs are being amortised over periods that match the economic benefits being derived, up to a maximum of 5 years.

Intellectual property is being amortised over the useful lives of the underlying patents, which are typically 15 years but can be up to 25 years.

Customer relationships in Intersurgical Benelux BV and Intersurgical AB are being amortised over 3 years in line with the basis of calculation of the purchase price. All other customer relationships are being amortised over 10 years which represents their useful life as determined by external professional valuers.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

11 Intangible fixed assets – company

	Development costs £
Cost	
At beginning of year	5,467,063
Additions	1,722,688
Disposals	(380,821)
	<hr/>
At end of year	6,808,930
	<hr/>
Amortisation	
At beginning of year	664,107
Charge for year	475,262
Relating to disposals	(265,491)
	<hr/>
At end of year	873,878
	<hr/>
Net book value	
At 31 December 2017	5,935,052
	<hr/>
At 31 December 2016	4,802,956
	<hr/>

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

12 Tangible fixed assets

Group	Assets under construction £	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computers £	Total £
Cost							
At beginning of year	1,510,150	8,472,743	15,937,604	3,379,084	1,383,345	2,516,457	33,199,383
Additions	2,428,667	900,671	302,557	288,271	325,079	212,180	4,457,425
Disposals	(7,905)	(9,081)	(226,934)	(53,274)	(320,720)	(349,325)	(967,239)
Exchange difference	-	109,983	(300)	72,445	15,839	35,269	233,236
Reclassifications	(250,938)	9,081	250,938	(30,675)	-	21,594	-
At end of year	3,679,974	9,483,397	16,263,865	3,655,851	1,403,543	2,436,175	36,922,805
Depreciation							
At beginning of year	-	957,397	11,642,877	2,109,914	779,350	1,742,399	17,231,937
Charge for year	-	242,014	920,575	279,557	264,446	398,864	2,105,456
Relating to disposals	-	(2,564)	(222,203)	(47,334)	(272,403)	(349,303)	(893,807)
Exchange difference	-	20,479	(143)	53,619	10,842	31,947	116,744
Reclassifications	-	1,730	-	(1,730)	-	-	-
At end of year	-	1,219,056	12,341,106	2,394,026	782,235	1,823,907	18,560,330
Net book value							
At 31 December 2017	3,679,974	8,264,341	3,922,759	1,261,825	621,308	612,268	18,362,475
At 31 December 2016	1,510,150	7,515,346	4,294,727	1,269,170	603,995	774,058	15,967,446

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 *(continued)*

12 Tangible fixed assets *(continued)*

Company	Assets under construction £	Leasehold property £	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computers £	Total £
Cost								
At beginning of year	1,403,568	266,640	5,550,000	8,603,822	563,116	739,337	483,625	17,610,108
Additions	2,008,571	-	888,388	222,253	41,591	241,621	70,646	3,473,070
Disposals	(7,905)	-	-	(1,449)	(51,452)	(239,911)	(198,501)	(499,218)
Reclassifications	(250,938)	-	-	250,938	-	-	-	-
At end of year	3,153,296	266,640	6,438,388	9,075,564	553,255	741,047	355,770	20,583,960
Depreciation								
At beginning of year	-	83,992	378,867	6,301,116	395,363	401,033	281,044	7,841,415
Charge for year	-	5,333	158,567	511,767	37,437	155,716	139,893	1,008,713
On disposals	-	-	-	(1,246)	(46,979)	(197,295)	(198,501)	(444,021)
At end of year	-	89,325	537,434	6,811,637	385,821	359,454	222,436	8,406,107
Net book value								
At 31 December 2017	3,153,296	177,315	5,900,954	2,263,927	167,434	381,593	133,334	12,177,853
At 31 December 2016	1,403,568	182,648	5,171,133	2,302,706	167,753	338,304	202,581	9,768,693

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 *(continued)*

12 Tangible fixed assets *(continued)*

Group

Included in the total net book value of fixed assets is £136,078 (2016: £58,607) in respect of assets held under finance leases or hire purchase contracts. Depreciation for the year on these assets was £48,921 (2016: £4,908).

