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Registered number: 04193536

SUMMIT MEDICAL LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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SUMMIT MEDICAL LIMITED

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | Mr D Bee Mr A Simpson |
| Company secretary | Mr A McKay |
| Registered number | 04193536 |
| Registered office | Bourton Industrial Park Bourton on the Water Gloucestershire GL54 2HQ |
| Independent auditor | Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2 Glass Wharf Bristol BS2 0EL |
| Bankers | Cordet Capital Partners LLP 23 King Street 1st floor London SW1Y 6QY Royal Bank of Scotland 79 - 83 Colmore Row Birmingham B3 2BA |
| Solicitors | BPE St James' House St James' Square Cheltenham Gloucestershire GL50 3PR |

SUMMIT MEDICAL LIMITED

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SUMMIT MEDICAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

Business review

Turnover in the year to 31 March 2018 totalled £13.7 million, an increase of 1.7% on last year (2017: £13.5 million). Operating profit was £1.7 million (2017: £1.3 million).

The directors are pleased with the underlying operational performance during the year and believe that the Company is in a strong position for future growth.

Strategy

The strategy during the year has been to maintain and develop market position in existing markets, whilst building relationships with distributors and original equipment manufacturers. The directors are committed to developing new, innovative products through the company's internal development agenda and increasing global registrations for producers.

Turnover

Revenue increased in the year with strong growth in the USA from key customers being offset by a reduction in certain export markets and continued austerity measures in the UK.

Gross profit

A change in the geographical mix of sales and continued production efficiency and effective sourcing of specific components from lower cost economies have resulted in a gross margin of 61.4% (2017: 55.5%).

Operating costs

The headcount remained at 98 (2017: 98) during the year.

Sales and marketing, research and development, administration costs and depreciation and amortisation account for the majority of other operating costs.

Research and development

The company's commitment to product development continues with a considerable investment being made into both product enhancements and new product development.

The company's total expenditure on research and development projects (including all attributable departmental costs and both revenue and capital project tooling expenditure) was £0.9 million (2017: £639k).

Capital expenditure

During the year, capital investment has been made into plant and machinery (£323k) and hardware (£105k). Improvements to freehold property and additions to fixtures and fittings in the year totalled £9k.

Future development of the business / future outlook

It is believed that continued investment in developing both new products and enhancing existing products, together with particular emphasis on quality, design and customer service will enable the business to maintain and build on its market position.

SUMMIT MEDICAL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Business review (continued)

Going concern

The company adopts a going concern basis in preparing the financial statements.

Principal risks and uncertainties

Price risk

A small element of the Company's product portfolio could be described as commodities. As a result there is the risk of downward pressure on margins. Policies of constant price monitoring and the sourcing of components and materials from alternative lower cost economies are in place to mitigate such risk.

Interest rate risk

The company finances its operations through a mixture of retained profits, cash, equity investments and intercompany borrowings. The company's exposure to interest rate fluctuations on its borrowings is largely managed through the immediate parent undertaking by means of an interest rate hedge.

Currency risk

The company is exposed to foreign exchange translation risk. Foreign currency bank balances and exchange rates are regularly reviewed and, where appropriate, foreign currency is converted into sterling to minimise this risk. Forward currency contracts are also held for certain currencies.

Credit risk

The company's principal financial assets are cash and trade debtors. In order to manage credit risk the directors set limits for certain customers based on a combination of payment history and third party credit references.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely. Short term flexibility is achieved by a revolving credit facility.

Overview

The Company remains committed to growing its sales through the provision of products which meet customer requirements in the orthopaedic healthcare market. The Company has continued to expand its distribute network in key international markets across the portfolio.

This report was approved by the board on 6 August 2018 and signed on its behalf.

Mr D Bee
Director



SUMMIT MEDICAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Results and dividends

The profit for the year, after taxation, amounted to £1,432,963 (2017: £1,431,916).

The directors have not recommended a dividend (2017: £Nil).