Company

Included in the total net book value of fixed assets is £nil (2016: £nil) in respect of assets held under finance leases or hire purchase contracts. Depreciation for the year on these assets was £nil (2016: £nil).

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 *(continued)*

13 Investments in shares of subsidiary undertakings – company

The company's investments in shares of subsidiary undertakings are:

Company	Country of incorporation	Registered office	Class of shares	Holding	Nature of business
Intersurgical (Guernsey) Limited	Guernsey	Circuit House, Pitronnerie Rd, St Peter Port, Guernsey	Ordinary	100%	Medical equipment manufacturer
Intersurgical Espana SL	Spain	C/Plasencia 39, Pol. Ind. Las Nieves, 28935 Mostoles, Madrid, Spain	Ordinary	62.62%	Medical equipment distributor
Intersurgical Beatmungs Produkte GmbH	Germany	Siegburger Strasse 38, 53757 Sankt Augustin, Germany	Ordinary	100%	Medical equipment distributor
Intersurgical SARL	France	33 Av Mal De Lattre De Tassigny, 94127 Fontenay Sous Bois, Cedex, France	Ordinary	100%	Medical equipment distributor
Intersurgical Portugal LDA	Portugal	Avenida Pedro Alvares Cabral, 2710-144 Sintra, Portugal	Ordinary	90%	Medical equipment distributor
Intersurgical (RSA) Limited	South Africa	Unit 6 Eastgate Park, South Rd, Marlboro, Sandton 2063, South Africa	Ordinary	78.65%	Medical equipment distributor
Intersurgical (Philippines) Incorporated	Philippines	Unit-D.8287 Sucat Rd, SAV 1 Paranaque City, Metro Manila, Philippines	Ordinary	98.24%	Medical equipment distributor
Intersurgical Benelux BV	Netherlands	Vluchtoord 28, 5406 XP, Uden Netherlands	Ordinary	100%	Medical equipment distributor
Intersurgical SRO	Czech Republic	V Mokrinach 283/8, 147 00 Prague 4 Czech Republic	Ordinary	90%	Medical equipment distributor
Intersurgical Japan Ltd	Japan	Fukide Daini Building 3F, 4-1-21 Toranomon Minato-ku, Tokyo, Japan	Ordinary	100%	Medical equipment distributor

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements
for the year ended 31 December 2017 *(continued)*

13 Investments in shares of subsidiary undertakings – company *(continued)*

Company	Country of incorporation	Registered office	Class of shares	Holding	Nature of business
Intersurgical SpA	Italy	Via Tonino Mirandi 12, 41037 Mirandola, Italy	Ordinary	95.08%	Medical equipment manufacturer and distributor
Intersurgical Inc	USA	6757 Kinne St, East Syracuse, NY 13057, USA	Ordinary	97.88%	Medical equipment distributor
Intersurgical Taiwan Ltd	Taiwan	No. 27 Lingdong Rd, Nantun District, Taichung City 408, Taiwan	Ordinary	90%	Medical equipment distributor
Intersurgical AB	Sweden	Svardvagen 3A, 182 33 Danderyd, Sweden	Ordinary	100%	Medical equipment distributor
Intersurgical Australia Pty Ltd	Australia	Unit 4, 151 Beauchamp Rd, Matraville, NSW 2036, Australia	Ordinary	100%	Medical equipment distributor
Intersurgical SAS	Colombia	Autopista Medellin, Parque Ind. Portos Sabana 80, Bodega 69, Bogota, Colombia	Ordinary	70%	Medical equipment distributor
Intersurgical (Ireland) Ltd	Rep of Ireland	Unit 249 Blanchardstown Corp. Park 2, Dublin 15, Rep. Of Ireland	Ordinary	100%	Medical equipment distributor
Intersurgical Medikal Urunler Limited	Turkey	Nida Kule Is Merkezi, Merdivenkoy Mah., No:1 Kat:7, 34732 Istanbul, Turkey	Ordinary	100%	Medical equipment distributor
Intersurgical Ltd	Canada	1185 Corporate Drive, Unit 2, Burlington, ON, Canada	Ordinary	100%	Medical equipment distributor