Directors

The directors who served during the year were:

Mr D Bee
Mr A Simpson

Directors' responsibilities statement

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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company 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;
- 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.

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

Future developments

It is believed that continued investment in developing both new products and enhancing existing products, together with particular emphasis on quality, design and customer service will enable the business to maintain and build on its market position.

SUMMIT MEDICAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *6 August 2018* and signed on its behalf.

Mr D Bee
Director

A handwritten signature in black ink, consisting of a large, stylized loop followed by a long, sweeping horizontal stroke.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUMMIT MEDICAL LIMITED

Opinion

We have audited the financial statements of Summit Medical Limited for the year ended 31 March 2018, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes, 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 Company's affairs as at 31 March 2018 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.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

Conclusions relating to going concern

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUMMIT MEDICAL LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

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, 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUMMIT MEDICAL LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



Tim Lincoln
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Bristol
Date: 9 August 2018

SUMMIT MEDICAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

| | Note | 2018 £ | 2017 £ |
|--|------|------------------|------------------|
| Turnover | 4 | 13,728,395 | 13,497,327 |
| Cost of sales | | (5,305,592) | (6,005,291) |
| Gross profit | | 8,422,803 | 7,492,036 |
| Distribution costs | | (283,046) | (251,643) |
| Administrative expenses | | (6,519,827) | (6,148,778) |
| Other operating income | 5 | - | 177,126 |
| Operating profit | 6 | 1,619,930 | 1,268,741 |
| Interest receivable and similar income | 10 | 177,317 | 108,904 |
| Interest payable and expenses | 11 | - | (118) |
| Profit before tax | | 1,797,247 | 1,377,527 |
| Tax on profit | 12 | (364,284) | 54,389 |
| Profit for the financial year | | 1,432,963 | 1,431,916 |

There was no other comprehensive income for 2018 (2017: £Nil).

The notes on pages 11 to 30 form part of these financial statements.

SUMMIT MEDICAL LIMITED
REGISTERED NUMBER:04193536

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

| | Note | 2018 £ | 2017 £ |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 3,316,342 | 3,793,150 |
| Tangible assets | 14 | 1,230,935 | 1,159,765 |
| Investments | 15 | 6,107,313 | 6,107,313 |
| | | <u>10,654,590</u> | <u>11,060,228</u> |
| Current assets | | | |
| Stocks | 16 | 1,207,348 | 984,307 |
| Debtors: amounts falling due within one year | 17 | 22,062,494 | 17,906,458 |
| Cash at bank and in hand | 18 | 355,671 | 491,342 |
| | | <u>23,625,513</u> | <u>19,382,107</u> |
| Creditors: amounts falling due within one year | 19 | (2,780,565) | (2,535,878) |
| Net current assets | | <u>20,844,948</u> | <u>16,846,229</u> |
| Total assets less current liabilities | | <u>31,499,538</u> | <u>27,906,457</u> |
| Creditors: amounts falling due after more than one year | 20 | (12,428,577) | (10,270,306) |
| Deferred tax | 22 | (118,250) | (116,403) |
| Net assets | | <u><u>18,952,711</u></u> | <u><u>17,519,748</u></u> |
| Capital and reserves | | | |
| Called up share capital | 23 | 9,851 | 9,851 |
| Share premium account | 24 | 1,070,358 | 1,070,358 |
| Capital redemption reserve | 24 | 450 | 450 |
| Profit and loss account | 24 | 17,872,052 | 16,439,089 |
| | | <u><u>18,952,711</u></u> | <u><u>17,519,748</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

6 August 2018

Mr D Bee
 Director

The notes on pages 11 to 30 form part of these financial statements.

SUMMIT MEDICAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

| | Called up share capital £ | Share premium account £ | Capital redemption reserve £ | Profit and loss account £ | Total equity £ |
|--|---------------------------------|----------------------------------|---------------------------------------|---------------------------------|-------------------|
| At 1 April 2016 | 9,851 | 1,070,358 | 450 | 15,007,173 | 16,087,832 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 1,431,916 | 1,431,916 |
| Total comprehensive income for the year | - | - | - | 1,431,916 | 1,431,916 |
| At 1 April 2017 | 9,851 | 1,070,358 | 450 | 16,439,089 | 17,519,748 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 1,432,963 | 1,432,963 |
| Total comprehensive income for the year | - | - | - | 1,432,963 | 1,432,963 |
| At 31 March 2018 | 9,851 | 1,070,358 | 450 | 17,872,052 | 18,952,711 |

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General information

Summit Medical Limited is a private company limited by shares and incorporated in England and Wales. Its Registered Office is at Bourton Industrial Park, Bourton on the Water, Gloucestershire, GL54 2HQ. The company registration number is 04193536.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting standard applicable in the United Kingdom and Republic of Ireland ("FRS102")', and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

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 3).

The following principal accounting policies have been applied:

2.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow in accordance with FRS102.

2.3 Going concern

At the end of the year the company had net assets £18,952,711 (2017: £17,519,748) and had made profits of £1,432,963 (2017: £1,431,916). The Directors confirm that adequate resources exist within the Group, if necessary, to ensure that the company continues to operate within the foreseeable future.

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.5 Intangible assets

Patents and Goodwill are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Development costs are recognised as an intangible asset when all of the following criteria are demonstrated;

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

Expenditure not meeting the criteria have been expensed through the statement of comprehensive income.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

| | | |
|-------------------------|---|---|
| Patents | - | % over 5 years straight line |
| Development expenditure | - | % over useful life from launch of the product |
| Goodwill | - | % over 20 years straight line |

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | | |
|------------------------|---|---|
| Freehold property | - | over 50 years straight line |
| Leasehold Improvements | - | over term of the lease |
| Plant and machinery | - | 33.3% straight line |
| Fixtures & fittings | - | 15% reducing balance (including computers at 33.3% straight line) |
| Hardware | - | 50% straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.7 Operating leases: Lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

2.8 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.

2.9 Investments

Investments held as fixed assets are held at cost less provision for impairment.

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.10 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal activity. No element of profit is included in the valuation of work in progress.

At each reporting date, stocks are 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 comprehensive income.

2.11 Debtors

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

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.13 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Creditors

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

2.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in comprehensive income.

2.16 Finance costs

Finance costs are charged to the comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.17 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.18 Interest income

Interest income is recognised in the comprehensive income using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in comprehensive income, except that a change attributable to an item of income and 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 operates and generates income.

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

- 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 they relate to timing differences in respect of interests in subsidiaries and the Company can control the reversal of the timing differences 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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

Provision for obsolete and slow moving inventories - Inventories are assessed on an item by item basis for damaged or slow moving stock.

Provision for bad and doubtful debts - Provisions are made for significantly overdue items on the debtors ledger with specific provision for debtors in financial difficulty.

Useful lives of Property, Plant and Equipment - Items are depreciated over their useful life.

Useful lives of Intangible Assets - Items are amortised over their useful life.

Capitalisation of Development costs - Capitalised when estimated to generate future economic benefit.

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. Turnover

The whole of the turnover is attributable to the one principal activity.

Analysis of turnover by country of destination:

| | 2018 £ | 2017 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 3,257,073 | 3,527,507 |
| Rest of Europe | 1,260,379 | 1,225,644 |
| Rest of the world | 9,210,943 | 8,744,176 |
| | <u>13,728,395</u> | <u>13,497,327</u> |

5. Other operating income

| | 2018 £ | 2017 £ |
|-------------------------------|-----------|----------------|
| Management charges receivable | - | 177,126 |
| | <u>-</u> | <u>177,126</u> |

6. Operating profit

The operating profit is stated after charging:

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Depreciation of tangible fixed assets | 348,120 | 331,786 |
| Amortisation of intangible assets, including goodwill | 666,375 | 662,633 |
| Impairment of intangible assets | - | 107,174 |
| Exchange differences | 297,654 | (39,364) |
| Defined contribution pension cost | 110,240 | 119,442 |
| | <u>1,422,429</u> | <u>1,281,671</u> |

7. Auditor's remuneration

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts | 16,000 | 16,000 |
| | <u>16,000</u> | <u>16,000</u> |

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 3,153,457 | 3,523,126 |
| Social security costs | 320,255 | 332,528 |
| Cost of defined contribution scheme | 110,240 | 119,442 |
| | <u>3,583,952</u> | <u>3,975,096</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2018 No. | 2017 No. |
|--------------------------|-------------|-------------|
| Production | 39 | 38 |
| Selling and distribution | 23 | 18 |
| Administration | 19 | 14 |
| Management | 17 | 28 |
| | <u>98</u> | <u>98</u> |

9. Directors' remuneration

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Directors' emoluments | 654,858 | 285,225 |
| Company contributions to defined contribution pension schemes | 7,944 | 7,944 |
| | <u>662,802</u> | <u>293,169</u> |

During the year retirement benefits were accruing to 2 directors (2017: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £398,183 (2017: £182,506).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,344 (2017: £7,944).

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. Interest receivable

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Interest receivable from group companies | 176,673 | 108,808 |
| Other interest receivable | 644 | 96 |
| | <u>177,317</u> | <u>108,904</u> |

11. Interest payable and similar charges

| | 2018 £ | 2017 £ |
|------------------------|-----------|------------|
| Other interest payable | - | 118 |
| | <u>-</u> | <u>118</u> |

12. Taxation

| | 2018 £ | 2017 £ |
|---|----------------|-----------------|
| Corporation tax | | |
| Current tax on profits for the year | 317,560 | (45,197) |
| Adjustments in respect of previous periods | 44,877 | - |
| Total current tax | <u>362,437</u> | <u>(45,197)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 19,320 | 18,140 |
| Effect of tax rate change on opening liability | - | (11,561) |
| Adjustment in respect of prior periods | (17,473) | (15,771) |
| Total deferred tax | <u>1,847</u> | <u>(9,192)</u> |
| Taxation on profit/(loss) on ordinary activities | <u>364,284</u> | <u>(54,389)</u> |

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

12. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017: *lower than*) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

| | 2018 £ | 2017 £ |
|---|-----------------------|------------------|
| Profit on ordinary activities before tax | <u>1,797,247</u> | <u>1,377,527</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%) | 341,477 | 275,505 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 36,093 | 39,268 |
| Fixed asset permanent differences | 124,393 | 136,732 |
| Adjustments to tax charge in respect of prior periods | 44,877 | (45,197) |
| Adjustment to tax charge in respect of previous periods - deferred tax | (17,473) | (15,771) |
| Research and development tax credit | 3,471 | (262) |
| Patent Box | (16,895) | (13,136) |
| Adjusting of closing DT rate to current tax (19%) | (13,912) | (20,542) |
| Adjusting of opening DT rate to current tax (19%) | 11,639 | 5,780 |
| Group relief claimed before payment | (149,386) | (416,766) |
| Total tax charge for the year | <u>364,284</u> | <u>(54,389)</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

13. Intangible assets

| | Patents £ | Development £ | Goodwill £ | Total £ |
|-----------------------|----------------------|-----------------------|-------------------------|-------------------------|
| Cost | | | | |
| At 1 April 2017 | 789,199 | 745,775 | 12,504,187 | 14,039,161 |
| Additions | 33,682 | 248,088 | - | 281,770 |
| At 31 March 2018 | <u>822,881</u> | <u>993,863</u> | <u>12,504,187</u> | <u>14,320,931</u> |
| Amortisation | | | | |
| At 1 April 2017 | 736,412 | 131,563 | 9,378,036 | 10,246,011 |
| Charge for the year | 12,770 | 120,608 | 625,200 | 758,578 |
| At 31 March 2018 | <u>749,182</u> | <u>252,171</u> | <u>10,003,236</u> | <u>11,004,589</u> |
| Net book value | | | | |
| At 31 March 2018 | <u><u>73,699</u></u> | <u><u>741,692</u></u> | <u><u>2,500,951</u></u> | <u><u>3,316,342</u></u> |
| At 31 March 2017 | <u><u>52,787</u></u> | <u><u>614,212</u></u> | <u><u>3,126,151</u></u> | <u><u>3,793,150</u></u> |