All the above companies are included in these consolidated accounts and have the same year end as Intersurgical Limited.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

13 Investments in shares of subsidiary undertakings – company (continued)

	2017 £	2016 £
Cost at beginning of year	23,362,940	22,784,445
Additional investment	-	578,495
Reversal of impairment	1,647,330	-
	<hr/>	<hr/>
Cost at end of year	25,010,270	23,362,940
	<hr/>	<hr/>

The impairment reversal relates to previous impairments to the investment in Intersurgical Inc of £800,000 in 2012 and £847,330 in 2013. Having assessed the current and projected performance of Intersurgical Inc, the directors believe that the impairment is no longer appropriate.

14 Stocks

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Raw materials and consumables	1,714,616	1,653,368	1,038,550	1,042,298
Work in progress	235,297	225,783	50,561	21,835
Finished goods and goods for resale	15,870,710	14,414,035	2,487,956	2,571,913
	<hr/>	<hr/>	<hr/>	<hr/>
	17,820,623	16,293,186	3,577,067	3,636,046
	<hr/>	<hr/>	<hr/>	<hr/>

15 Debtors

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Trade debtors	32,356,356	30,569,725	7,162,792	7,923,960
Deposits paid	123,543	117,998	-	-
Amounts owed by group companies	11,218,430	14,030,306	13,798,130	16,398,872
Corporation and state income tax	974,045	145,369	497,804	24,093
Other taxation and social security	47,495	69,569	-	-
Other debtors	441,013	581,886	108,740	107,338
Prepayments and accrued income	2,024,209	1,155,761	1,456,651	589,025
	<hr/>	<hr/>	<hr/>	<hr/>
	47,185,091	46,670,614	23,024,117	25,043,288
	<hr/>	<hr/>	<hr/>	<hr/>

Included in amounts owed by group companies is £5,877,181 (2016: £8,637,843) which falls due after more than one year.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

16 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts	1,042,806	877,135	-	-
Obligations under finance leases and hire purchase contracts	25,827	38,879	-	-
Trade creditors	5,904,726	4,200,610	2,704,159	1,503,676
Amounts owed to group companies	7,294,782	6,181,187	1,414,777	1,461,142
Corporation and state income tax	1,008,678	941,649	-	-
Other taxation and social security	3,555,570	3,379,391	1,097,643	898,838
Other creditors	2,914,600	2,734,457	-	-
Accruals and deferred income	2,280,137	2,590,654	880,584	1,292,677
	<u>24,027,126</u>	<u>20,943,962</u>	<u>6,097,163</u>	<u>5,156,333</u>

The bank loans and overdrafts are secured by way of various charges over the assets of certain trading subsidiary undertakings.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Bank loans	375,689	685,971	-	-
Obligations under finance leases and hire purchase contracts	55,052	28,365	-	-
	<u>430,741</u>	<u>714,336</u>	<u>-</u>	<u>-</u>

The bank loans are secured over the assets of certain trading subsidiary undertakings and the liability at 31 December 2017 includes £nil (2016: £nil) repayable after five years. There are three bank loans of which two are denominated in Euros and one in New Taiwan Dollars. The Euro loan balances are £56,781 (of which £nil included above) and £626,148 (of which £375,689 included above) respectively and the New Taiwan Dollar balance is £8,310 (of which £nil included above).

The Euro loan of £56,781 (€63,901) is repayable by monthly instalments of €18,000, including interest at 0.5% over EURIBOR, and will be repaid in 2018. The other Euro loan of £626,148 (€704,667) is interest free and is repayable by 6-monthly instalments of €140,933 with final repayment in 2020. This loan is interest free because it was provided by the Italian government to Intersurgical SpA in order to assist with rebuilding costs after the earthquake in 2012.