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

14. Tangible fixed assets

| | Freehold property £ | Leasehold improvements £ | Plant & machinery £ | Fixtures & fittings £ | Hardware £ | Total £ |
|--------------------------|---------------------------|--------------------------------|---------------------------|-----------------------------|----------------|------------------|
| Cost or valuation | | | | | | |
| At 1 April 2017 | 1,168,834 | 60,539 | 3,201,612 | 1,675,917 | 366,511 | 6,473,413 |
| Additions | - | - | 323,421 | 9,278 | 104,883 | 437,582 |
| Disposals | - | - | - | - | (25,756) | (25,756) |
| At 31 March 2018 | <u>1,168,834</u> | <u>60,539</u> | <u>3,525,033</u> | <u>1,685,195</u> | <u>445,638</u> | <u>6,885,239</u> |
| Depreciation | | | | | | |
| At 1 April 2017 | 469,601 | 56,709 | 2,998,803 | 1,572,838 | 215,697 | 5,313,648 |
| Charge for the year | 20,988 | 3,830 | 114,266 | 77,297 | 131,739 | 348,120 |
| Disposals | - | - | - | - | (7,464) | (7,464) |
| At 31 March 2018 | <u>490,589</u> | <u>60,539</u> | <u>3,113,069</u> | <u>1,650,135</u> | <u>339,972</u> | <u>5,654,304</u> |
| Net book value | | | | | | |
| At 31 March 2018 | <u>678,245</u> | <u>-</u> | <u>411,964</u> | <u>35,060</u> | <u>105,666</u> | <u>1,230,935</u> |
| At 31 March 2017 | <u>699,233</u> | <u>3,830</u> | <u>202,809</u> | <u>103,079</u> | <u>150,814</u> | <u>1,159,765</u> |

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Fixed asset investments

| | Investments in subsidiary companies £ |
|--------------------------|--|
| Cost or valuation | |
| At 1 April 2017 | 6,107,313 |
| At 31 March 2018 | <u>6,107,313</u> |
| Net book value | |
| At 31 March 2018 | <u><u>6,107,313</u></u> |
| At 31 March 2017 | <u><u>6,107,313</u></u> |

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding |
|---|----------------------------|----------------|
| Orthodynamics Limited | Ordinary | 100 % |
| Marlux Medical Limited | Ordinary | 100 % |
| Summit Medical (Benefits) Limited (dormant) | Ordinary | 100 % |
| Orthodesign Limited (dormant) | Ordinary | 100 % |
| Marshall Contracts Limited (dormant) | Ordinary | 100 % |

The aggregate of the share capital and reserves as at 31 March 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

| | Aggregate of share capital and reserves £ | Profit/(loss) £ |
|-----------------------------------|--|----------------------------|
| Orthodynamics Limited | 9,665,492 | 1,293,092 |
| Marlux Medical Limited | 4,597,426 | 501,413 |
| Summit Medical (Benefits) Limited | 15,000 | - |
| Orthodesign Limited | 2 | - |
| Marshall Contracts Limited | <u>1</u> | <u>-</u> |

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. Stocks

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|----------------|
| Raw materials | 738,976 | 554,127 |
| Work in progress | 128,206 | 73,287 |
| Finished goods and goods for resale | 340,166 | 356,893 |
| | <u>1,207,348</u> | <u>984,307</u> |

17. Debtors

| | 2018 £ | 2017 £ |
|------------------------------------|-------------------|-------------------|
| Trade debtors | 3,647,033 | 2,598,800 |
| Amounts owed by group undertakings | 17,829,211 | 14,850,573 |
| VAT | 322,342 | 177,978 |
| Prepayments and accrued income | 263,908 | 279,107 |
| | <u>22,062,494</u> | <u>17,906,458</u> |

18. Cash and cash equivalents

| | 2018 £ | 2017 £ |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | <u>355,671</u> | <u>491,342</u> |

19. Creditors: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 2,266,701 | 1,891,571 |
| Amounts owed to group undertakings | - | 313,185 |
| Corporation tax | 183,442 | 15,211 |
| Other taxation and social security | 93,584 | 90,811 |
| Other creditors | - | 2,183 |
| Accruals and deferred income | 236,838 | 222,917 |
| | <u>2,780,565</u> | <u>2,535,878</u> |

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

20. Creditors: Amounts falling due after more than one year

| | 2018 £ | 2017 £ |
|------------------------------------|-------------------|-------------------|
| Amounts owed to group undertakings | <u>12,428,577</u> | <u>10,270,306</u> |

21. Financial instruments

| | 2018 £ | 2017 £ |
|--|---------------------|---------------------|
| Financial assets | | |
| Financial assets measured at amortised cost | <u>21,831,915</u> | <u>17,940,715</u> |
| | <u>21,831,915</u> | <u>17,940,715</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>(14,932,116)</u> | <u>(12,700,162)</u> |
| | <u>(14,932,116)</u> | <u>(12,700,162)</u> |

Financial assets measured at amortised cost comprise cash, trade debtors, amounts owing by group undertakings and other debtors at year end.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owing to group undertakings, other creditors and accrual at year end.

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

22. Deferred taxation

| | 2018 £ |
|---------------------------|------------------|
| At beginning of year | (116,403) |
| Charged to profit or loss | (1,847) |
| At end of year | (118,250) |

The provision for deferred taxation is made up as follows:

| | 2018 £ | 2017 £ |
|--------------------------------|------------------|------------------|
| Accelerated capital allowances | (121,793) | (120,123) |
| Short term timing differences | 3,543 | 3,720 |
| | (118,250) | (116,403) |

23. Share capital

| | 2018 £ | 2017 £ |
|---|--------------|--------------|
| Allotted, called up and fully paid | | |
| 684,000 Ordinary A shares of £0.01 each | 6,840 | 6,840 |
| 76,000 Ordinary B shares of £0.01 each | 760 | 760 |
| 186,100 Ordinary C shares of £0.01 each | 1,861 | 1,861 |
| 39,000 Ordinary D shares of £0.01 each | 390 | 390 |
| | 9,851 | 9,851 |

SUMMIT MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

24. Reserves

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

Represents the amount that the company has transferred from the profit and loss account and is required to retain as a result of repurchasing its own shares. It is a non distributable reserve.

Profit & loss account

Includes all current and prior periods retained profits and losses.

25. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund.

26. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Within 1 year | 203,551 | 189,428 |
| Later than 1 year and not later than 5 years | 502,187 | 600,041 |
| Later than 5 years | 3,599 | - |
| | <u>709,337</u> | <u>789,469</u> |

27. Related party transactions

No transactions with related parties were undertaken that are required to be disclosed under Financial Reporting Standard 102.

SUMMIT MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

28. Controlling party

The directors consider that the immediate parent undertaking of this company is OrthoD Group Limited, a company incorporated in England and Wales by virtue of its 100% shareholding in Summit Medical Limited.

The company was acquired on 29 March 2018 and the ultimate parent undertaking and controlling related party of this company is Apposite Capital LLP, by virtue of its 100% shareholding in OrthoD Group Limited.

The largest group of undertaking for which the group accounts have been drawn up is that headed by OrthoD Group Limited. Copies of the group accounts can be obtained from Summit Medical Limited at Bourton Industrial Park, Bourton on the Water, Gloucestershire, GL54 2HQ.