The New Taiwan Dollar loan of £8,310 (TWD 333,344) is repayable by monthly instalments of TWD 43,581, including interest at 4.35%, and will be repaid in 2018.

The terms of repayment of the bank loans are:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Within one year	315,550	435,375	-	-
In two to five years	375,689	685,971	-	-
	<u>691,239</u>	<u>1,121,346</u>	<u>-</u>	<u>-</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Within one year	25,827	38,879	-	-
In two to five years	55,052	28,365	-	-
	<u>80,879</u>	<u>67,244</u>	<u>-</u>	<u>-</u>

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

18 Financial instruments

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

	2017 £	2016 £
Financial assets		
Cash at bank and in hand	34,732,805	26,206,851
Financial assets that are debt instruments measured at amortised cost	44,139,342	45,299,915
Financial liabilities		
Financial liabilities measured at amortised cost	(19,893,619)	(17,337,258)

Financial assets measured at amortised cost comprise trade debtors, deposits paid, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, obligations under finance leases, trade creditors, amounts owed to group undertakings, other creditors and accruals.

19 Provisions for liabilities

Group	Deferred taxation £
At beginning of year	1,488,170
Credit to profit and loss for the year	
Additional amounts provided	(106,682)
Exchange differences on overseas balances	(5,342)
At end of year	1,376,146

The elements of deferred taxation are as follows:

	2017 £	2016 £
Difference between accumulated depreciation and capital allowances	1,345,223	1,402,620
Other timing differences	30,923	85,550
	1,376,146	1,488,170

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

19 Provisions for liabilities (continued)

Company	Deferred taxation £
At beginning of year	1,317,800
Credit to profit and loss for the year	
Additional amounts provided	(2,200)
	<hr/>
At end of year	1,315,600
	<hr/>

The elements of deferred taxation are as follows:

	2017 £	2016 £
Difference between accumulated depreciation and capital allowances	1,315,600	1,317,800
	<hr/>	<hr/>

20 Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid		
17,000,000 ordinary shares of £1 each	17,000,000	17,000,000
	<hr/>	<hr/>

21 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Called up share capital	The nominal value of shares issued
Other reserves	Non distributable reserves required by law in certain jurisdictions
Profit and loss account	Cumulative profits or losses, net of dividends paid and other adjustments

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

22 Analysis of changes in net funds

	At 1 January 2017 £	Cash flow £	Non cash flow £	Exchange movement £	At 31 December 2017 £
Cash at bank and in hand	26,206,851	8,359,189	-	166,765	34,732,805
Overdrafts	(441,760)	(253,364)	-	(32,132)	(727,256)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Loans due in less than one year	25,765,091	8,105,825	-	134,633	34,005,549
	(435,375)	137,296	-	(17,471)	(315,550)
Loans due in more than one year	(685,971)	338,315	-	(28,033)	(375,689)
Finance leases	(67,244)	14,089	(29,801)	2,077	(80,879)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	24,576,501	8,595,525	(29,801)	91,206	33,233,431
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

23 Commitments

Group

Capital commitments at the end of the year for which no provision has been made:

	2017 £	2016 £
Contracted	663,028	160,085
Authorised but not contracted	-	1,000,000
	<hr/>	<hr/>

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

	2017		2016	
	Land and buildings £	Other £	Land and buildings £	Other £
Not later than 1 year	1,067,852	478,667	1,348,732	487,177
Later than 1 year and not later than 5 years	1,257,296	543,134	2,312,598	728,428
Later than 5 years	-	-	267,555	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,325,148	1,021,801	3,928,885	1,215,605
	<hr/>	<hr/>	<hr/>	<hr/>

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

23 Commitments (continued)

Company

Capital commitments at the end of the year for which no provision has been made:

	2017 £	2016 £
Contracted	620,000	145,478
Authorised but not contracted	-	1,000,000

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

	2017 Land and buildings £	2017 Other £	2016 Land and buildings £	2016 Other £
Within one year	89,783	11,453	34,450	13,079
Later than 1 year and not later than 5 years	37,321	11,453	71,771	-
Over five years	-	-	-	-
	<u>127,104</u>	<u>22,906</u>	<u>106,221</u>	<u>13,079</u>

24 Pension costs

The group operates several defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the group to the schemes and amounted to £984,365 (2016: £833,702). Contributions amounting to £42,985 (2016: £38,433) were payable to the schemes and are included in creditors at the end of the year.

25 Contingent liabilities

The company has given a guarantee to Intersurgical AG in respect of its 4 year revolving credit facility, as a result of which borrowings totalling £18,000,000 (2016: £19,000,000) have been guaranteed by the company. Furthermore, as part of the security for Intersurgical AG's credit facility the company has issued a debenture, in favour of HSBC Bank Plc, charging its assets.

The credit facility is due for renewal on 31 October 2018 and the bank has confirmed its intent to renew on similar terms.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

26 Related party transactions

In accordance with Financial Reporting Standard 102, transactions with wholly owned subsidiaries of the company have not been disclosed in these financial statements.

Group and company

Sales of £17,472,253 (2016: £18,605,048) were made to and £77,442,302 (2016: £70,235,439) of stock purchases were acquired from UAB Intersurgical. A recharge of development costs of £1,539,000 (2016: £1,431,000) and an interest charge of £144,886 (2016: £158,862) were made to UAB Intersurgical. At the year end the group was owed £10,998,394 (2016: £13,899,708) by and owed £5,137,713 (2016: £4,318,279) to UAB Intersurgical. UAB Intersurgical is a fellow subsidiary of Intersurgical AG.

Rent of £257,320 (2016: £257,320) and interest of £39,802 (2016: £34,052) were paid to Norbeck Limited, a fellow subsidiary company of Intersurgical AG. At the year end £2,157,069 (2016: £1,862,907) was owed to Norbeck Limited.

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £4,756,204 (2016: £4,579,650).

Company only

The company made sales to subsidiary companies, which were less than 100% owned at the time of the transaction, of £411 (2016: £385). At the year end these subsidiaries owed the company £7,168 (2016: £4,562) and were owed £76,179 (2016: £11,640) by the company.

Stock purchases of £197,011 (2016: £323,186) were acquired from Intersurgical SpA. At the year end the company owed £32,656 (2016: £54,596) to Intersurgical SpA.

Sales of £17,286,133 (2016: £18,418,081) were made to and £27,722,815 (2016: £26,009,907) of stock purchases were acquired from UAB Intersurgical. A recharge of development costs of £1,539,000 (2016: £1,431,000) and an interest charge of £144,886 (2016: £158,862) were made to UAB Intersurgical. At the year end the company was owed £10,950,177 (2016: £13,829,256) by UAB Intersurgical. UAB Intersurgical is a fellow subsidiary of Intersurgical AG.

Intersurgical Limited and Subsidiaries

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

27 Subsequent events

The company agreed to purchase a property in February 2018 at a cost of £5m. At the year end the intent was to rent the property rather than to purchase it, so the purchase cost has not been disclosed in note 23. No adjustment is considered necessary in the 2017 financial statements in respect of this cost.

28 Ultimate parent company and controlling party

The immediate parent undertaking is Intersurgical AG and the ultimate parent undertaking is Cosmeplast Ets, both companies being incorporated in Liechtenstein. Cosmeplast Ets is not required to prepare consolidated financial statements under Liechtenstein company law. The consolidated financial statements of Intersurgical AG are available on request from the registered office at Administratral Anstalt, Postfach 167, Landstrasse 11, FL-9495 Triesen, Liechtenstein. The ultimate controlling party are the trustees of the Selva Trust by virtue of the Selva Trust having majority ownership of Cosmeplast Ets.